

BLACKROCK CREDIT ALLOCATION INCOME TRUST IV
Form N-14 8C
August 09, 2012

As filed with the Securities and Exchange Commission on August 8, 2012
Securities Act File No. 333-
Investment Company Act File No. 811-21972

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No.
 Post-Effective Amendment No.
(Check appropriate box or boxes)

BLACKROCK CREDIT ALLOCATION INCOME TRUST IV
(Exact Name of Registrant as Specified in Charter)

100 BELLEVUE PARKWAY
WILMINGTON, DELAWARE 19809
(Address of Principal Executive Offices: Number, Street, City, State, Zip Code)

(800) 882-0052
(Area Code and Telephone Number)

John M. Perlowski
President and Chief Executive Officer
BlackRock Credit Allocation Income Trust IV
55 East 52nd Street
New York, New York 10055
(Name and Address of Agent for Service)

With copies to:

Thomas A. DeCapo, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
One Beacon Street
Boston, Massachusetts 02108

Janey Ahn, Esq.
BlackRock Advisors, LLC
40 East 52nd Street
New York, NY 10022

AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT
(Approximate Date of Proposed Public Offering)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

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Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common shares \$0.001 par value	N/A	N/A	\$1,000,000	\$114.60

(1) Estimated solely for the purpose of calculating the filing registration fee, pursuant to Rule 457(o) under the Securities Act of 1933.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This Registration Statement is organized as follows:

- a. Letter to Shareholders of BlackRock Credit Allocation Income Trust I, Inc. ("PSW") and BlackRock Credit Allocation Income Trust II, Inc. ("PSY"), BlackRock Credit Allocation Income Trust III ("BPP") and BlackRock Credit Allocation Income Trust IV ("BTZ").
 - b. Questions and Answers to Shareholders of PSW, PSY, BPP and BTZ.
 - c. Notice of Joint Special Meeting of Shareholders of PSW, PSY, BPP and BTZ.
 - d. Joint Proxy Statement/Prospectus for PSW, PSY, BPP and BTZ.
 - e. Statement of Additional Information regarding the proposed Reorganizations of PSW, PSY, BPP and BTZ.
 - f. Part C: Other Information.
 - g. Exhibits.
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BLACKROCK CREDIT ALLOCATION INCOME TRUST I,
INC.
BLACKROCK CREDIT ALLOCATION INCOME TRUST
II, INC.
BLACKROCK CREDIT ALLOCATION INCOME TRUST
III
BLACKROCK CREDIT ALLOCATION INCOME TRUST
IV

100 Bellevue Parkway
Wilmington, Delaware 19809
(800) 882-0052

, 2012

Dear Shareholder:

You are cordially invited to attend a joint special shareholder meeting (the "Special Meeting") of BlackRock Credit Allocation Income Trust I, Inc. ("PSW"), a corporation organized under the laws of the State of Maryland, BlackRock Credit Allocation Income Trust II, Inc. ("PSY"), a corporation organized under the laws of the State of Maryland, BlackRock Credit Allocation Income Trust III ("BPP"), a statutory trust organized under the laws of the State of Delaware, and BlackRock Credit Allocation Income Trust IV ("BTZ" and together with BPP, PSW and PSY, each, a "Fund"), a statutory trust organized under the laws of the State of Delaware, to be held at the offices of BlackRock, Advisors, LLC, 1 University Square Drive, Princeton, NJ 08540-6455, on Friday, November 2, 2012 at 9:00 a.m. (Eastern Time). Before the Special Meeting, I would like to provide you with additional background information and ask for your vote on important proposals affecting PSW, PSY, BPP and BTZ, which are described in the enclosed Joint Proxy Statement/Prospectus.

Shareholders of PSY and PSW will be asked to consider the following proposals, which are described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: (i) reorganizing each of PSW and PSY into BTZ, a fund with the same or substantially similar (but not identical) investment objective and investment policies; and (ii) removing each of PSW's and PSY's investment policy requiring that such Fund invests at least 25% of its total assets in the industries comprising the financial services sector and amending such Fund's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

Shareholders of BPP will be asked to consider the following proposals, which are described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: (i) reorganizing BPP into BTZ, a fund with the same or substantially similar (but not identical) investment objective and investment policies; and (ii) removing BPP's investment policy requiring that BPP invests at least 25% of its managed assets in securities of companies principally engaged in providing financial services and amending such Fund's fundamental investment restriction regarding industry concentration to remove the exception for the financial services industry.

Shareholders of BTZ will be asked to consider the following proposals, which are described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: (i) issuing additional common shares of BTZ in connection with the reorganizations of each of PSW, PSY and BPP into BTZ; and (ii) removing BTZ's investment policy requiring that BTZ invests at least 25% of its managed assets in securities of companies principally engaged in providing financial services and amending such Fund's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

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The Board of Directors/Trustees of each Fund believes the proposal applicable to its respective Fund is in the best interests of that Fund and its shareholders and unanimously recommends that you vote "FOR" such proposal.

The enclosed materials explain these proposals in more detail, and I encourage you to review them carefully. As a shareholder, your vote is important, and we hope that you will respond today to ensure that your shares will be represented at the Special Meeting. You may vote using one of the methods below by following the instructions on your proxy card:

by touch-tone telephone;

by internet;

by returning the enclosed proxy card in the postage-paid envelope; or

in person at the Special Meeting.

If you do not vote using one of these methods described above, you may be contacted by Georgeson Inc., our proxy solicitor, to vote your shares over the telephone.

As always, we appreciate your support.

Sincerely,

John M. Perlowski
President and Chief Executive Officer

BlackRock Credit Allocation Income Trust I, Inc.
BlackRock Credit Allocation Income Trust II, Inc.
BlackRock Credit Allocation Income Trust III
BlackRock Credit Allocation Income Trust IV

Please vote now. Your vote is important.

To avoid the wasteful and unnecessary expense of further solicitation(s), we urge you to indicate your voting instructions on the enclosed proxy card, date and sign it and return it promptly in the postage-paid envelope provided, or record your voting instructions by telephone or via the internet, no matter how large or small your holdings may be. If you submit a properly executed proxy but do not indicate how you wish your shares to be voted, your shares will be voted "FOR" each proposal, as applicable. If your shares are held through a broker, you must provide voting instructions to your broker about how to vote your shares in order for your broker to vote your shares as you instruct at the Special Meeting.

, 2012

IMPORTANT NOTICE

TO SHAREHOLDERS OF

BLACKROCK CREDIT ALLOCATION INCOME TRUST I,
INC.
BLACKROCK CREDIT ALLOCATION INCOME TRUST
II, INC.
BLACKROCK CREDIT ALLOCATION INCOME TRUST
III
BLACKROCK CREDIT ALLOCATION INCOME TRUST
IV

QUESTIONS & ANSWERS

Although we urge you to read the entire Joint Proxy Statement/Prospectus, we have provided for your convenience a brief overview of the issues to be voted on.

Q: Why is a shareholder meeting being held?

A: Shareholders of BlackRock Credit Allocation Income Trust I, Inc. ("PSW"), BlackRock Credit Allocation Income Trust II, Inc. ("PSY"), and BlackRock Credit Allocation Income Trust III ("BPP"): You are being asked to vote on the reorganization (each, a "Reorganization") of each of PSW, PSY and BPP (each such fund being referred to herein as a "Target Fund") into BlackRock Credit Allocation Income Trust IV ("BTZ" or the "Acquiring Fund" and, together with the Target Funds, each, a "Fund"), a fund that pursues an investment objective and has investment policies that are either the same or substantially similar (but not identical) to those of each of the Target Funds and has the same investment adviser, BlackRock Advisors, LLC (the "Investment Advisor"), as the Target Funds. The term "Combined Fund" will refer to BTZ as the surviving Fund after the Reorganizations.

Shareholders of PSY and PSW will be asked to consider the following proposals, which are described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: (i) reorganizing each of PSW and PSY into BTZ, a fund with the same or substantially similar (but not identical) investment objective and investment policies; and (ii) removing each of PSW's and PSY's investment policies requiring that such Fund invests at least 25% of its total assets in the industries comprising the financial services sector (each, a "Policy Amendment") and amending such Fund's fundamental investment restriction regarding industry concentration to reflect its Policy Amendment.

Shareholders of BPP will be asked to consider the following proposals, which are described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: (i) reorganizing BPP into BTZ, a fund with the same or substantially similar (but not identical) investment objective and investment policies; and (ii) removing BPP's investment policy requiring that BPP invests at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services (a "Policy Amendment") and amending such Fund's fundamental investment restriction regarding industry concentration to remove the exception for the financial services industry. "Managed Assets" means the total assets of the Fund (including any assets attributable to any preferred shares or borrowings that may be outstanding) minus the sum accrued liabilities (other than debt

representing financial leverage).

Shareholders of BlackRock Credit Allocation Income Trust IV (BTZ): You are being asked to vote on the issuances of additional common shares of the Acquiring Fund in connection with the Reorganizations (the "Issuances").

Shareholders of BTZ are also being asked to approve a proposal to remove BTZ's investment policy requiring that BTZ invests at least 25% of its Managed Assets in securities of companies principally

engaged in providing financial services (a "Policy Amendment") and amending such Fund's fundamental investment restriction regarding industry concentration to reflect the Acquiring Fund's Policy Amendment.

A Reorganization will be consummated if Target Fund shareholders approve the Reorganization and Acquiring Fund shareholders approve the Issuance with respect to such Reorganization. A Reorganization is not contingent upon the approval of any other Reorganization or the approval of any Policy Amendment. If any Reorganization is not consummated, then the Target Fund for which such Reorganization was not consummated would continue to exist and operate on a stand-alone basis. Similarly, a Policy Amendment is not contingent upon the approval of any of the Reorganizations or the Issuances or any other Policy Amendment. A Fund's shareholders would be subject to a Policy Amendment regardless of whether the applicable Reorganization or the applicable Issuance is approved so long as such Fund's Policy Amendment was approved by the Fund's shareholders.

However, in the event a Reorganization is consummated, shareholders of the Combined Fund, including former shareholders of the applicable Target Fund, would be subject to the investment policies of the Acquiring Fund following the Reorganization. If the Acquiring Fund's shareholders do not approve the Acquiring Fund's Policy Amendment, then the Combined Fund would operate under the Acquiring Fund's current investment policies and shareholders of the Combined Fund, including former shareholders of the Target Funds, would not be subject to a Policy Amendment. In such an event, Target Fund shareholders would not be subject to a Policy Amendment even if Target Fund shareholders had previously approved its respective Policy Amendment. If the Acquiring Fund shareholders approve its Policy Amendment, then shareholders of the Combined Fund, including former shareholders of the Target Funds, would be subject to the Acquiring Fund's Policy Amendment. In such an event, Target Fund shareholders would be subject to the Acquiring Fund's Policy Amendment even if Target Fund shareholders had not previously approved its respective Policy Amendment. There can be no assurance that Acquiring Fund shareholders will approve the Acquiring Fund's Policy Amendment.

Q: Why are the Reorganizations being recommended?

A: The Board of Directors or Board of Trustees of each Fund, as applicable (each, a "Board" and collectively, the "Boards"), anticipates that the Reorganizations will benefit the shareholders of each of the Target Funds and the Acquiring Fund by providing certain of the following benefits as applicable to each Fund: the potential for a lower operating expense ratio than each of the Funds prior to the Reorganizations, portfolio management and administrative efficiencies, enhanced market liquidity, and marketing benefits. Because each Fund will vote separately on its respective Reorganization, there are multiple potential combinations of Reorganizations. The Boards of the Funds and the Investment Advisor believe that the most likely result of the potential combinations of Reorganizations is the combination of all the Funds. To the extent that one or more of the Reorganizations are not completed, but the other Reorganization(s) are completed, any expected expense savings by the Combined Fund may be reduced.

If the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of the Funds and its product line, recommend alternative proposals to the Board of that Target Fund.

Q: How will the Reorganizations affect the fees and expenses of the Funds?

A: The Boards believe that the completion of the Reorganizations would result in a reduced Total Expense Ratio for the Combined Fund because certain fixed administrative costs would be spread across the Combined Fund's larger asset base. See "Reasons for the Reorganizations" in the attached Joint Proxy Statement/Prospectus.

For the 12-month period ended April 30, 2012, the Total Expense Ratios of PSW, PSY, BPP, and BTZ were 1.20%, 1.17%, 1.13%, and 1.17%, respectively. When we use the term "Total Expenses," we mean a Fund's total

annual operating expenses (including interest expenses). When we use the term "Total

Expense Ratio," we mean a Fund's Total Expenses expressed as a percentage of its average net assets attributable to its common shares. The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.12% on a historical and pro forma basis for the 12-month period ended April 30, 2012, representing a reduction in the Total Expense Ratio for PSW, PSY, BPP, and BTZ of 0.08%, 0.05%, 0.01% and 0.05%, respectively, as a percentage of average net assets attributable to common shares. However, based on projected expense information, PSY shareholders are not expected to experience significant expense savings, if any, as a result of the Reorganizations. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined Fund's larger size) as more fully discussed herein. There can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings will vary depending on the combination of the proposed Reorganizations.

- Q: What happens if shareholders of one Target Fund do not approve its Reorganization but shareholders of the other Target Funds approve their Reorganizations?
- A: An unfavorable vote on a proposed Reorganization by the shareholders of one Target Fund will not affect the implementation of the Reorganizations of the other Target Funds if the other Reorganizations are approved by the shareholders of the other Target Funds and the issuance of additional common shares of the Acquiring Fund is approved by the shareholders of the Acquiring Fund with respect to the other Target Funds. However, if the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of BlackRock closed-end funds and its product line, recommend alternative proposals to the Board of that Target Fund.
- Q: What happens if shareholders of the Acquiring Fund do not approve the issuance of additional common shares in connection with the Reorganization of one Target Fund but approve the issuance of additional common shares in connection with the Reorganizations of the other Target Funds?
- A: An unfavorable vote by shareholders of the Acquiring Fund on the issuance of additional common shares in connection with the Reorganization of one Target Fund will not affect the implementation of the Reorganizations by the other Target Funds, if the issuance of additional common shares in connection with the other Reorganizations are approved by the shareholders of the Acquiring Fund and the other Reorganizations are approved by the shareholders of the other Target Funds. However, if the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of the BlackRock closed-end funds and its product line, recommend alternative proposals to the Board of that Target Fund.
- Q: How similar are the Funds?
- A: The Funds have the same investment adviser, the same portfolio managers, and either the same or substantially similar (but not identical) investment objectives, investment policies, strategies, risks and restrictions. The primary investment objective of PSW is to provide common shareholders with high current income. The primary investment objective of PSY is to provide common shareholders with current income. The secondary investment objective of each of PSW and PSY is to provide common shareholders with capital appreciation. The investment objective of BPP is to seek high current income consistent with capital preservation. Finally, the investment objective of BTZ is to seek current income, current gains and capital appreciation. Each Fund's investment objective(s) is a fundamental policy and may not be changed without shareholder approval.

In addition, each of the Funds, under normal market conditions, seeks to achieve its investment objective(s) by investing at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as "junk" bonds), bank loans, preferred securities or

convertible bonds or derivatives with economic characteristics similar to these credit-related securities. Each Fund may invest, under normal marketing conditions, without limitation in securities rated below investment grade at the time of purchase. However, it is anticipated, under current market conditions, that the Funds will have an average credit quality of at least investment grade.

Each of PSY and PSW is organized as a Maryland corporation and each is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). Each of BPP and BTZ is organized as a Delaware statutory trust and each is a non-diversified, closed-end management investment company registered under the 1940 Act. The Board of each Fund consists of the same members. Each Fund's common shares are listed on the New York Stock Exchange. The Funds have the same investment adviser and the same portfolio managers.

The Acquiring Fund is organized as a Delaware statutory trust and shareholders of PSW and PSY will become shareholders of a Delaware statutory trust rather than a Maryland corporation if their respective Reorganizations are completed. A more detailed description of the differences between Delaware statutory trust law and Maryland corporate law is contained in the Joint Proxy Statement/Prospectus under the heading "Governing Law."

Please see the Joint Proxy Statement/Prospectus for additional comparison information.

Q: How will the Reorganizations be effected?

A: Assuming Target Fund shareholders approve the Reorganizations of the Target Funds and Acquiring Fund shareholders approve the issuance of additional common shares of the Acquiring Fund, each Target Fund will merge with and into a new direct, wholly-owned subsidiary of BTZ (the "Merger Subsidiary"). Following the Reorganizations, the Merger Subsidiary will dissolve under state law and be liquidated into BTZ, and each Target Fund will terminate its registration under the 1940 Act.

Shareholders of the Target Funds: You will become shareholders of the Acquiring Fund. You will receive newly issued common shares of the Acquiring Fund, par value \$0.001 per share, the aggregate net asset value (not the market value) of which will equal the aggregate net asset value (not the market value) of the common shares of the particular Target Fund you held immediately prior to such Reorganization, less the applicable costs of the Reorganization (though you may receive cash for fractional shares).

Shareholders of BTZ: You will remain shareholders of BTZ, which will have additional common shares outstanding after the Reorganization.

Q: Have common shares of the Target Funds and the Acquiring Fund historically traded at a premium or discount?

A: The common shares of each Fund has historically fluctuated between a discount and a premium. As of April 30, 2012, each Fund traded at a discount to its respective NAV. To the extent PSW, PSY and BPP are trading at a wider discount (or a narrower premium) than BTZ at the time of the Reorganizations, PSW, PSY, and BPP shareholders would have the potential for an economic benefit by the narrowing of the discount/premium. To the extent PSW, PSY, and BPP are trading at a narrower discount (or wider premium) than BTZ at the time of the Reorganizations, PSW, PSY, and BPP shareholders may be negatively impacted if the Reorganizations are consummated. BTZ shareholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves. There can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at, above or below net asset value. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative net asset values (not the market values) of each respective Fund's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganizations.

Q: Will I have to pay any sales load, commission or other similar fees in connection with the Reorganizations?

- A: You will pay no sales loads or commissions in connection with the Reorganizations. However, regardless of whether the Reorganizations are completed, the costs associated with the proposed Reorganizations, including the costs associated with the shareholder meeting, will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate, except that the Investment Advisor will bear all of PSY's reorganization costs. Based on projected expense information, PSY shareholders are not expected to experience significant expense

savings, if any, as a result of the Reorganizations; thus, the Investment Advisor has decided to cover the costs of the PSY Reorganization and the costs associated with the PSY Reorganization will not be borne directly by PSY. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined Fund's larger size) as more fully discussed in the Joint Proxy Statement/Prospectus. Because of the expected expense savings and other benefits for each of PSW, BPP and BTZ, the Investment Advisor recommended and the Boards have approved that PSW, BPP and BTZ be responsible for their own Reorganization expenses. See "Reasons for the Reorganizations" in the attached Joint Proxy Statement/Prospectus. Such costs are estimated to be \$1,390,000 in the aggregate, of which \$300,000 is estimated to be attributable to BPP, \$400,000 is estimated to be attributable to PSY (which will be covered by the Investment Advisor), \$240,000 is estimated to be attributable to PSW, and \$450,000 is estimated to be attributable to BTZ. Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganizations. The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.

Q: Will I have to pay any U.S. federal taxes as a result of the Reorganizations?

A: Each of the Reorganizations is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). If a Reorganization so qualifies, in general, shareholders of a Target Fund will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund common shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, the Target Fund will recognize no gain or loss for U.S. Federal income tax purposes by reason of the Reorganization. Neither the Acquiring Fund nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to any Reorganization.

On or prior to the closing date of the Reorganization (the "Closing Date"), each of the Target Funds will declare a distribution to its shareholders that, together with all previous distributions, will have the effect of distributing to each respective Target Fund's shareholders all of its investment company taxable income (computed without regard to the deduction for dividends paid), if any, through the Closing Date, all of its net capital gains, if any, through the Closing Date, and all of its net tax-exempt interest income, if any, through the Closing Date. Such a distribution will be taxable to each Target Fund's shareholders for U.S. federal income tax purposes.

The Funds' shareholders should consult their own tax advisers regarding the U.S. federal income tax consequences of the Reorganizations, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax laws.

Q: Why is the vote of shareholders of the Acquiring Fund being solicited in connection with the Reorganizations?

A: Although the Acquiring Fund will continue its legal existence and operations after the Reorganizations, the rules of the New York Stock Exchange (on which the Acquiring Fund's common shares are listed) require the Acquiring Fund's shareholders to approve the issuance of additional common shares in connection with the Reorganizations. If the issuance of additional common shares of the Acquiring Fund is not approved for a Reorganization, then such Reorganization will not occur.

Q: Why are the Policy Amendments being recommended?

A: Shareholders of PSY and PSW are being asked to approve a proposal to remove its respective Fund's investment policy requiring that such Fund invests at least 25% of its total assets in the industries comprising the financial services sector and amending such Fund's fundamental investment restriction regarding industry concentration to

reflect its Policy Amendment

Shareholders of BPP are being asked to approve a proposal to remove BPP's investment policy requiring that BPP invests at least 25% of its Managed Assets in securities of companies principally engaged in

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providing financial services and amending such Fund's fundamental investment restriction regarding industry concentration to remove the exception for the financial services industry.

Shareholders of BTZ are being asked to approve a proposal to remove BTZ's investment policy requiring that BTZ invests at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services and amending BTZ's fundamental investment restriction regarding industry concentration to reflect its Policy Amendment.

As former preferred stock funds, each Fund formerly emphasized its investments in the preferred stock of companies from the financial sector. Such concentration policies are no longer relevant to the Funds and unduly restrictive given the Funds' broad focus on credit-related securities. If the Policy Amendments are approved by shareholders, the Funds will be less exposed to financial sector risk and will have greater capital available for other investment and diversification purposes.

The Board of each Fund anticipates that its Policy Amendment would benefit such Fund's shareholders by providing the Funds' investment advisor and sub-advisors with increased flexibility in managing such Fund's portfolio and by reducing such Fund's exposure to financial sector risk.

The Policy Amendment for each Fund would take effect immediately upon approval by such Fund's shareholders.

Q: How does the Board of my Fund suggest that I vote?

A: After careful consideration, the Board of your Fund unanimously recommends that you vote "FOR" each of the items proposed for your Fund.

Q: How do I vote my proxy?

A: You may cast your vote by mail, phone, internet or in person at the Special Meeting. To vote by mail, please mark your vote on the enclosed proxy card and sign, date and return the card in the postage-paid envelope provided. If you choose to vote by phone or internet, please refer to the instructions found on the proxy card accompanying this Joint Proxy Statement/Prospectus. To vote by phone or internet, you will need the "control number" that appears on the proxy card.

Q: Whom do I contact for further information?

A: You may contact your financial advisor for further information. You may also call Georgeson Inc., the Funds' proxy solicitor, at 1-866-856-2826.

Please vote now. Your vote is important.

To avoid the wasteful and unnecessary expense of further solicitation(s), we urge you to indicate your voting instructions on the enclosed proxy card, date and sign it and return it promptly in the postage-paid envelope provided, or record your voting instructions by telephone or via the internet, no matter how large or small your holdings may be. If you submit a properly executed proxy but do not indicate how you wish your shares to be voted, your shares will be voted "FOR" each proposal, as applicable. If your shares are held through a broker, you must provide voting instructions to your broker about how to vote your shares

in order for your broker to vote your shares as you instruct at the Special Meeting.

x

BLACKROCK CREDIT ALLOCATION INCOME TRUST
I, INC.
BLACKROCK CREDIT ALLOCATION INCOME TRUST
II, INC.
BLACKROCK CREDIT ALLOCATION INCOME TRUST
III
BLACKROCK CREDIT ALLOCATION INCOME TRUST
IV

100 Bellevue Parkway
Wilmington, Delaware 19809
(800) 882-0052

NOTICE OF JOINT SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON FRIDAY, NOVEMBER 2, 2012

Notice is hereby given that a joint special meeting of shareholders (the "Special Meeting") of BlackRock Credit Allocation Income Trust I, Inc. ("PSW"), BlackRock Credit Allocation Income Trust II, Inc. ("PSY"), BlackRock Credit Allocation Income Trust III ("BPP"), and BlackRock Credit Allocation Income Trust IV ("BTZ") will be held at the offices of BlackRock Advisors, LLC, 1 University Square Drive, Princeton, NJ 08540-6455, on Friday, November 2, 2012 at 9:00 a.m. (Eastern Time) for the following purposes:

1. The Reorganizations of the Target Funds

Shareholders of BlackRock Credit Allocation Income Trust I, Inc. (PSW):

Proposal 1(A): The shareholders of PSW are being asked to approve an Agreement and Plan of Reorganization among PSW, BTZ and BTZ Merger Subsidiary (the "PSW Reorganization Agreement") and the termination of PSW's registration under the Investment Company Act of 1940 (the "1940 Act").

Shareholders of BlackRock Credit Allocation Income Trust II, Inc. (PSY):

Proposal 1(B): The shareholders of PSY are being asked to approve an Agreement and Plan of Reorganization among PSY, BTZ and BTZ Merger Subsidiary (the "PSY Reorganization Agreement") and the termination of PSY's registration under the 1940 Act.

Shareholders of BlackRock Credit Allocation Income Trust III (BPP):

Proposal 1(C): The shareholders of BPP are being asked to approve an Agreement and Plan of Reorganization among BPP, BTZ and BTZ Merger Subsidiary (the "BPP Reorganization Agreement") and the termination of BPP's registration under the 1940 Act.

2. Issuances of Additional Acquiring Fund Common Shares

Shareholders of BlackRock Credit Allocation Income Trust IV (BTZ):

Proposal 2(A): The shareholders of BTZ are being asked to approve the issuance of additional common shares of BTZ in connection with the PSW Reorganization Agreement.

Proposal 2(B): The shareholders of BTZ are being asked to approve the issuance of additional common shares of BTZ in connection with the PSY Reorganization Agreement.

Proposal 2(C): The shareholders of BTZ are being asked to approve the issuance of additional common shares of BTZ in connection with the BPP Reorganization Agreement.

3. Removal of the Industry Concentration Policies

Shareholders of BlackRock Credit Allocation Income Trust I, Inc. (PSW):

Proposal 3(A): The shareholders of PSW are being asked to approve a proposal to remove PSW's investment policy requiring PSW to invest at least 25% of its total assets in the industries comprising the financial services sector and to amend PSW's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

Shareholders of BlackRock Credit Allocation Income Trust II, Inc. (PSY):

Proposal 3(B): The shareholders of PSY are being asked to approve a proposal to remove PSY's investment policy requiring PSY to invest at least 25% of its total assets in the industries comprising the financial services sector and to amend PSY's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

Shareholders of BlackRock Credit Allocation Income Trust III (BPP):

Proposal 3(C): The shareholders of BPP are being asked to approve a proposal to remove BPP's investment policy requiring BPP to invest at least 25% of its Managed Assets (as defined in the Joint Proxy Statement/Prospectus) in companies principally engaged in financial services and to amend BPP's fundamental investment restriction regarding industry concentration to remove the exception for the financial services industry.

Shareholders of BlackRock Credit Allocation Income Trust IV (BTZ):

Proposal 3(D): The shareholders of BTZ are being asked to approve a proposal to remove BTZ's investment policy requiring BTZ to invest at least 25% of its Managed Assets in companies principally engaged in financial services and to amend BTZ's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

Shareholders of record as of the close of business on September 4, 2012 are entitled to vote at the Special Meeting or any adjournment thereof.

THE BOARD OF DIRECTORS OR BOARD OF TRUSTEES, AS APPLICABLE, (EACH, A "BOARD") OF EACH OF PSW, PSY, BPP AND BTZ REQUESTS THAT YOU VOTE YOUR SHARES BY INDICATING YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY CARD, DATING AND SIGNING SUCH PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED, WHICH IS ADDRESSED FOR YOUR CONVENIENCE AND NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES, OR BY RECORDING YOUR VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET.

THE BOARD OF PSW UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE REORGANIZATION OF YOUR FUND PURSUANT TO THE PSW REORGANIZATION AGREEMENT AS DESCRIBED IN THE JOINT PROXY STATEMENT/PROSPECTUS AND THE TERMINATION OF YOUR FUND'S REGISTRATION UNDER THE 1940 ACT.

FOR THE REMOVAL OF THE FUND'S INVESTMENT POLICY REQUIRING THAT THE FUND INVEST AT LEAST 25% OF ITS TOTAL ASSETS IN THE INDUSTRIES COMPRISING THE FINANCIAL SERVICES SECTOR AND THE AMENDMENT TO THE FUND'S FUNDAMENTAL INVESTMENT RESTRICTION REGARDING INDUSTRY CONCENTRATION TO REFLECT THE REMOVAL OF SUCH INVESTMENT POLICY.

THE BOARD OF PSY UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE REORGANIZATION OF YOUR FUND PURSUANT TO THE PSY REORGANIZATION AGREEMENT AS DESCRIBED IN THE JOINT PROXY STATEMENT/PROSPECTUS AND THE TERMINATION OF YOUR FUND'S REGISTRATION UNDER THE 1940 ACT.

FOR THE REMOVAL OF THE FUND'S INVESTMENT POLICY REQUIRING THAT THE FUND INVEST AT LEAST 25% OF ITS TOTAL ASSETS IN THE INDUSTRIES COMPRISING THE FINANCIAL SERVICES SECTOR AND THE AMENDMENT TO THE FUND'S FUNDAMENTAL INVESTMENT RESTRICTION REGARDING INDUSTRY CONCENTRATION TO REFLECT THE REMOVAL OF SUCH INVESTMENT POLICY.

THE BOARD OF BPP UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE REORGANIZATION OF YOUR FUND PURSUANT TO THE BPP REORGANIZATION AGREEMENT AS DESCRIBED IN THE JOINT PROXY STATEMENT/PROSPECTUS AND THE TERMINATION OF YOUR FUND'S REGISTRATION UNDER THE 1940 ACT.

FOR THE REMOVAL OF THE FUND'S INVESTMENT POLICY REQUIRING THAT THE FUND INVEST AT LEAST 25% OF ITS MANAGED ASSETS IN THE INDUSTRIES COMPRISING THE FINANCIAL SERVICES SECTOR AND THE AMENDMENT TO THE FUND'S FUNDAMENTAL INVESTMENT RESTRICTION REGARDING INDUSTRY CONCENTRATION TO REMOVE THE EXCEPTION FOR THE FINANCIAL SERVICES INDUSTRY.

THE BOARD OF BTZ UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE ISSUANCE OF ADDITIONAL COMMON SHARES OF YOUR FUND IN CONNECTION WITH THE PSW REORGANIZATION AGREEMENT.

FOR THE ISSUANCE OF ADDITIONAL COMMON SHARES OF YOUR FUND IN CONNECTION WITH THE PSY REORGANIZATION AGREEMENT.

FOR THE ISSUANCE OF ADDITIONAL COMMON SHARES OF YOUR FUND IN CONNECTION WITH THE BPP REORGANIZATION AGREEMENT.

FOR THE REMOVAL OF THE FUND'S INVESTMENT POLICY REQUIRING THAT THE FUND INVEST AT LEAST 25% OF ITS MANAGED ASSETS IN THE INDUSTRIES COMPRISING THE FINANCIAL SERVICES

SECTOR AND THE AMENDMENT TO THE FUND'S FUNDAMENTAL INVESTMENT RESTRICTION REGARDING INDUSTRY CONCENTRATION TO REFLECT THE REMOVAL OF SUCH INVESTMENT POLICY.

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IN ORDER TO AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION, WE ASK THAT YOU MAIL YOUR PROXY CARD OR RECORD YOUR VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET PROMPTLY.

For the Board of Directors/Trustees of
BlackRock Credit Allocation Income Trust I, Inc.
BlackRock Credit Allocation Income Trust II, Inc.
BlackRock Credit Allocation Income Trust III
BlackRock Credit Allocation Income Trust IV

John M. Perlowski
President and Chief Executive Officer
BlackRock Credit Allocation Income Trust I, Inc.
BlackRock Credit Allocation Income Trust II, Inc.
BlackRock Credit Allocation Income Trust III
BlackRock Credit Allocation Income Trust IV

, 2012

YOUR VOTE IS IMPORTANT.

PLEASE VOTE PROMPTLY BY SIGNING AND RETURNING THE
ENCLOSED PROXY CARD OR BY RECORDING YOUR VOTING INSTRUCTIONS BY TELEPHONE
OR VIA THE INTERNET, NO MATTER HOW MANY SHARES YOU OWN.

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THE INFORMATION IN THIS JOINT PROXY STATEMENT/PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED AUGUST 8, 2012

JOINT PROXY STATEMENT/PROSPECTUS

BLACKROCK CREDIT ALLOCATION INCOME TRUST I,
INC.
BLACKROCK CREDIT ALLOCATION INCOME TRUST
II, INC.
BLACKROCK CREDIT ALLOCATION INCOME TRUST
III
BLACKROCK CREDIT ALLOCATION INCOME TRUST
IV

100 Bellevue Parkway
Wilmington, Delaware 19809
(800) 882-0052

JOINT SPECIAL MEETING OF SHAREHOLDERS

November 2, 2012

This Joint Proxy Statement/Prospectus is furnished to you as a shareholder of (i) BlackRock Credit Allocation Income Trust I, Inc. ("PSW"), (ii) BlackRock Credit Allocation Income Trust II, Inc. ("PSY"), (iii) BlackRock Credit Allocation Income Trust III ("BPP") and/or (iv) BlackRock Credit Allocation Income Trust IV ("BTZ"). Each of BPP and BTZ is a non-diversified registered investment company and statutory trust organized under the laws of the State of Delaware and registered under the Investment Company Act of 1940, as amended (the "1940 Act"); whereas each of PSW and PSY is a diversified registered investment company and corporation organized under the laws of the State of Maryland and registered under the 1940 Act. A joint special meeting (the "Special Meeting") of shareholders of PSW, PSY, BPP, and BTZ (each, a "Fund") will be held at the offices of BlackRock Advisors, LLC (the "Investment Advisor"), 1 University Square Drive, Princeton, NJ 08540-6455, on Friday, November 2, 2012 at 9:00 a.m. (Eastern Time) to consider the items listed below and discussed in greater detail elsewhere in this Joint Proxy Statement/Prospectus. If you are unable to attend the Special Meeting or any adjournment or postponement thereof, the Board of Directors or Board of Trustees, as applicable, of each Fund (each, a "Board") requests that you vote your common shares of beneficial interests or shares of common stock ("common shares") by completing and returning the enclosed proxy card or by recording your voting instructions by telephone or via the Internet. The approximate mailing date of this Joint Proxy Statement/Prospectus and accompanying form of proxy is September 26, 2012.

The purposes of the Special Meeting are:

1. The Reorganizations of the Target Funds

Shareholders of BlackRock Credit Allocation Income Trust I, Inc. (PSW):

Proposal 1(A): The shareholders of PSW are being asked to approve an Agreement and Plan of Reorganization among PSW, BTZ and BTZ Merger Subsidiary (the "PSW Reorganization Agreement") and the termination of PSW's registration under the Investment Company Act of 1940 (the "1940 Act").

Shareholders of BlackRock Credit Allocation Income Trust II, Inc. (PSY):

Proposal 1(B): The shareholders of PSY are being asked to approve an Agreement and Plan of Reorganization among PSY, BTZ and BTZ Merger Subsidiary (the "PSY Reorganization Agreement") and the termination of PSY's registration under the 1940 Act.

Shareholders of BlackRock Credit Allocation Income Trust III (BPP):

Proposal 1(C): The shareholders of BPP are being asked to approve an Agreement and Plan of Reorganization among BPP, BTZ and BTZ Merger Subsidiary (the "BPP Reorganization Agreement") and the termination of BPP's registration under the 1940 Act.

2. Issuances of Additional Acquiring Fund Common Shares

Shareholders of BlackRock Credit Allocation Income Trust IV (BTZ):

Proposal 2(A): The shareholders of BTZ are being asked to approve the issuance of additional common shares of BTZ in connection with the PSW Reorganization Agreement.

Proposal 2(B): The shareholders of BTZ are being asked to approve the issuance of additional common shares of BTZ in connection with the PSY Reorganization Agreement.

Proposal 2(C): The shareholders of BTZ are being asked to approve the issuance of additional common shares of BTZ in connection with the BPP Reorganization Agreement.

3. Removal of the Industry Concentration Policies

Shareholders of BlackRock Credit Allocation Income Trust I, Inc. (PSW):

Proposal 3(A): The shareholders of PSW are being asked to approve a proposal to remove PSW's investment policy requiring PSW to invest at least 25% of its total assets in the industries comprising the financial services sector and to amend PSW's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

Shareholders of BlackRock Credit Allocation Income Trust II, Inc. (PSY):

Proposal 3(B): The shareholders of PSY are being asked to approve a proposal to remove PSY's investment policy requiring PSY to invest at least 25% of its total assets in the industries comprising the financial services sector and to amend PSY's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

Shareholders of BlackRock Credit Allocation Income Trust III (BPP):

Proposal 3(C): The shareholders of BPP are being asked to approve a proposal to remove BPP's investment policy requiring BPP to invest at least 25% of its Managed Assets (as defined in the Joint Proxy Statement/Prospectus) in companies principally engaged in financial services and to amend BPP's fundamental investment restriction regarding industry concentration to remove the exception for the financial services industry.

Shareholders of BlackRock Credit Allocation Income Trust IV (BTZ):

Proposal 3(D): The shareholders of BTZ are being asked to approve a proposal to remove BTZ's investment policy requiring BTZ to invest at least 25% of its Managed Assets in companies principally engaged in financial services and to amend BTZ's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

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Shareholders of record as of the close of business on September 4, 2012 are entitled to vote at the Special Meeting or any adjournment thereof.

PSW, PSY and BPP are sometimes referred to herein as the "Target Funds," and BTZ is sometimes referred to herein as the "Acquiring Fund." Each Reorganization Agreement that Target Fund shareholders are being asked to consider involve transactions that will be referred to in this Joint Proxy Statement/Prospectus as a "Reorganization." The Fund surviving any or all Reorganizations is referred to herein as the "Combined Fund." The PSW Reorganization Agreement, the PSY Reorganization Agreement and the BPP Reorganization Agreement are referred to herein as the "Reorganization Agreements."

The Reorganizations seek to combine four Funds that are substantially similar (but not identical) to achieve certain economies of scale and other operational efficiencies for the Funds. In each Reorganization, each Target Fund will merge with and into a new direct, wholly-owned subsidiary of BTZ (the "Merger Subsidiary"). Following the Reorganizations, the Merger Subsidiary will dissolve under state law and be liquidated into BTZ. The Target Funds will then terminate their registrations under the 1940 Act. In each Reorganization, the outstanding common shares of each Target Fund will be exchanged for newly-issued common shares of the Acquiring Fund, par value \$0.001 per share ("Acquiring Fund Shares"). In connection with the Reorganizations, the Acquiring Fund subsequently will issue to the Target Funds' common shareholders book entry interests for the Acquiring Fund Shares registered in the name of such shareholder. Each Target Fund will then terminate its registration under the 1940 Act. The aggregate net asset value of Acquiring Fund Shares received by the shareholders of the Target Fund in each Reorganization will equal the aggregate net asset value (not market value) of Target Fund common shares held by such shareholders immediately prior to such Reorganization, less the applicable costs of such Reorganization (although shareholders may receive cash for their fractional common shares).

Each Target Fund will terminate its registration under the 1940 Act after the completion of its Reorganization. The Acquiring Fund will continue to operate after the Reorganization as a registered, non-diversified, closed-end management investment company with the investment objective and policies described in this Joint Proxy Statement/Prospectus.

In connection with each Reorganization, the shareholders of the Acquiring Fund are being asked to approve the issuance of additional common shares of the Acquiring Fund.

Shareholders of PSY and PSW are also being asked approve a proposal to remove its respective Fund's investment policy requiring that such Fund invests at least 25% of its total assets in the industries comprising the financial services sector and to amend such Fund's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

Shareholders of BPP are also being asked to approve a proposal to remove BPP's investment policy requiring that BPP invests at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services and to amend such Fund's fundamental investment restriction regarding industry concentration to remove the exception for the financial services industry.

Shareholders of BTZ are also being asked to approve a proposal to remove BTZ's investment policy requiring that BTZ invests at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services and to amend such Fund's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy.

The Board of each Fund has determined that including these proposals in one Joint Proxy Statement/Prospectus will reduce costs and is in the best interests of each Fund's shareholders.

In the event that shareholders of a Target Fund do not approve its Reorganization, such Target Fund would continue to exist and operate on a stand-alone basis. In the event the Acquiring Fund shareholders do not approve the issuance of Acquiring Fund Shares in connection with a Reorganization, then the affected Target Fund would continue to exist and operate on a stand-alone basis. However, if the Reorganization of a Target Fund is not approved, the Funds' investment adviser, BlackRock Advisors, LLC (the "Investment Advisor") may, in connection with ongoing management of the Funds and its product line, recommend alternative proposals to the Board of that Target Fund. An unfavorable vote by one of the Target Funds or the Acquiring Fund with respect to one of the Reorganizations will not affect the implementation of the Reorganization by the other Target Funds.

A Reorganization is not contingent upon the approval of any Policy Amendment (as defined herein). Similarly, a Policy Amendment is not contingent upon the approval of any of the Reorganizations or the issuances of common shares by the Acquiring Fund. A Fund's shareholders would be subject to a Policy Amendment regardless of whether the applicable Reorganization or the applicable common shares issuance is approved so long as such Fund's Policy Amendment was approved by the Fund's shareholders.

However, in the event a Reorganization is consummated, shareholders of the Combined Fund, including former shareholders of the applicable Target Fund, would be subject to the investment policies of the Acquiring Fund following the Reorganization. If the Acquiring Fund's shareholders do not approve the Acquiring Fund's Policy Amendment, then the Combined Fund would operate under the Acquiring Fund's current investment policies and shareholders of the Combined Fund, including former shareholders of the Target Funds, would not be subject to a Policy Amendment. In such an event, Target Fund shareholders would not be subject to a Policy Amendment even if Target Fund shareholders had previously approved its respective Policy Amendment. If the Acquiring Fund shareholders approve its Policy Amendment, then shareholders of the Combined Fund, including former shareholders of the Target Funds, would be subject to the Acquiring Fund's Policy Amendment. In such an event, Target Fund shareholders would be subject to the Acquiring Fund's Policy Amendment even if Target Fund shareholders had not previously approved its respective Policy Amendment. There can be no assurance that Acquiring Fund shareholders will approve the Acquiring Fund's Policy Amendment.

This Joint Proxy Statement/Prospectus sets forth concisely the information that shareholders of each Fund should know before voting on the proposals for their Fund and constitutes an offering of Acquiring Fund Shares. Please read it carefully and retain it for future reference. A Statement of Additional Information, dated [redacted], 2012, relating to this Joint Proxy Statement/Prospectus (the "Statement of Additional Information") has been filed with the United States Securities and Exchange Commission (the "SEC") and is incorporated herein by reference. Copies of each Fund's most recent annual report and semi-annual report can be obtained on a website maintained by BlackRock, Inc. ("BlackRock") at www.blackrock.com. In addition, each Fund will furnish, without charge, a copy of the Statement of Additional Information, its most recent annual report or semi-annual report to any shareholder upon request. Any such request should be directed to BlackRock by calling (800) 882-0052 or by writing to the respective Fund at Park Avenue Plaza, 55 East 52nd Street, New York, New York 10055. The Statement of Additional Information and the annual and semi-annual reports of each Fund are available on the EDGAR Database on the Securities and Exchange Commission's Internet site at www.sec.gov. The address of the principal executive offices of the Funds is 100 Bellevue Parkway, Wilmington, Delaware 19809, and the telephone number is (800) 882-0052.

The Funds are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file reports, proxy statements, proxy materials and other information with the SEC. Materials filed with the SEC can be reviewed and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or downloaded from the SEC's website at www.sec.gov. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at (202) 551-8090. You may also request copies of these materials, upon payment at the prescribed rates of a duplicating fee, by electronic request to the SEC's e-mail address (publicinfo@sec.gov) or by writing the Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, DC 20549-0102.

BlackRock updates performance information for the Funds, as well as certain other information for the Funds, on a monthly basis on its website in the "Closed-End Funds" section of www.blackrock.com. Shareholders are advised to periodically check the website for updated performance information and other information about the Funds.

Please note that only one copy of shareholder documents, including annual or semi-annual reports and proxy materials may be delivered to two or more shareholders of the Funds who share an address, unless the Funds have received instructions to the contrary. This practice is commonly called "householding" and it is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. To request a separate copy of any shareholder document or for instructions as to how to request a separate copy of these documents or as to how to request a single copy if multiple copies of these documents are received, shareholders should contact the Fund at the address and phone number set forth above.

The common shares of BlackRock Credit Allocation Income Trust IV are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "BTZ" and will continue to be so listed subsequent to the Reorganization. The common shares of BlackRock Credit Allocation Income Trust I, Inc. are listed on the NYSE under the ticker symbol "PSW." The common shares of BlackRock Credit Allocation Income Trust II, Inc. are listed on the NYSE under the ticker symbol "PSY." The common shares of BlackRock Credit Allocation Income Trust III are listed on the NYSE under the ticker symbol "BPP". Reports, proxy statements and other information concerning the Funds may be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

This Joint Proxy Statement/Prospectus serves as a prospectus of the Acquiring Fund in connection with the issuance of Acquiring Fund Shares in the Reorganizations. No person has been authorized to give any information or make any representation not contained in this Joint Proxy Statement/Prospectus and, if so given or made, such information or representation must not be relied upon as having been authorized. This Joint Proxy Statement/Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which, or to any

person to whom, it is unlawful to make such offer or solicitation.

Photographic identification and proof of ownership will be required for admission to the meeting. For directions to the meeting, please contact Georgeson Inc., the firm assisting us in the solicitation of proxies, at 1-866-856-2826.

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THE SEC HAS NOT APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THIS JOINT PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Joint Proxy Statement/Prospectus is _____, 2012.

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SUMMARY

The following is a summary of certain information contained elsewhere in this Joint Proxy Statement/Prospectus and is qualified in its entirety by reference to the more complete information contained in this Joint Proxy Statement/Prospectus and in the Statement of Additional Information. Shareholders should read the entire Joint Proxy Statement/Prospectus carefully.

PROPOSAL 1: THE REORGANIZATIONS OF THE TARGET FUNDS

The Proposed Reorganization

The Board of each Fund, including the directors or trustees, as applicable, (the "Board Members") who are not "interested persons" of each Fund (as defined in the 1940 Act) (the "Independent Board Members"), has unanimously approved its Reorganization, including its respective Reorganization Agreement. If the shareholders of a Target Fund approve their Reorganization Agreement and the shareholders of the Acquiring Fund approve the issuance of additional Acquiring Fund Shares in connection with the Reorganization, as applicable (see "Proposal 2: Issuances of Additional Shares of Acquiring Fund Common Shares"), such Target Fund will merge with and into the Merger Subsidiary. Following the Reorganizations, the Merger Subsidiary will dissolve under state law and be liquidated into BTZ. In connection with the Reorganizations, the Acquiring Fund subsequently will issue to the Target Funds' common shareholders book entry interests for the Acquiring Fund Shares registered in the name of such shareholder. Each Target Fund will then terminate its registration under the 1940 Act. The aggregate net asset value of Acquiring Fund Shares received by a Target Fund's shareholders in each Reorganization will equal the aggregate net asset value (not the market value) of that Target Fund's common shares held immediately prior to such Reorganization, less the applicable costs of such Reorganization (although Target Fund shareholders may receive cash for their fractional common shares). In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative net asset value, not the market value, of each respective Fund's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of a Target Fund prior to the Reorganizations.

Background and Reasons for the Proposed Reorganization

The Reorganizations seek to combine four funds that are either the same or substantially similar (but not identical) to achieve certain economies of scale and other operational efficiencies. Each Target Fund will merge with and into the Merger Subsidiary, which will dissolve under state law and be liquidated into the Acquiring Fund following the completion of the Reorganizations. The Board of each Target Fund (each, a "Target Fund Board"), based upon its evaluation of all relevant information, anticipates that the Reorganization would benefit shareholders of its Target Fund. The Board of the Acquiring Fund (the "Acquiring Fund Board"), based upon its evaluation of all relevant information, anticipates that the Reorganizations would benefit shareholders of the Acquiring Fund. Because shareholders of each Target Fund will vote separately on their Target Fund's respective Reorganization and the shareholders of the Acquiring Fund will vote on the Acquiring Fund's issuance of Acquiring Fund Shares in connection with each Reorganization, there are multiple potential combinations of Reorganizations.

Based on the considerations below, the Board of each Fund, including the Independent Board Members, has determined that each Reorganization would be in the best interests of the applicable Fund and that the interests of the existing shareholders of the applicable Fund would not be diluted with respect to net asset value as a result of the Reorganization. The Board of each Fund approved its respective Reorganization and the Board of each Target Fund recommends that shareholders of such Target Fund approve its respective Reorganization.

The Board of each Fund considered its respective Reorganization over a series of meetings. In preparation for meetings of the Boards held on July 27, 2012 (collectively, the “Meeting”) at which the Reorganizations were approved, the Investment Advisor provided the Boards with information regarding the proposed Reorganizations, including the rationale therefor and alternatives considered to the Reorganizations. The Boards considered a number of principal factors presented at the time of the Meeting or prior meetings in reaching their determinations, including, but not limited to, the following:

- potential for improved economies of scale and a lower total expense ratio;
- alternatives to the Reorganization for each Fund, if such Fund's Reorganization is not approved;

- the potential effects of the Reorganizations on the earnings and distributions of each Fund;
- the potential effects of the Reorganizations on each Fund's premium/discount to NAV;
 - the compatibility of the Funds' investment objectives, policies and related risks;
 - consistency of portfolio management and portfolio composition;
 - potential for improved secondary market trading;
 - potential for operating and administrative efficiencies;
 - the anticipated tax-free nature of the Reorganization;
 - the potential effects on the Funds' capital loss carry-forwards;
 - the expected costs of the Reorganization;
- the terms of the Reorganizations and whether the Reorganizations would dilute the interests of shareholders of the Funds;
 - the effect of the Reorganizations on shareholder rights; and
- any potential benefits of the Reorganizations to the Investment Advisor and its affiliates as a result of the Reorganizations.

The Board of each Fund, including the Independent Board Members, approved its respective Reorganization, concluding that such Reorganization is in the best interests of its Fund and that the interests of existing shareholders of its Fund will not be diluted as a result of its respective Reorganization. This determination was made on the basis of each Board Member's business judgment after consideration of all of the factors taken as a whole with respect to its Fund and shareholders, although individual Board Members may have placed different weight on various factors and assigned different degrees of materiality to various factors.

If a Reorganization is not approved by a Target Fund's shareholders, such Target Fund will continue to operate for the time being as a stand-alone Maryland corporation or Delaware statutory trust, as the case may be, and will continue to be advised by the Investment Advisor. However, if the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of the Funds and its product line, recommend alternative proposals to the Board of such Target Fund. An unfavorable vote by one of the Target Funds or the Acquiring Fund with respect to one of the Reorganizations will not affect the implementation of the other Reorganizations.

Expenses

The Boards believe that the completion of the Reorganizations would result in a reduced Total Expense Ratio for the Acquiring Fund because certain fixed administrative costs would be spread across the Combined Fund's larger asset base.

For the 12-month period ended April 30, 2012, the Total Expense Ratios of PSW, PSY, BPP, and BTZ were 1.20%, 1.17%, 1.13% and 1.17%, respectively. The Funds estimate that the completion of all of the Reorganizations would

result in a Total Expense Ratio for the Combined Fund of 1.12% on a historical and pro forma basis for the 12-month period ended April 30, 2012, representing a reduction in the Total Expense Ratio for PSW, PSY, BPP, and BTZ of 0.08%, 0.05%, 0.01% and 0.05%, respectively, as a percentage of average net assets attributable to common shares. However, based on projected expense information, PSY shareholders are not expected to experience significant expense savings, if any, as a result of the Reorganizations. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined Fund's larger size) as more fully discussed herein. There

can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings will vary depending on the combination of the proposed Reorganizations.

Appraisal Rights

Shareholders of PSW and PSY do not have appraisal rights for their common shares because the common shares of each Fund are traded on the NYSE. Shareholders of BPP do not have appraisal rights, as such rights are not expressly provided for in the Fund's charter or under Delaware law.

Comparison of the Funds

A summary comparison of the significant investment strategies and operating policies used by the Funds as of the date of April 30, 2012 is set forth in the table below. See "Proposal 1: The Reorganizations of the Target Funds—Comparison of the Funds" for a more detailed comparison of the Funds. After the Reorganizations, the investment strategies and significant operating policies of the Combined Fund will be those of BTZ.

PSW	PSY	BPP	BTZ
Credit-Related Securities	Credit-Related Securities	Credit-Related Securities	Credit-Related Securities
Same as BTZ	Same as BTZ	Same as BTZ	Under normal market conditions, the Fund will invest at least 80% of its total assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds, bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities (the "80% Policy").
Investment Grade Policy	Investment Grade Policy	Investment Grade Policy	Investment Grade Policy
Same as BTZ	Same as BTZ	Same as BTZ	Under normal market conditions, the Fund may invest without limitation in securities rated below investment grade at the time of

purchase.

PSW	PSY	BPP	BTZ
Financial Sector Concentration*	Financial Sector Concentration*	Financial Sector Concentration*	Financial Sector Concentration*
<ul style="list-style-type: none"> · Under normal circumstances, the Fund will invest at least 25% of its total assets in the industries comprising the financial services sector. · The companies in the financial services sector are companies principally engaged in financial services. A company is principally engaged in financial services if it owns financial service related assets that constitute at least 50% of its revenue from providing financial services. · The Fund also may emphasize investments in the industries comprising the utilities sector; however, the Fund will not invest 25% or more of its total assets in any one of the industries comprising the utilities sector. 	Same as PSW	Same as BTZ	<ul style="list-style-type: none"> · The Fund will invest at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services. · A company is “principally engaged” in financial services if it derives at least 50% of its consolidated revenues from providing financial services.
Non-U.S. Securities	Non-U.S. Securities	Non-U.S. Securities	Non-U.S. Securities
<ul style="list-style-type: none"> · The Fund may invest without limitation in securities of issuers domiciled outside the United States that are U.S. dollar denominated 	Same as PSW	<ul style="list-style-type: none"> · The Fund may invest up to 35% of its Managed Assets in U.S. dollar denominated securities of non-U.S. issuers that are traded or listed in 	<ul style="list-style-type: none"> · Under normal market conditions, the Fund may invest up to 35% of its Managed Assets in non-U.S. securities. Non-U.S. securities may include

investments or

U.S.

securities

*See Proposal 3, which proposes the removal of the financial sector concentration policy.

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PSW	PSY	BPP	BTZ
<p>otherwise provide for payment to the Fund in U.S. dollars.</p>		<p>markets. For purposes of this 35% limitation, non-U.S. securities include securities represented by American Depository Receipts.</p> <ul style="list-style-type: none"> · The Fund may invest in any region of the world and invests in companies operating in developed countries such as Canada, Japan, Australia, New Zealand and most Western European countries. · The Fund does not intend to invest in companies based in emerging markets such as the Far East, Latin America and Eastern Europe, but if it did, may invest no more than 10% of its managed assets in emerging markets securities. 	<p>denominated in U.S. dollars or in non-U.S. currencies or multinational current units.</p> <ul style="list-style-type: none"> · The Fund may invest in non-U.S. securities of so-called emerging market issuers. · For purposes of the Fund, a company is deemed to be a non-U.S. company if it meets any of the following tests: (i) such company was not organized in the United States; (ii) such company's primary business office is not in the United States; (iii) the principal trading market for such company's assets is not located in the United States; (iv) less than 50% of such company's assets are located in the United States; or (v) 50% or more of such issuer's revenues are derived from outside the United States.
<p>Common Stock</p>	<p>Common Stock</p>	<p>Common Stock</p>	<p>Common Stock</p>
<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>The Fund may invest in common stocks, subject to the 80% Policy.</p>
<p>Illiquid Securities</p>	<p>Illiquid Securities</p>	<p>Illiquid Securities</p>	<p>Illiquid Securities</p>
<p>The Fund may invest in preferred securities,</p>	<p>Same as PSW</p>	<p>Same as BTZ</p>	<p>The Fund may invest up to 10% of its</p>

debt securities and
other securities that
lack a secondary
trading

managed assets in
illiquid securities

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PSW	PSY	BPP	BTZ
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market or are otherwise considered illiquid.

Defensive Measures	Defensive Measures	Defensive Measures	Defensive Measures
The Fund for temporary defensive purposes may invest up to 100% of its total assets in securities issued or guaranteed by the United States Government or its instrumentalities or agencies, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper rated in the highest category by an established rating agency, or other debt securities deemed by the Investment Advisor to be consistent with a defensive posture, or may hold its assets in cash.	Same as PSW	Substantially the same as BTZ	For temporary defensive purposes or to keep cash on hand, the Fund may invest up to 100% of its Managed Assets in cash equivalents and short-term debt securities.

Leverage	Leverage	Leverage	Leverage
<ul style="list-style-type: none"> · The Fund may not issue senior securities or borrow money other than as permitted by Section 18 of the 1940 Act or otherwise as permitted by applicable law. · The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the 	<ul style="list-style-type: none"> · The Fund may not issue senior securities or borrow money except as permitted by Section 18 of the 1940 Act. · The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities 	<ul style="list-style-type: none"> · The Fund may not issue senior securities or borrow money other than as permitted by the 1940 Act. · The Fund may borrow from banks and other financial institutions and may also borrow additional funds using such investment techniques as BlackRock may from time to time determine. 	<ul style="list-style-type: none"> · The Fund may not issue senior securities or borrow money other than as permitted by the 1940 Act. · The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might

settlement of transactions which require
otherwise

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PSW	PSY	BPP	BTZ
<p>securities transactions which otherwise might require untimely dispositions of Fund securities. The Fund at times may borrow from affiliates of the Investment Advisor, provided that the terms of such borrowings are no less favorable than those available from comparable sources of funds in the marketplace.</p> <p>· The Fund currently voluntarily limits its aggregate economic leverage to 50% of its Managed Assets.</p>	<p>might require untimely dispositions of Fund securities. The Fund at times may borrow from affiliates of the Investment Advisor, provided that the terms of such borrowings are no less favorable than those available from comparable sources of funds in the marketplace.</p> <p>· The Fund currently voluntarily limits its aggregate economic leverage to 50% of its Managed Assets.</p>	<p>· The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.</p> <p>· The Fund currently voluntarily limits its aggregate economic leverage to 33 % of its Managed Assets.</p>	<p>untimely dispositions of Fund securities.</p> <p>· The Fund currently voluntarily limits its aggregate economic leverage to 33 % of its Managed Assets.</p>
<p>Reverse Repurchase Agreements</p>	<p>Reverse Repurchase Agreements</p>	<p>Reverse Repurchase Agreements</p>	<p>Reverse Repurchase Agreements</p>
<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>The Fund may engage in reverse repurchase agreements.</p>
<p>When-Issued and Forward Commitment Securities</p>	<p>When-Issued and Forward Commitment Securities</p>	<p>When-Issued and Forward Commitment Securities</p>	<p>When-Issued and Forward Commitment Securities</p>
<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>The Fund may purchase securities on a "when-issued" basis and may purchase or sell securities on a "forward commitment" basis.</p>

PSW Options	PSY Options	BPP Options	BTZ Options
<ul style="list-style-type: none"> · The Fund may purchase call options on any of the types of securities in which it may invest. The Fund also may purchase and sell call options on indices. · The Fund is authorized to write (i.e., sell) covered call options on the securities in which it may invest and to enter into closing purchase transactions with respect to certain of such options. · The Fund is authorized to write (i.e., sell) uncovered call options on securities in which it may invest but that are not currently held by the Fund. · The Fund is authorized to purchase put options. The Fund may also purchase uncovered put options. · The Fund also has authority to write (i.e., sell) put options on the types of securities that may be held by the Fund, provided that such put options are covered, meaning that such options are secured by segregated, liquid 	<p>Same as PSW</p>	<ul style="list-style-type: none"> · The Fund may sell or purchase call options ("calls") on securities and indices based upon the prices of debt securities that are traded on U.S. securities exchanges and on the over-the-counter markets. · All such calls sold by the Fund must be "covered" as long as the call is outstanding (i.e., the Fund must own the instrument subject to the call or other securities or assets acceptable for applicable segregation and coverage requirements). · As with calls, the Fund may purchase put options ("puts") on securities (whether or not it holds such securities in its portfolio). · The Fund will not sell puts if, as a result, more than 50% of the Fund's assets would be required to cover its potential obligation under its hedging and other investment transactions. 	<ul style="list-style-type: none"> · The Fund may purchase call options on any of the types of individual securities, indices or instruments in which it may invest. · The Fund is also authorized to write (i.e., sell) covered call options on the individual securities, indices or instruments in which it may invest and to enter into closing purchase transactions with respect to certain of such options. · The Fund also is authorized to write (i.e., sell) uncovered call options on individual securities, indices or instruments in which it may invest but that are not currently held by the Fund. · The Fund is authorized to purchase put options. The Fund also may purchase uncovered put options. · The Fund has authority to write (i.e., sell) put options on the types of securities or instruments that may be held by the Fund, provided that such put options are

instruments. The Fund
will not sell puts if, as
a result,

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PSW	PSY	BPP	BTZ
<p>more than 50% of the Fund's assets would be required to cover its potential obligations under its hedging and other investment transactions.</p>			<p>covered, meaning that such options are secured by segregated, liquid instruments. The Fund will not sell put options if, as a result, more than 50% of the Fund's total assets would be required to cover its potential obligations under the put options and under any other transactions (excluding calls) that would be treated as senior securities under the 1940 Act.</p>
<p>· The Fund is also authorized to write (i.e., sell) uncovered put options on securities in which it may invest but that the Fund does not currently have a corresponding short position or has not deposited cash equal to the exercise value of the put option with the broker dealer through which it made the uncovered put option as collateral.</p>			<p>· The Fund is also authorized to write (i.e., sell) uncovered put options on securities or instruments in which it may invest but that the Fund does not currently have a corresponding short position or has not deposited cash equal to the exercise value of the put option with the broker dealer through which it made the uncovered put option as collateral.</p>
<p>· The Fund will engage in transactions in OTC options only with banks or dealers which have capital of at least \$50 million or whose obligations are guaranteed by an entity having capital of at least \$50 million.</p>			
<p>Interest Rate Transactions</p>	<p>Interest Rate Transactions</p>	<p>Interest Rate Transactions</p>	<p>Interest Rate Transactions</p>
<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>The Fund may engage in interest rate swap, cap or floor transactions.</p>
<p>Credit Derivatives</p>	<p>Credit Derivatives</p>	<p>Credit Derivatives</p>	<p>Credit Derivatives</p>

· The Fund may enter into credit default	Same as PSW	Same as BTZ	The Fund may engage in credit derivative
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PSW	PSY	BPP	BTZ
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swap agreements.

transactions.

· The Fund will enter into credit default swap agreements only with counterparties who are rated investment grade quality by at least one nationally recognized statistical rating organization at the time of entering into such transaction or whose creditworthiness is believed by the Investment Advisor to be equivalent to such rating.

Futures

Futures

Futures

Futures

The Fund is authorized to engage in transactions in financial futures contracts and related options on such futures contracts.

Same as PSW

Same as BTZ

The Fund may enter into futures contracts of securities, aggregates of securities or indices or prices thereof, other financial indices and U.S. Government debt securities or options on the above.

Short Sales

Short Sales

Short Sales

Short Sales

The Fund may make short sales of securities. The Fund also may make short sales “against the box.”

Same as PSW

Substantially the Same as BTZ

· The Fund may make short sales of securities. The Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its total assets or the Fund's aggregate short sales of a particular class of

securities exceeds 25%
of the

PSW	PSY	BPP	BTZ
			outstanding securities of that class.
			· The Fund may also make short sales "against the box" without respect to such limitations.
Securities Lending	Securities Lending	Securities Lending	Securities Lending
Same as BTZ	Same as BTZ	Same as BTZ	The Fund will not lend portfolio securities if, as a result, the aggregate of such loans exceeds 33 % of the value of the Fund's total assets (including such loans).
Indexed and Inverse Floating Obligations	Indexed and Inverse Floating Obligations	Indexed and Inverse Floating Obligations	Indexed and Inverse Floating Obligations
The Fund may invest in securities whose potential returns are directly related to changes in an underlying index or interest rate, known as indexed securities. The Fund also may invest in securities whose return is inversely related to changes in an interest rate.	Same as PSW	No Stated Policy	No Stated Policy

Further Information Regarding the Reorganization

Each Target Fund's Board has determined that its Reorganization is in the best interests of its Target Fund and the shareholders of such Fund and that the interests of such shareholders will not be diluted as a result of their Fund's Reorganization. Similarly, the Acquiring Fund's Board has determined that each Reorganization is in the best interests of the Acquiring Fund and its shareholders and that the interests of such shareholders will not be diluted as a result of each Reorganization. As a result of the Reorganizations, however, shareholders of each Fund will hold a reduced percentage of ownership in the larger Combined Fund than they did in any of the individual Funds.

Each Reorganization is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. If a Reorganization so qualifies, in general, shareholders of a Target Fund will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund

Shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, the Target Funds will recognize no gain or loss for U.S. Federal income tax purposes by reason of the Reorganizations. Neither the Acquiring Fund nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to each Reorganization. It is a condition to the closing of each Reorganization that the respective Target Fund and the Acquiring Fund receive an opinion from Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden Arps"), dated as of the closing date of such Reorganization (the "Closing Date"), regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code.

The Target Fund Boards request that shareholders of each Target Fund approve their Target Fund's proposed Reorganization at the Special Meeting to be held on November 2, 2012.

Shareholder approval of the PSW Reorganization and the PSY Reorganization requires the affirmative vote of a majority of the outstanding common shares of PSW and PSY, respectively, voting together as a single class.

Shareholder approval of BPP's Reorganization requires the affirmative vote by BPP shareholders, voting as a single class, of a "majority of the outstanding voting securities" as defined under the 1940 Act (such a majority referred to herein as a "1940 Act Majority"). A 1940 Act Majority means the affirmative vote of either (i) 67% or more of the voting securities present at the Special Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Fund, whichever is less. For additional information regarding voting requirements, see "Voting Information and Requirements."

Subject to the requisite approval of the shareholders of each Target Fund with regard to each Reorganization, it is expected that the Closing Date will be sometime during the fourth quarter 2012, but it may be at a different time as described herein.

Investing in the Combined Fund following the Reorganization involves risks. For additional information, see "Risk Factors and Special Considerations."

The PSW Board recommends that shareholders of PSW vote "FOR" PSW's proposed Reorganization.

The PSY Board recommends that shareholders of PSY vote "FOR" PSY's proposed Reorganization.

The BPP Board recommends that shareholders of BPP vote "FOR" BPP's proposed Reorganization.

PROPOSAL 2: ISSUANCES OF ADDITIONAL ACQUIRING FUND SHARES

In connection with each proposed Reorganization described under "Proposal 1: The Reorganizations of the Target Funds," the Acquiring Fund will issue additional Acquiring Fund Shares and list such common shares on the NYSE. All other things being equal, the Reorganizations will result in no reduction of the net asset value of the Acquiring Fund Shares, other than to reflect the applicable costs of the Reorganizations.

No gain or loss for U.S. federal income tax purposes will be recognized by the Acquiring Fund or its shareholders pursuant to the Reorganizations. The Acquiring Fund Board, based upon its evaluation of all relevant information, anticipates that the Reorganizations will benefit shareholders of the Acquiring Fund. In particular, the Acquiring Fund Board reviewed data presented by the Investment Advisor showing that the Acquiring Fund will experience a reduced management fee and a reduced Total Expense Ratio as a result of the proposed Reorganizations.

The Acquiring Fund pays the Investment Advisor a monthly management fee of 0.65% based on the Acquiring Fund's average weekly Managed Assets. "Managed Assets" means the total assets of the Acquiring Fund minus the sum of the accrued liabilities (other than the aggregate indebtedness constituting financial leverage). If any of the Reorganizations are approved and consummated, the Combined Fund will pay the Investment Advisor a monthly fee at an annual rate of 0.62% of the Combined Fund's average weekly Managed Assets.

For the 12-month period ended April 30, 2012, the Total Expense Ratio of the Acquiring Fund was 1.17%. The Acquiring Fund estimates that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.12% on a historical and pro forma basis for the 12-month period ended April 30, 2012, representing a reduction in the Total Expense Ratio for the Acquiring Fund of 0.05%, as a percentage of average net assets attributable to common shares.

The Acquiring Fund Board requests that shareholders of the Acquiring Fund approve the issuance of additional Acquiring Fund Shares in connection with the Reorganizations (the "Issuances") at the Special Meeting to be held on Friday, November 2, 2012 at 9:00 a.m. (Eastern Time). The Issuances must be approved by an affirmative vote of a majority of votes cast, where total votes cast represented over 50% of all securities entitled to vote. Subject to the requisite approval of the shareholders of each Fund with regard to the Reorganization, it is expected that the Closing Date will be after the close of business on or about December 7, 2012, but it may be at a different time as described herein. For additional information regarding voting requirements, see "Voting Information and Requirements."

Investing in the Combined Fund following the Reorganization involves risks. For additional information, see "Risk Factors and Special Considerations."

The Acquiring Fund Board recommends that shareholders of the Acquiring Fund vote "FOR" the Issuances of additional Acquiring Fund Shares in connection with each Reorganization.

PROPOSAL 3: REMOVAL OF FINANCIAL SECTOR CONCENTRATION POLICIES

Each Fund is currently subject to an investment policy that requires such Fund to invest at least 25% of its total or managed assets in the financial services sector (each, a "Concentration Policy").

The Board of PSW has approved, and recommends that shareholders of PSW approve, the removal of PSW's investment policy requiring that PSW invests at least 25% of its total assets in the industries comprising the financial services sector and amending PSW's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy (the "PSW Policy Amendment"). PSW's fundamental investment restriction regarding industry concentration as proposed to be amended is set forth below.

The Fund may not:

"Invest more than 25% of its total assets (taken at market value at the time of each investment) in the securities of issuers in any one industry; provided that this limitation shall not apply with respect to obligations issued or guaranteed by the U.S. government or by its agencies or instrumentalities."

The Board of PSY has approved, and recommends that shareholders of PSY approve, the removal of PSY's investment policy requiring that PSY invests at least 25% of its total assets in the industries comprising the financial services sector and amending PSY's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy (the "PSY Policy Amendment"). PSY's fundamental investment restriction regarding industry concentration as proposed to be amended is set forth below.

The Fund may not:

"Invest more than 25% of its total assets (taken at market value at the time of each investment) in the securities of issuers in any one industry; provided that this limitation shall not apply with respect to obligations issued or guaranteed by the U.S. government or by its agencies or instrumentalities."

The Board of BPP has approved, and recommend that shareholders of BPP approve, the removal of BPP's investment policy requiring that BPP invests at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services and amending BPP's fundamental investment restriction regarding industry concentration to remove the exception for the financial services industry (the "BPP Policy Amendment"). BPP's fundamental investment restriction regarding industry concentration as proposed to be amended is set forth below.

The Fund may not:

"Invest more than 25% of its Managed Assets in securities of issuers in any one industry; provided, however, that such limitation shall not apply to obligations issued or guaranteed by the U.S. Government or by its agencies or instrumentalities."

The Board of BTZ has approved, and recommends that shareholders of BTZ approve, the removal of BTZ's investment policy requiring that BTZ invests at least 25% of its Managed Assets in securities of companies principally

engaged in providing financial services and amending BTZ's fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy (the "BTZ Policy Amendment" and together with the PSW Policy Amendment, PSY Policy Amendment and BPP Policy Amendment, the "Policy Amendments"). BTZ's fundamental investment restriction regarding industry concentration as proposed to be amended is set forth below.

The Fund may not:

"Invest 25% or more of the value of its total assets in securities of issuers in any one industry; provided, however, that such limitation shall not apply to obligations issued or guaranteed by the U.S. Government or by its agents or instrumentalities."

The Board of each Fund anticipates that such Fund's Policy Amendment would benefit such Fund's shareholders by providing the Funds' investment advisor and sub-advisors with increased flexibility in managing such Fund's portfolio and by reducing such Fund's exposure to financial sector risk. As former preferred stock funds, each Fund formerly emphasized its investments in the preferred stock of companies from the financial sector. Such concentration policies are no longer relevant to the Funds and unduly restrictive given the Funds' broad focus on credit-related securities. If the Policy Amendments are approved by shareholders, the Funds will be less exposed to financial sector risk and will have greater capital available for other investment and diversification purposes.

Approval of a Fund's Policy Amendment is not contingent upon the approval of any Reorganization or the Issuance, as applicable, and vice versa. A Fund's shareholders would have the benefit of a Policy Amendment regardless of whether such Fund's Reorganization or Issuance, as applicable, is approved so long as such Fund's Policy Amendment was approved by such Fund's shareholders. In the event a Fund's Policy Amendment is not approved by such Fund's shareholders, the Investment Advisor will continue to manage the Fund under its Concentration Policy.

In the event any of the Reorganizations are consummated, shareholders of the Combined Fund, including former shareholders of the applicable Target Funds, would be subject to the Concentration Policy or the Policy Amendment, as applicable, of the Acquiring Fund following the Reorganizations. If Acquiring Fund shareholders do not approve the Acquiring Fund's Policy Amendment, then the Combined Fund would operate under the Acquiring Fund's Concentration Policy and shareholders of the Combined Fund, including former shareholders of the Target Funds, would not have the benefit of a Policy Amendment. In such an event, Target Fund shareholders would not have the benefit of any Policy Amendment even if Target Fund shareholders had previously approved its respective Target Fund's Policy Amendment. If Acquiring Fund shareholders approve the Acquiring Fund's Policy Amendment, then the Combined Fund would operate under the Acquiring Fund's Policy Amendment and shareholders of the Combined Fund, including former shareholders of the applicable Target Funds, would have the benefit of the Acquiring Fund's Policy Amendment. In such an event, shareholders of the applicable Target Funds would be subject to a Policy Amendment even if such Target Fund shareholders had not previously approved its respective Target Fund's Policy Amendment. There can be no assurance that Acquiring Fund shareholders will approve the Acquiring Fund's Policy Amendment.

At the Special Meeting, each Fund's shareholders will be asked to approve their respective Fund's Policy Amendment. Each Fund's Policy Amendment will take effect immediately upon approval by such Fund's shareholders. Each Fund's Policy Amendment requires approval by an affirmative vote of a 1940 Act Majority of such Fund.

The PSW Board recommends that shareholders of PSW vote "FOR" the PSW Policy Amendment.

The PSY Board recommends that shareholders of PSY vote "FOR" the PSY Policy Amendment.

The BPP Board recommends that shareholders of BPP vote "FOR" the BPP Policy Amendment.

The BTZ Board recommends that shareholders of BTZ vote "FOR" the BTZ Policy Amendment.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Comparison of Risks

Because the Funds have either the same or substantially similar (but not identical) investment objectives and principal investment strategies, the Funds generally are subject to substantially similar investment risks. The Combined Fund will be managed in accordance with the same investment objective and investment policies, and subject to the same risks, as the Acquiring Fund. Many of the investment risks associated with an investment in the Acquiring Fund are substantially similar to those associated with an investment in the Target Funds. Risks that predominately affect common shares include credit risk, interest rate risk, high yield security risk, leverage risk, derivatives risk, liquidity and market price risk, issuer risk, market risk and foreign securities risk. In addition, as exchange-traded closed-end funds, the Funds are subject to the risk that the Funds' common shares may trade at a discount from the Funds' net asset value. Accordingly, the Funds are primarily designed for long-term investors and should not be considered a vehicle for trading purposes.

However, there are some differences between the Acquiring Fund and the Target Funds. BPP and the Acquiring Fund are each registered as a "non-diversified" investment company under the 1940 Act, while PSW and PSY are each registered as a "diversified" investment company under the 1940 Act. This means that each of BPP and the Acquiring Fund may invest a greater percentage of its assets in the obligations of a single issuer than PSW or PSY. To the extent that the Acquiring Fund assumes large positions in the securities of a small number of issuers, the Acquiring Fund's net asset value may fluctuate to a greater extent than that of PSW and PSY as a result of changes in the financial condition or in the market's assessment of such issuers. Even as a non-diversified fund, however, the Acquiring Fund's investments will be limited so as to qualify the Acquiring Fund as a "regulated investment company" for purposes of federal tax laws. In addition, BPP and the Acquiring Fund are each a Delaware statutory trust organized under Delaware law, while PSW and PSY are each a Maryland corporation organized under Maryland law. A Maryland corporation generally provides greater certainty with respect to limitation of personal liability than a Delaware statutory trust. See "Governing Law" for additional information.

Each Fund seeks to achieve its investment objective(s) by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as "junk" bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. Each Fund can invest, under normal marketing conditions, without limitation in securities rated below investment grade at the time of purchase. However, it is anticipated, under current market conditions, that each Fund will have an average credit quality of at least investment grade. There are, however, some differences between the Funds. See "Comparison of the Funds" in this Joint Proxy Statement/Prospectus for a description of the salient differences among the Funds. See "Risk Factors and Special Considerations" in the Statement of Additional Information for a further discussion of factors affecting the Funds' common shares.

Risks Related to the Reorganizations

Expenses.

While the Funds currently estimate that the Reorganizations will result in reduced aggregate expenses of the Combined Fund by approximately \$735,234 per year if all the Reorganizations are completed, approximately \$382,053 if only the Reorganization between PSY and BTZ are approved, and approximately \$667,153 if the Reorganizations of PSW and BPP into BTZ are approved, the realization of these reduced expenses will not affect holders of the Funds proportionately, and may take longer than expected to be realized or may not be realized at all.

After the Reorganizations, the Combined Fund is expected to incur lower Total Expenses on a per common share basis than is currently incurred by the Acquiring Fund. In addition, no matter which Funds complete their Reorganizations, the Combined Fund may incur higher Total Expenses for a period due to expenses associated with the Reorganizations prior to experiencing such savings or may never experience such savings if its fixed costs were to increase or the value of its assets were to decrease.

Each of the PSW, PSY, BPP and BTZ Boards believes that its shareholders should realize lower Total Expense Ratios after the Reorganizations than they would realize if the Reorganizations did not occur after the expenses associated with the Reorganizations have been paid. For the 12-month period ended April 30, 2012, the Total Expense Ratios of PSW, PSY, BPP and BTZ were 1.20%, 1.17%, 1.13% and 1.17% respectively. The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.12% on a historical and pro forma basis for the 12-month period ended April 30, 2012, representing a reduction in the Total Expense Ratio for PSW, PSY, BPP, and BTZ of 0.08%, 0.05%, 0.01% and 0.05%, respectively, as a percentage of average net assets attributable to common shares. However, based on projected expense information, PSY shareholders are not expected to experience significant expense savings, if any, as a result of the Reorganizations. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined Fund's larger size) as more fully discussed herein. See "Reasons for the Reorganizations."

As of April 30, 2012, the historical and pro forma total annual gross expense ratios applicable to the Reorganizations are as follows:

PSW	PSY	BPP	BTZ	Pro Forma Combined Fund (All Funds)	Pro Forma Combined Fund (PSY & BTZ)	Pro Forma Combined Fund (PSW, BPP & BTZ)
1.20%	1.17%	1.13%	1.17%	1.12%	1.14%	1.11%

There can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings will vary depending on the combination of the proposed Reorganizations. The most likely combination is the Reorganizations of all of the Funds. The Reorganization of PSW and BPP into BTZ is expected to result in the lowest Total Expense Ratio of any of the possible combinations of Reorganizations. The Reorganization of only PSY into BTZ is expected to result in the highest Total Expense Ratio of any of the possible combinations of Reorganizations.

PSW, BPP and the Acquiring Fund will bear expenses incurred in connection with the Reorganizations, including, but not limited to, costs related to the preparation and distribution of materials distributed to each Fund's Board, expenses incurred in connection with the preparation of the Reorganization Agreements and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to shareholders, SEC and state securities commission filing fees and legal and audit fees in connection with the Reorganizations, legal fees incurred preparing each Fund's Board materials, attending each Fund's Board meetings and preparing the minutes, auditing fees associated with each Fund's financial statements, stock exchange fees, transfer agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganizations, which will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate. Because the PSW, BPP and the Acquiring Fund have already incurred expenses solely and directly attributable to the Reorganizations and because PSW, BPP and the Acquiring Fund (and not the Investment Advisor) is responsible for paying those expenses, if a Fund's respective shareholders do not approve their Fund's respective Reorganization, such Fund will continue to be responsible for the expenses arising from its proposed Reorganization even though its proposed Reorganization will not occur and those expenses may be material. Based on projected expense information, PSY shareholders are not expected to experience significant expense savings, if any, as a result of the Reorganizations; thus, the Investment Advisor has decided to cover the costs of the PSY Reorganization and the costs associated with the PSY Reorganization will not be directly borne by PSY. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined Fund's larger size) as more fully discussed herein. Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of

or in connection with the Reorganizations. See "Reasons for the Reorganizations."

Earnings and Distribution Yield.

The Combined Fund's earnings and distribution yield on NAV are expected to be comparable (i.e., the same or slightly lower or higher) or higher when compared with that of each Fund prior to the Reorganizations; however, the Combined Fund's earnings and distribution yield on NAV may change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution yield prior to the Reorganizations.

Premium/Discount to NAV.

As with any stock, the price of each Fund's common shares will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Each Fund's common shares are designed for long-term investors and should not be treated as trading vehicles. Shares of closed-end management investment companies frequently trade at a discount from their net asset value. This risk may be greater for investors who sell their shares in a relatively short period of time after completion of the Reorganizations.

The common shares of each Fund has historically fluctuated between a discount and a premium. As of April 30, 2012, each Fund traded at a discount to its respective NAV. To the extent PSW, PSY and BPP are trading at a wider discount (or a narrower premium) than BTZ at the time of the Reorganizations, PSW, PSY, and BPP shareholders would have the potential for an economic benefit by the narrowing of the discount/premium. To the extent PSW, PSY, and BPP are trading at a narrower discount (or wider premium) than BTZ at the time of the Reorganizations, PSW, PSY, and BPP shareholders may be negatively impacted if the Reorganizations are consummated. Acquiring Fund shareholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves.

There can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at, above or below net asset value. Upon consummation of the Reorganizations, the Acquiring Fund Shares may trade at a price that is less than the Acquiring Fund's current trading market price. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative net asset values (not the market values) of each respective Fund's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganizations.

Tax Considerations.

See "Material Federal Income Tax Consequences of the Reorganizations" for a summary of certain U.S. federal income tax consequences of the Reorganizations.

General Risks of Investing in the Funds

Investment Risk. An investment in each Fund's common shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. An investment in each Fund's common shares represents an indirect investment in the securities owned by such Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. Although the Funds can sell stocks of an issuer upon the occurrence of certain events or for tax planning, the Funds generally will not sell stocks of issuers solely due to changes in market price. Each Fund's common shares at any point in time may be worth less than a shareholders' original investment, even after taking into account the reinvestment of the Fund's dividends and distributions.

Investment Strategy Risk. The types of investments that are selected through application of the Funds' investment strategy can be expected to change over time. In pursuing their investment strategy, the Funds may incur adverse tax

or brokerage consequences. Particular risks may be elevated during periods in which the Funds' investment strategy dictates higher levels of investment in particular types of investments.

Issuer Risk; Market Risk; and Selection Risk. Issuer risk is the risk that the value of the Funds' debt securities may decline for a number of reasons which directly relate to the issuer or borrower, such as a real or perceived management performance, financial leverage and reduced demand for the issuer's or borrower's goods and services.

Market risk is the risk that the market values of securities owned by a Fund will decline. There is a risk that the markets in which a Fund invests will go down in value, including the possibility that the market will go down sharply and unpredictably. The prices of debt securities tend to fall as interest rates rise, and such declines tend to be greater

among debt securities with longer maturities. Market risk is often greater among certain types of debt securities, such as zero coupon bonds which do not make regular interest payments but are instead bought at a discount to their face values and paid in full upon maturity. As interest rates change, these securities often fluctuate more in price than securities that make regular interest payments and therefore subject a Fund to greater market risk than a fund that does not own these types of securities. When-issued and delayed delivery transactions are subject to changes in market conditions from the time of the commitment until settlement. This may adversely affect the prices or yields of the securities being purchased. The greater a Fund's outstanding commitments for these securities, the greater the Fund's exposure to market price fluctuations.

Selection risk is the risk that the securities that a Fund's management selects will underperform the markets in which the Fund invests, the market relevant indices, or other funds with similar investment objectives and investment strategies.

Interest Rate Risk. Interest rate risk is the risk that fixed-income securities such as debt securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of such securities generally will fall. A Fund's investment in such securities means that the net asset value and market price of the common shares will tend to decline if market interest rates rise.

During periods of declining interest rates, an issuer may be able to exercise an option to prepay principal earlier than scheduled, forcing a Fund to reinvest in lower yielding securities. This is known as call or prepayment risk. Preferred and debt securities frequently have call features that allow the issuer to repurchase the security prior to its stated maturity. An issuer may redeem an obligation if the issuer can refinance the security at a lower cost due to declining interest rates or an improvement in the credit standing of the issuer. During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below-market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk.

Credit Risk. Credit risk is the risk that one or more fixed income securities in a Fund's portfolio will decline in price or fail to pay interest or principal when due because the issuer of the security experiences a decline in its financial status. To the extent a Fund invests in below investment grade securities, it will be exposed to a greater amount of credit risk than a fund which invests in investment grade securities. The prices of lower grade securities are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. Securities of below investment grade quality are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default. In addition, to the extent a Fund uses credit derivatives, such use will expose it to additional risk in the event that the bonds underlying the derivatives default.

Non-Investment Grade Securities Risk. The Funds can invest, under normal market conditions, without limitation in securities rated below investment grade at the time of purchase. Securities of below investment grade quality as described above are regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal, and are commonly referred to as "junk bonds." The value of high yield, lower quality securities is affected by the creditworthiness of the issuers of the securities and by general economic and specific industry conditions. Issuers of high yield bonds are not as strong financially as those with higher credit ratings. These issuers are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments. Lower grade securities may be particularly susceptible to economic downturns. It is likely that an economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Lower grade securities, though high yielding, are characterized by high risk. These securities are subject to a greater risk of default. They may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated securities. The retail secondary market for lower grade securities may be less liquid than that of higher rated securities; adverse conditions could make it difficult at times for the Fund to sell certain securities or could result in lower prices than those used in calculating the Fund's net asset value. Because of the substantial risks associated with lower grade securities, you could lose money on your investment in common shares of a Fund, both in the short term and the long term.

The prices of debt securities generally are inversely related to interest rate changes; however, the price volatility caused by fluctuating interest rates of securities also is inversely related to the coupons of such securities. Accordingly, below investment grade securities may be relatively less sensitive to interest rate changes than higher quality securities of comparable maturity because of their higher coupon. This higher coupon is what the investor receives in return for bearing greater credit risk. The higher credit risk associated with below investment grade securities potentially can have a greater effect on the value of such securities than may be the case with higher quality issues of comparable maturity.

The ratings of Moody's, Standard & Poor's ("S&P"), Fitch and other rating agencies represent their opinions as to the quality of the obligations which they undertake to rate. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. Although these ratings may be an initial criterion for selection of portfolio investments, the Advisors (as defined herein) also will independently evaluate these securities and the ability for the issuers of such securities to pay interest and principal. To the extent that a Fund invests in lower grade securities that have not been rated by a rating agency, the Fund's ability to achieve its investment objective(s) will be more dependent on the Advisors' credit analysis than would be the case when the Fund invests in rated securities.

Special Risks Related To Preferred Securities. Each Fund is exposed to risks associated with its investments in preferred securities. There are special risks associated with investing in preferred securities, including:

Deferral. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If a Fund owns a preferred security that is deferring its distributions, such Fund may be required to report income for tax purposes although it has not yet received such income.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of having priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. Government securities.

Limited Voting Rights. Generally, preferred security holders (such as a Fund) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. In the case of trust preferred securities, holders generally have no voting rights, except if (i) the issuer fails to pay dividends for a specified period of time or (ii) a declaration of default occurs and is continuing.

Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by certain changes in Federal income tax or securities laws. As with call provisions, a special redemption by the issuer may negatively impact the return of the security held by a Fund.

New Types of Securities. From time to time, preferred securities, including hybrid-preferred securities, have been, and may in the future be, offered having features other than those described herein. Each Fund reserves the right to invest in these securities if the Advisors believe that doing so would be consistent with the Fund's investment objective and policies. Since the market for these instruments would be new, a Fund may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these instruments may present other risks, such as

high price volatility.

Mortgage and Asset Backed Securities. Each Fund may invest in a variety of mortgage related and other asset backed securities, including both commercial and residential mortgage securities and other mortgage backed instruments issued on a public or private basis. Mortgage backed securities represent the right to receive a portion of principal and/or interest payments made on a pool of residential or commercial mortgage loans. When interest rates

fall, borrowers may refinance or otherwise repay principal on their mortgages earlier than scheduled. When this happens, certain types of mortgage backed securities will be paid off more quickly than originally anticipated and each Fund will have to invest the proceeds in securities with lower yields. This risk is known as “prepayment risk.” When interest rates rise, certain types of mortgage backed securities will be paid off more slowly than originally anticipated and the value of these securities will fall. This risk is known as “extension risk.”

Because of prepayment risk and extension risk, mortgage backed securities react differently to changes in interest rates than other fixed income securities. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage backed securities.

Like more traditional fixed income securities, the value of asset backed securities typically increases when interest rates fall and decreases when interest rates rise. Certain asset backed securities may also be subject to the risk of prepayment. In a period of declining interest rates, borrowers may pay what they owe on the underlying assets more quickly than anticipated. Prepayment reduces the yield to maturity and the average life of the asset backed securities. In addition, when a Fund reinvests the proceeds of a prepayment it may receive a lower interest rate than the rate on the security that was prepaid. In a period of rising interest rates, prepayments may occur at a slower rate than expected. As a result, the average maturity of a Fund’s portfolio may increase. The value of longer term securities generally changes more widely in response to changes in interest rates than shorter term securities.

Non-U.S. Securities Risk. PSY and PSW may invest without limitation in preferred securities and debt securities of issuers domiciled outside of the United States that are U.S. dollar denominated or provide for payment to the Fund in U.S. dollars. BPP may invest up to 35% of its Managed Assets in U.S. dollar denominated securities of non-U.S. issuers that are traded or listed in U.S. markets. For purposes of BPP's 35% limitation, non-U.S. securities include securities represented by American Depositary Receipts. The Acquiring Fund may invest, under normal market conditions, up to 35% of the its Managed Assets in non-U.S. securities.

For the Acquiring Fund, since non-U.S. securities may be purchased with, and payable in, foreign currencies, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

Investments in non-U.S. securities involve certain risks not involved in domestic investments, including, but not limited to, (i) fluctuations in foreign exchange rates; (ii) future foreign economic, financial, political and social developments; (iii) different legal systems; (iv) the possible imposition of exchange controls or other foreign governmental laws or restrictions, including expropriation; (v) lower trading volume; (vi) much greater price volatility and illiquidity of certain non U.S. securities markets; (vii) different trading and settlement practices; (viii) less governmental supervision; (ix) changes in currency exchange rates; (x) high and volatile rates of inflation; (xi) fluctuating interest rates; (xii) less publicly available information; and (xiii) different accounting, auditing and financial recordkeeping standards and requirements.

Securities markets in foreign countries often are not as developed, efficient or liquid as securities markets in the United States, and therefore, the prices of non-U.S. securities can be more volatile. Certain foreign countries may impose restrictions on the ability of issuers of non-U.S. securities to make payments of principal and interest to investors located outside the country. In addition, a Fund will be subject to risks associated with adverse political and economic developments in foreign countries, which could cause the Fund to lose money on its investments in non-U.S. Securities. The ability of a foreign sovereign issuer, especially an emerging market country, to make timely payments on its debt obligations will also be strongly influenced by the sovereign issuer's balance of payments, including export performance, its access to international credit facilities and investments, fluctuations of interest rates and the extent of its foreign reserves. The cost of servicing external debt will also generally be adversely affected by rising international interest rates, as many external debt obligations bear interest at rates which are adjusted based

upon international interest rates.

Because evidences of ownership of such securities usually are held outside the United States, a Fund will be subject to additional risks if it invests in non-U.S. securities, which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the foreign securities to investors located outside the country of the issuer, whether from currency blockage or otherwise. Certain countries in which the Funds may invest, especially emerging market countries, historically have experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. Many of these countries are also characterized by political uncertainty and instability. In addition, with respect to certain foreign countries, there is a

risk of: (i) the possibility of expropriation or nationalization of assets; (ii) confiscatory taxation; (iii) difficulty in obtaining or enforcing a court judgment; (iv) economic, political or social instability; and (v) diplomatic developments that could affect investments in those countries. Non-U.S. securities may trade on days when a Fund's common shares are not priced.

Because a Fund may invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the Fund and the unrealized appreciation or depreciation of investments. Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies, which means that the Funds' net asset value or current income could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. Certain investments in non-U.S. securities also may be subject to foreign withholding taxes. Dividend income from non-U.S. corporations may not be eligible for the reduced rate for qualified dividend income. These risks often are heightened for investments in smaller, emerging capital markets. In addition, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as: (i) growth of gross domestic product; (ii) rates of inflation; (iii) capital reinvestment; (iv) resources; (v) self sufficiency; and (vi) balance of payments position.

As a result of these potential risks, the Advisors may determine that, notwithstanding otherwise favorable investment criteria, it may not be practicable or appropriate to invest in a particular country. The Funds may invest in countries in which foreign investors, including the Advisors, have had no or limited prior experience.

Emerging Markets Risk. Each Fund may invest in issuers in emerging markets. Investing in securities of issuers based in underdeveloped emerging markets entails all of the risks of investing in securities of non U.S. issuers to a heightened degree. "Emerging market countries" generally include every nation in the world except developed countries. Examples of developed countries are the United States, Canada, Japan, Australia, New Zealand and most countries located in Western Europe. These heightened risks include (i) greater risks of expropriation, confiscatory taxation, nationalization and less social, political and economic stability; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in lack of liquidity and an increase in price volatility; and (iii) certain national policies that may restrict a Fund investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests.

Foreign Currency Risk. Because a Fund may invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the Fund and the unrealized appreciation or depreciation of investments. Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies, which means that a Fund's net asset value could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. The Advisors may, but is not required to, elect for a Fund to seek to protect itself from changes in currency exchange rates through hedging transactions depending on market conditions. In addition, a Fund may enter into foreign currency transactions in an attempt to enhance total return, which may further expose the Fund to the risks of foreign currency movements and other risks. In addition, certain countries, particularly emerging market countries, may impose foreign currency exchange controls or other restrictions on the transferability, repatriation or convertibility of currency.

Illiquid Securities Risk. Each Fund may invest in instruments that, at the time of investment, are illiquid. BTZ and BPP may only invest up to 10% of their managed assets in illiquid securities. Illiquid securities are securities that are not readily marketable and may include some restricted securities, which are securities that may not be resold to the public without an effective registration statement under the Securities Act of 1933, as amended, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. Illiquid securities involve the risk that the securities will not be able to be sold at the time desired by a Fund or at prices approximating the value at which the Fund is carrying the securities on its books.

Non-Diversification Risk. Both BPP and the Acquiring Fund are registered as a "non-diversified" investment company under the 1940 Act. PSW and PSY are each registered as a "diversified" investment company under the 1940 Act. This means that each of BPP and the Acquiring Fund may invest a greater percentage of its assets in the obligations of a single issuer than PSW or PSY. Since the Acquiring Fund may invest a relatively high percentage of its assets in a limited number of issuers, the Acquiring Fund may be more exposed to any single economic, political or regulatory occurrence than a more widely diversified fund, such as PSW and PSY. Even as a non-diversified fund, however, the Acquiring Fund's investments will be limited so as to qualify the Acquiring Fund as a "regulated investment company" for purposes of Federal tax laws. Requirements for qualification include limiting its investments so that, at the close of each quarter of the taxable year, (i) not more than 25% of the market value of the Acquiring Fund's total assets will be invested in (A) the securities of a single issuer (other than U.S. Government securities and securities of other regulated investment companies), (B) the securities of two or more issuers (other than securities of other regulated investment companies) controlled by the Acquiring Fund and engaged in the same, similar or related trades or businesses or (C) the securities of one or more qualified publicly traded partnerships and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets will be invested in the securities of a single issuer and the Acquiring Fund will not own more than 10% of the outstanding voting securities of a single issuer (other than U.S. Government securities and securities of other regulated investment companies).

Financial Sector Concentration Risk. Each of PSW and PSY currently has an investment policy that requires that the Fund invests at least 25% of its total assets in industries comprising the financial services sector. Each of BPP and the Acquiring Fund currently has an investment policy that requires that the Fund invests at least 25% of its Managed Assets in companies principally engaged in financial services. Each Fund is recommending that shareholders of such Fund approve the removal of such concentration policy. If the removal of such concentration policy is approved for a Fund, then such Fund would not be subject to such concentration policy.

If the removal of such concentration policy is not approved by shareholders for a Fund, then such Fund's emphasis on securities of financial services companies makes it more susceptible to adverse conditions affecting such industries than a fund that does not have its assets invested to a similar degree in such issuers. Issuers in the financial services sector are subject to a variety of factors that may adversely affect their business or operations, including extensive regulation at the federal and/or state level and, to the extent that they operate internationally, in other countries, changes in prevailing interest rates, general economic conditions and other industry specific risks.

Leverage. Although the use of leverage by a Fund may create an opportunity for increased net income and capital appreciation for the common shares, it also results in additional risks and can magnify the effect of any losses. If the income and gains earned on securities purchased with leverage proceeds are greater than the cost of leverage, a Fund's return will be greater than if leverage had not been used. Conversely, if the income or gains from the securities purchased with such proceeds does not cover the cost of leverage, the return to the Fund will be less than if leverage had not been used. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for shareholders of a Fund including:

- the likelihood of greater volatility of net asset value and market price of and dividends on the shares than a comparable portfolio without leverage;
- the risk that fluctuations in interest rates on borrowings and short-term debt or in the dividend rates on any preferred shares that the Fund must pay will reduce the return to the shareholders;
- the effect of leverage in a market experiencing rising interest rates, which is likely to cause a greater decline in the net asset value of the shares than if the Fund were not leveraged, which may result in a greater decline in the market

price of the shares;

- when the Fund uses leverage, the fees payable to the Advisors for advisory and sub-advisory services will be higher than if the Fund did not use leverage; and

- leverage may increase operating costs, which may reduce the Fund's total return.

Any requirement that the Fund sell assets at a loss in order to redeem or pay off any leverage or for other reasons would reduce the Fund's net asset value and also make it difficult for the net asset value to recover. The Advisor in its best judgment nevertheless may determine to continue to use leverage if it expects that the benefits to the Fund's shareholders of maintaining the leveraged position will outweigh the current reduced return.

Certain types of borrowings by a Fund may result in the Fund being subject to covenants in credit agreements relating to asset coverage and Fund composition requirements. The Funds may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for the short-term corporate debt securities or preferred shares issued by the Funds. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act.

Reverse Repurchase Agreements Risk. Reverse repurchase agreements involve the risks that the interest income earned on the investment of the proceeds will be less than the interest expense of a Fund, that the market value of the securities sold by a Fund may decline below the price of the securities at which such Fund is obligated to repurchase them and that the securities may not be returned to such Fund. There is no assurance that reverse repurchase agreements can be successfully employed.

Strategic Transactions. The Funds may engage in various other portfolio strategies both to seek to increase the return of the Funds and to seek to hedge their portfolio against adverse effects from movements in interest rates and in the securities markets. Strategic transactions in which the Funds may engage for hedging purposes, risk management, or to enhance total return, including engaging in transactions, such as options, futures, swaps, foreign currency transactions (such as forward foreign currency contracts, currency swaps or options on currency and currency futures), and other derivatives transactions ("Strategic Transactions") also involve certain risks and special considerations. Strategic Transactions have risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative instruments. Furthermore, the ability to successfully use Strategic Transactions depends on the Advisors' ability to predict pertinent market movements, which cannot be assured. Thus, the use of Strategic Transactions may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation a Fund can realize on an investment, or may cause a Fund to hold a security that it might otherwise sell. The use of foreign currency transactions can result in a Fund incurring losses as a result of the imposition of exchange controls, suspension of settlements or the inability of such Fund to deliver or receive a specified currency. Additionally, amounts paid by a Fund as premiums and cash or other assets held in margin accounts with respect to Strategic Transactions are not otherwise available to such fund for investment purposes.

Derivatives Risk. Derivatives are financial contracts or instruments whose value depend on, or is derived from, the value of an underlying asset, reference rate or index (or relationship between two indexes). Each Fund may invest in a variety of derivative instruments for hedging purposes or to seek to enhance its return, such as options, futures contracts and swap agreements, and may engage in short sales. Each Fund may also have exposure to derivatives through investment in credit-linked notes, credit-linked trust certificates and other securities issued by special purpose or structured vehicles. Each Fund may use derivatives as a substitute for taking a position in an underlying security or other asset, as part of a strategy designed to reduce exposure to other risks, such as interest rate risk. Each Fund also may use derivatives to add leverage to the portfolio. Each Fund's use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, credit risk, counterparty risk, leverage risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or

index. If a Fund invests in a derivative instrument it could lose more than the principal amount invested. The use of derivatives also may increase the amount of taxes payable by stockholders. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that each Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

Interest Rate Transactions Risk. Each Fund may enter into a swap or cap transaction to attempt to protect itself from increasing dividend or interest expenses resulting from increasing short-term interest rates. A decline in interest rates may result in a decline in the value of the swap or cap which may result in a decline in the net asset

value of the Fund. A sudden and dramatic decline in interest rates may result in a significant decline in the net asset value of a Fund.

Swaps. Swap agreements are types of derivatives. In order to seek to hedge the value of the Fund's portfolio, to hedge against increases in the Fund's cost associated with the interest payments on its outstanding borrowings or to seek to increase the Fund's return, a Fund may enter into interest rate or credit default swap transactions. In interest rate swap transactions, there is a risk that yields will move in the direction opposite of the direction anticipated by a Fund, which would cause the Fund to make payments to its counterparty in the transaction that could adversely affect Fund performance. In addition to the risks applicable to swaps generally, credit default swap transactions involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty). A Fund is not required to enter into interest rate or credit default swap transactions for hedging purposes or to enhance its return and may choose not to do so.

Counterparty Risk. Each Fund will be subject to credit risk with respect to the counterparties to the derivative contracts purchased by such Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Short Sales Risk. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Portfolio Turnover Risk. A Fund's annual portfolio turnover rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for a Fund. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by a Fund. High portfolio turnover may result in an increased realization of net short-term capital gains by a Fund which, when distributed to shareholders, will be taxable as ordinary income. Additionally, in a declining market, portfolio turnover may create realized capital losses.

Market Disruption and Geopolitical Risk. The aftermath of the war in Iraq, instability in Afghanistan, Pakistan and the Middle East, possible terrorist attacks in the United States and around the world, growing social and political discord in the United States, the European debt crisis, potential failure of the Euro, further downgrades of United States government securities and other similar events may result in market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties in the United States and worldwide. The Funds do not know how long the securities markets may be affected by these events and cannot predict the effects of these events or similar events in the future on the U.S. economy and securities markets. Non-investment grade securities tend to be more volatile than investment grade fixed income securities so that these events and other market disruptions may have a greater impact on the prices and volatility of non-investment grade securities than on investment grade fixed income securities. There can be no assurance that these events and other market disruptions will not have other material and adverse implications.

Risks Associated with Recent Market Events. Global stock and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many securities to fluctuate substantially and the spreads on prospective debt financings to widen considerably. The debt and equity capital markets in the United States have been negatively impacted by significant write-offs in the financial services sector relating to subprime mortgages and the repricing of credit risk in the broadly syndicated market, among other things. These events, along with the downgrade of the United States' credit rating, deterioration of the housing market, the failure of major financial institutions and the resulting United States federal government actions have led to worsening general economic conditions, which have materially and adversely

impacted the broader financial and credit markets and have reduced the availability of debt and equity capital for the market as a whole and financial firms in particular. These events have been adversely affecting the willingness of some lenders to extend credit, in general, which may make it more difficult for issuers of debt securities to obtain financings or refinancings for their investment or lending activities or operations. There is a risk that such issuers will be unable to successfully complete such financings or refinancings. In particular, because of the current conditions in the credit markets, issuers of debt securities may be subject to increased cost for debt, tightening underwriting standards and reduced liquidity for loans they make, securities they purchase and securities they issue. These events may increase the volatility of the value of securities owned by a Fund and/or result in sudden and significant valuation increases or declines in its portfolio. These events also may make it more difficult for a Fund to accurately value its securities or to sell its securities on a timely basis. These events have adversely affected the broader economy, and may continue to do so, which in turn may adversely affect the ability of issuers of securities owned by a Fund to make payments of principal and interest when due, lead to lower credit ratings and increase defaults. There is also a risk that developments in sectors of the credit markets in which a Fund does not invest may adversely affect the liquidity and the value of securities in sectors of the credit markets in which the Fund does invest, including securities owned by the Fund.

General market uncertainty and consequent repricing risk have led to market imbalances of sellers and buyers, which in turn have resulted in significant valuation uncertainties in a variety of debt securities, including municipal bonds, and significant and rapid value decline in certain instances. These conditions resulted, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many debt securities remaining illiquid and of uncertain value. Such market conditions may make valuation of some of the Fund's securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings.

The recent instability in the financial markets discussed above has led the U.S. government and certain foreign governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity, including through direct purchases of equity and debt securities. Federal, state and other governments, their regulatory agencies or self-regulatory organizations may take actions that affect the regulation of the issuers in which a Fund invests in ways that are unforeseeable. Legislation or regulation may also change the way in which a Fund is regulated. Such legislation or regulation could limit or preclude a Fund's ability to achieve its investment objective.

The Advisors do not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on a Fund's portfolio. The Advisors intend to monitor developments and seek to manage each Fund's portfolio in a manner consistent with achieving such Fund's investment objective(s), but there can be no assurance that it will be successful in doing so and the Advisors may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments and trends in new products and services, in the current or future market environment.

United States Credit Rating Downgrade Risk. The events surrounding the recent negotiations regarding the U.S. federal government debt ceiling and the resulting agreement could adversely affect the Advisors' ability to achieve a Fund's investment objective(s). On August 5, 2011, S&P lowered its long-term sovereign credit rating on the U.S. to "AA+" from "AAA" with a negative outlook. Moody's affirmed the Aaa long-term sovereign credit rating of the U.S. on November 21, 2011 while maintaining its negative outlook. The downgrade by S&P and any future downgrades by other rating agencies could increase volatility in both stock and bond markets, result in higher interest rates and higher Treasury yields and increase borrowing the costs of all kinds of debt. These events could have significant adverse effects on the economy generally and could result in significant adverse impacts on securities issuers and the Funds. The Advisors cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on a Fund's portfolio.

The Dodd-Frank Act. Congress has enacted sweeping financial legislation, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), signed into law by President Obama on July 21, 2010, regarding the operation of banks, private fund managers and other financial institutions, which includes provisions regarding the regulation of derivatives. Many provisions of the Dodd-Frank Act will be implemented through regulatory rulemakings and similar processes over a period of time. The impact of the Dodd-Frank Act, and

of follow-on regulation, on trading strategies and operations is impossible to predict, and may be adverse. Practices and areas of operation subject to significant change based on the impact, direct or indirect, of the Dodd-Frank Act and follow-on regulation, may change in manners that are unforeseeable, with uncertain effects. By way of example and not limitation, direct and indirect changes from the Dodd-Frank Act and follow-on regulation may occur to a significant degree with regard to, among other areas, financial consumer protection, bank ownership of and involvement with private funds, proprietary trading, registration of investment advisers, and the trading and use of many derivative instruments, including swaps. There can be no assurance that such legislation or regulation will not have a material adverse effect on the Funds. In addition, Congress may address tax policy, which also could have uncertain direct and indirect impact on trading and operations, as well as, potentially, operations and structure of the Funds.

Further, the Dodd-Frank Act created the Financial Stability Oversight Council (“FSOC”), an interagency body charged with identifying and monitoring systemic risks to financial markets. The FSOC has the authority to require that non-bank financial companies that are “predominantly engaged in financial activities,” such as the Funds, the Investment Advisor and the Sub-Advisor, whose failure it determines would pose systemic risk, be placed under the supervision of the Board of Governors of the Federal Reserve System (“Federal Reserve”). The FSOC has the authority to recommend that the Federal Reserve adopt more stringent prudential standards and reporting and disclosure requirements for non-bank financial companies supervised by the Federal Reserve. The FSOC also has the authority to make recommendations to the Federal Reserve on various other matters that may affect the Funds, including requiring financial firms to submit resolution plans, mandating credit exposure reports, establishing concentration limits, and limiting short-term debt. The FSOC may also recommend that other federal financial regulators impose more stringent regulation upon, or ban altogether, financial activities of any financial firm that poses what it determines are significant risks to the financial system. In the event that the FSOC designates the Funds as a systemic risk to be placed under the Federal Reserve’s supervision, the Funds could face stricter prudential standards, including risk-based capital requirements, leverage limits, liquidity requirements, concentration requirements, and overall risk management requirements, among other restrictions. Such requirements could hinder a Fund’s ability to meet its investment objective(s) and may place the Fund at a disadvantage with respect to its competitors.

Additionally, BlackRock is, for purposes of the Bank Holding Company Act of 1956, as amended, and any rules or regulations promulgated thereunder from time to time, currently considered a subsidiary of The PNC Financial Services Group, Inc. (“PNC”), which is subject to regulation and supervision as a “financial holding company” by the Federal Reserve. The “Volcker Rule” contained in Section 619 of the Dodd-Frank Act will limit the ability of banking entities, which would include BlackRock by virtue of its relationship with PNC, to sponsor, invest in or serve as investment manager of certain private investment funds. Pursuant to the Dodd-Frank Act, the Volcker Rule’s effective date will be July 21, 2012. Following the effective date of the Volcker Rule, banking entities subject to the Volcker Rule, such as BlackRock, will have at least a two-year period to come into compliance with the provisions of the Volcker Rule. The Volcker Rule could have a significant negative impact on BlackRock and the Advisors. BlackRock may attempt to take certain actions to lessen the impact of the Volcker Rule, although no assurance can be given that such actions would not have a significant negative impact on the Fund. While the U.S. financial regulators have issued proposed rules implementing the Volcker Rule, the Advisors cannot predict the extent to which the Volcker Rule will be subject to modification by rule prior to its effective date, or the impact any such modifications may have on BlackRock or the Advisors.

The implementation of the Dodd-Frank Act could also adversely affect the Advisors and the Funds by increasing transaction and/or regulatory compliance costs. In addition, greater regulatory scrutiny and the implementation of enhanced and new regulatory requirements may increase the Investment Advisor’s, the Sub-Advisor’s and the Funds’ exposure to potential liabilities, and in particular liabilities arising from violating any such enhanced and/or new regulatory requirements. Increased regulatory oversight could also impose administrative burdens on the Advisors and the Funds, including, without limitation, responding to investigations and implementing new policies and

procedures. The ultimate impact of the Dodd-Frank Act, and any resulting regulation, is not yet certain and the Advisors and the Funds may be affected by the new legislation and regulation in ways that are currently unforeseeable.

Dodd-Frank Act Derivatives Title. Title VII of the Dodd-Frank Act (the “Derivatives Title”) imposes a new regulatory structure on derivatives markets, with particular emphasis on swaps and security-based swaps

(collectively “swaps”). This new regulatory framework covers a broad range of swap market participants, including banks, non-banks, credit unions, insurance companies, broker-dealers and investment advisers, including the Advisors.

The SEC, CFTC and other U.S. regulators (the “Regulators”) are in the process of adopting numerous regulations to implement the Derivatives Title. Until the Regulators complete their rulemaking efforts, the extent to which the Derivatives Title and the rules adopted thereunder will impact the Funds is unclear. However, it is possible that the new regulatory structure for swaps may jeopardize certain trades and/or trading strategies employed by the Advisors, or at least make them more costly.

The Derivatives Title empowers the CFTC and SEC to require that certain swaps be submitted for clearing to regulated clearinghouses. Swaps that are required to be submitted for clearing must also, subject to certain exceptions, be executed through regulated markets, including designated contract markets, national securities exchanges and swap execution facilities. If a Fund wishes to trade swaps subject to the clearing and exchange-trading mandates, it may incur additional costs associated with these new requirements. Other Dodd-Frank Act provisions could limit banks’ ability to engage in swaps, which could decrease liquidity in the swap markets and adversely impact the ability of the Fund to enter into highly-tailored or customized transactions.

The Derivatives Title also requires swap dealers and major swap participants to register with the SEC and/or the CFTC, as appropriate. Swap dealers and major swap participants will be subject to a panoply of new regulations, including among others, capital and margin requirements and business conduct standards. If a Fund is required to post margin for their swap transactions, the cost of executing these transactions could rise substantially. These costs may make certain trades or trading strategies uneconomical. If a Fund or the Advisors are required to register as major swap participant, the Fund would incur costs related to complying with major swap participant regulation. Additionally, it is expected that swap dealers will transfer at least some of their compliance costs to counterparties in the form of higher fees or less favorable marks on swap transactions. This means that a Fund could face increased transaction costs when entering into swaps with a swap dealer. A Fund also may be subject to new requirements, including reporting requirements with respect to position information, use of leverage, identity of investors and counterparty and credit risk exposure.

These new requirements of the Derivatives Title may also increase the cost of certain hedging and other derivatives transactions; additionally, there may be market dislocations due to uncertainty during the extended regulatory implementation period and it is not yet clear how the derivatives market will adjust to new regulations. Until the Regulators complete the rulemaking process for the Derivatives Title, it is unknown the extent to which such risks may materialize.

There can be no assurance that these developments will not adversely affect the business and investment activities of the Funds and the Advisors. In addition, the Advisors may be subject to potential registration requirements or other additional responsibilities under the Derivatives Title, summarized above, and may therefore incur increased cost in conducting the Funds’ strategies, which may adversely affect the performance of the Funds.

CFTC Rulemaking Updates. On February 9, 2012, the CFTC adopted certain amendments to the regulations governing commodity pools, commodity pool operators, and commodity trading advisors (the “CPO-CTA Rulemaking”). As part of the CPO-CTA Rulemaking, the CFTC amended Rule 4.5 under the Commodity Exchange Act to impose additional restrictions on the use of futures, options and swaps by registered investment companies, such as the Funds. These amendments limit the ability of the Funds to use futures, options and swaps without the Funds and the Advisors being subject to full CFTC regulation, which would impose substantial additional regulatory and compliance burdens on the Advisors (who would have to register as commodity pool operators) and the Funds. These amendments have an extended implementation period and their full implementation is dependent upon

the completion of other related rulemakings. The ultimate effect these amendments may have on the Advisors and the Funds is thus uncertain; however, it is possible that they may adversely affect a Fund's ability to manage its portfolio and may impair the Fund's ability to achieve its investment objective(s).

The CPO-CTA Rulemaking also imposed additional reporting and disclosure obligations on commodity pool operators and this may too adversely affect a Fund's ability to manage its portfolio and impair the Fund's ability to achieve its investment objective(s). The CPO-CTA Rulemaking may, in particular, substantially increase regulatory compliance costs for the Funds and the Advisors and could have effects on the management of a Fund's

portfolio that are currently unforeseeable, that could reduce returns to investors and that could impair a Fund's ability to achieve its investment objective.

Antitakeover Provisions. The Agreement and Declaration of Trust of the Acquiring Fund includes provisions that could limit the ability of other entities or persons to acquire control of the Acquiring Fund or to change the composition of its Board. Such provisions could limit the ability of shareholders to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Acquiring Fund. See "Certain Provisions of the Charter."

EXPENSE TABLE FOR SHAREHOLDERS

Total Expenses Table for Shareholders of the Funds as of April 30, 2012

The following tables illustrate the anticipated reduction in Total Expenses expected as a result of the Reorganizations. The table sets forth (i) the Total Expenses paid by each Fund for the 12-month period ended April 30, 2012, (ii) the pro forma Total Expenses for the Combined Fund, assuming all of the Reorganizations had taken place on April 30, 2012, (iii) the pro forma Total Expenses for the Combined Fund, assuming the Reorganizations of PSW and BPP into BTZ had taken place on April 30, 2012, and (iv) the pro forma Total Expenses for the Combined Fund, assuming only the Reorganization of PSY into BTZ had taken place on April 30, 2012.

The level of expense savings will vary depending on the combination of the proposed Reorganizations. Because each of the Reorganizations may occur whether or not the other Reorganizations are approved, several combinations are possible and the pro forma effects on operating expenses for all possible combinations are not illustrated in the table below. The scenarios presented below, however, capture the range of possible pro forma outcomes. The Reorganizations of PSW and BPP into BTZ is expected to result in the lowest Total Expense Ratio of any of the possible combinations of Reorganizations. The Reorganization of only PSY into BTZ is expected to result in the highest Total Expense Ratio of any of the possible combinations of Reorganizations. The most likely combination is the Reorganization of all of the Funds.

For the 12-month period ended April 30, 2012, the Total Expense Ratios of PSW, PSY, BPP, and BTZ were 1.20%, 1.17%, 1.13% and 1.17%, respectively. The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.12% on a historical and pro forma basis for the 12-month period ended April 30, 2012, representing a reduction in the Total Expense Ratio for PSW, PSY, BPP, and BTZ of 0.08%, 0.05%, 0.01% and 0.05%, respectively, as a percentage of average net assets attributable to common shares. However, based on projected expense information, PSY shareholders are not expected to experience significant expense savings, if any, as a result of the Reorganizations. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined Fund's larger size) as more fully discussed herein. There can be no assurance that future expenses will not increase or that any expense savings will be realized.

	PSW	PSY	BPP	BTZ	Pro Forma Combined Fund (a) (All Funds)	Pro Forma Combined Fund (a) (PSY & BTZ)	Pro Forma Combined Fund (a) (PSW, BPP & BTZ)
Shareholder Transaction Expenses							
Maximum Sales Load (as a percentage of the offering price) imposed on purchases of common shares (b)	None	None	None	None	None	None	None
Dividend Reinvestment and Cash Purchase Plan Fees	None	None	None	None	None	None	None
Annual Total Expenses (as a percentage of a attributable to common							

shares)

Investment Management Fees	0.83%	0.85%	0.87%	0.90%	0.86%	0.87%	0.86%
Other Expenses (c)	0.21%	0.17%	0.14%	0.13%	0.12%	0.12%	0.11%
Interest Expense	0.16%	0.15%	0.12%	0.14%	0.14%	0.15%	0.14%
Total Annual Fund Operating Expenses (Excluding Interest Expense)	1.04%	1.02%	1.01%	1.03%	0.98%	0.99%	0.97%
Total Annual Fund Operating Expenses (Including Interest Expense)	1.20%	1.17%	1.13%	1.17%	1.12%	1.14%	1.11%

(a) Assumes the Reorganization(s) had taken place on April 30, 2012.

(b) No sales load will be charged in connection with the issuance of the Acquiring Fund Shares as part of the Reorganizations. Common shares are not available for purchase from the Funds but may be purchased on the NYSE through a broker-dealer subject to individually negotiated commission rates. Common shares purchased in the secondary market may be subject to brokerage commissions or other charges.

(c) Includes non-recurring expenses relating to professional services.

The following example is intended to help you compare the costs of investing in the common shares of the Combined Fund pro forma if the Reorganization is completed with the costs of investing in PSW, PSY, BPP and the

Acquiring Fund without the Reorganization. An investor in common shares would pay the following expenses on a \$1,000 investment, assuming (1) the Total Expense Ratio (Including Interest Expenses) for each Fund set forth in the total expenses table above and (2) a 5% annual return throughout the period:

	1 Year	3 Years	5 Years	10 Years
PSW	\$12	\$38	\$66	\$145
PSY	\$12	\$37	\$64	\$142
BPP	\$12	\$36	\$62	\$137
BTZ	\$12	\$37	\$64	\$142
Pro Forma Combined Fund (All Funds)	\$11	\$36	\$62	\$136
Pro Forma Combined Fund (PSY into BTZ)	\$12	\$36	\$63	\$139
Pro Forma Combined Fund (PSW and BPP into BTZ)	\$11	\$35	\$61	\$135

The examples set forth above assume common shares of each Fund were owned as of the completion of the Reorganizations and the reinvestment of all dividends and distributions and uses a 5% annual rate of return as mandated by SEC regulations. The examples should not be considered a representation of past or future expenses or annual rates of return. Actual expenses or annual rates of return may be more or less than those assumed for purposes of the examples.

PSW, BPP, and the Acquiring Fund will bear expenses incurred in connection with the Reorganizations that are not reflected in "Other Expenses," including, but not limited to, costs related to the preparation and distribution of materials distributed to each Fund's Board, expenses incurred in connection with the preparation of the Reorganization Agreements and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to shareholders, SEC and state securities commission filing fees and legal and audit fees in connection with the Reorganizations, legal fees incurred preparing each Fund's Board materials, attending each Fund's Board meetings and preparing the minutes, auditing fees associated with each Fund's financial statements, stock exchange fees, transfer agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganizations, which will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate.

Because PSW, BPP, and the Acquiring Fund have already incurred expenses solely and directly attributable to the Reorganizations and because PSW, BPP, and the Acquiring Fund (and not the Investment Advisor) is responsible for paying those expenses, if such Fund's respective shareholders do not approve their Fund's respective Reorganization, such Fund will continue to be responsible for the expenses arising from its proposed Reorganization even though its proposed Reorganization will not occur and those expenses may be material.

Based on projected expense information, PSY shareholders are not expected to experience significant expense savings, if any, as a result of the Reorganizations. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined Fund's larger size) as more fully discussed herein.

The expenses of the Reorganizations (assuming all of the Reorganizations are consummated) are estimated to be \$1,390,000 in the aggregate, of which \$300,000 is estimated to be attributable to BPP, \$240,000 is estimated to be attributable to PSW, \$450,000 is estimated to be attributable to BTZ, and \$400,000 is estimated to be attributable to PSY (which will be covered by the Investment Advisor). The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein. Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganizations.

REASONS FOR THE REORGANIZATIONS

Based on the considerations below, the Board of each Fund, including the Board Members who are not “interested persons” (as defined in the 1940 Act) of the Funds (the “Independent Board Members”), has determined that each Reorganization would be in the best interests of the applicable Fund and that the interests of the existing shareholders of the applicable Fund would not be diluted with respect to net asset value as a result of the Reorganization. The Board of each Fund approved its respective Reorganization and the Board of each Target Fund recommends that shareholders of such Target Fund approve its respective Reorganization.

The Board of each Fund considered its respective Reorganization over a series of meetings. In preparation for meetings of the Boards held on July 27, 2012 (collectively, the “Meeting”) at which the Reorganizations were approved, the Investment Advisor provided the Boards with information regarding the proposed Reorganizations, including the rationale therefor and alternatives considered to the Reorganizations. The Boards considered a number of principal factors presented at the time of the Meeting or prior meetings in reaching their determinations, including, but not limited to, the following:

- potential for improved economies of scale and a lower total expense ratio;
- alternatives to the Reorganizations for each Fund, if such Fund's Reorganization is not approved;
- the potential effects of the Reorganizations on the earnings and distributions of each Fund;
- the potential effects of the Reorganizations on each Fund's premium/discount to NAV;
- the compatibility of the Funds’ investment objectives, policies and related risks;
 - consistency of portfolio management and portfolio composition;
 - potential for improved secondary market trading;
 - potential for operating and administrative efficiencies;
 - the anticipated tax-free nature of the Reorganization;
 - the potential effects on the Funds' capital loss carry-forwards;
 - the expected costs of the Reorganization;
- the terms of the Reorganizations and whether the Reorganizations would dilute the interests of shareholders of the Funds;
 - the effect of the Reorganizations on shareholder rights; and
- any potential benefits of the Reorganizations to the Investment Advisor and its affiliates as a result of the Reorganizations.

Potential for Improved Economies of Scale and Potential for a Lower Expense Ratio. The Boards considered the fees and total expense ratios of each of the Funds (including estimated expenses of the Combined Fund after the Reorganizations). It is anticipated that the Funds' shareholders will benefit from the Combined Fund's larger asset size

as fixed costs are shared over a larger asset base. As a result of the greater economies of scale from the larger asset size of the Combined Fund after the Reorganizations, the Boards noted that although the management fee of the Combined Fund would be higher than that of PSW and PSY prior to the Reorganizations, the total expense ratio of the Combined Fund (assuming all of the Reorganizations are consummated) is expected to be lower than that of each Fund prior to the Reorganizations. The Boards also considered the potential benefits of a larger fund.

Alternatives to the Reorganizations. The Boards noted that if the Reorganization of a Fund is not approved, the Investment Advisor may recommend alternative proposals to the Board of such Fund.

Potential Effects of the Reorganizations on Earnings and Distributions. The Boards noted that the Combined Fund's earnings are expected to be comparable (i.e., the same or slightly lower or higher) or higher when compared with that of each Fund prior to the Reorganizations. Consequently, the Combined Fund is expected to allow each Fund's shareholders to maintain a distribution yield on NAV that is expected to be comparable to (i.e., the same or slightly lower or higher) or higher than the distribution yield for each of the Funds prior to the Reorganization, while offering such shareholders a comparable investment experience.

Potential Effects of the Reorganizations on Premium/Discount to NAV. The Boards noted that the common shares of each Fund has historically fluctuated between a discount and a premium. The Boards noted that to the extent PSW, PSY and BPP are trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of the Reorganizations, PSW, PSY and BPP shareholders would have the potential for an economic benefit by the narrowing of the discount or widening of the premium. The Boards also noted that to the extent PSW, PSY and BPP are trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of the Reorganizations, PSW, PSY and BPP shareholders may be negatively impacted if the Reorganizations are consummated. The Board of the Acquiring Fund noted that Acquiring Fund shareholders would only benefit from a premium/discount perspective to the extent the post-Reorganization discount (or premium) improves.

Compatibility of the Investment Objectives, Policies and Related Risks. The Boards noted that each Fund's shareholders will remain invested in a NYSE-listed, closed-end management investment company that will have substantially greater net assets and either the same or substantially similar (but not identical) investment objectives and policies and, as a result, the style and risk/return profile of the Acquiring Fund will remain comparable to those of each Target Fund shareholders' current investments, subject to the differences described in "Comparison of the Funds." The Boards noted that the Acquiring Fund and BPP are each a non-diversified fund subject to non-diversification risk, while PSW and PSY are each a diversified fund.

Consistency of Portfolio Management and Portfolio Composition. The Boards noted that each Fund has the same investment adviser, sub-adviser (except that the Acquiring Fund has an additional sub-adviser) and portfolio managers and that each Fund's shareholders will benefit from the continuing experience and expertise of the portfolio management team. The Boards considered the portfolio composition of each Fund and the impact of the Reorganization on each Fund's portfolio. The Boards noted that it is not anticipated that there will be any significant disposition of the holdings in each Target Fund as a result of the Reorganization because of the similarities among the portfolio guidelines of the Acquiring Fund and each Target Fund.

Potential for Improved Secondary Market Trading. While it is not possible to predict trading levels at the time the Reorganizations close, the Boards considered that the Combined Fund may provide greater secondary market liquidity for its common shares as it would be larger than any of the Funds, which may result in tighter bid-ask spreads, better execution for Fund shareholders when purchasing or selling Fund shares and potential for improved premium/discount levels for the Combined Fund's common shares.

Potential for Operating and Administrative Efficiencies. The Boards noted that the Combined Fund may achieve certain operating and administrative efficiencies from its larger net asset size, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, more favorable transaction terms, better trade execution, more consistent implementation of investment strategies, additional research coverage and greater liquidity.

The Board also noted that the Combined Fund may experience potential benefits from having fewer closed-end funds in the market, including potential benefits from a more efficient secondary market and an increased focus by investors on the remaining funds in the market (including the Combined Fund), and fewer similar funds in the same fund complex, including potential benefits from the elimination of complexities involved with having duplicative funds, easier product differentiation for shareholders (including shareholders of the Combined Fund) and reduced risk of operational, legal and financial errors.

Anticipated Tax-Free Reorganization. The Boards noted that it is anticipated that shareholders of the Funds will recognize no gain or loss for U.S. federal income tax purposes as a result of the Reorganizations (except

with respect to cash received in lieu of fractional shares), as each Reorganization is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the United States Internal Revenue Code of 1986, as amended.

Capital Loss Carry-Forwards Considerations. The Boards considered that capital loss carry-forwards of the Combined Fund attributable to each Target Fund that participates in a Reorganization (and, depending on which of the Reorganizations are consummated, potentially to the Acquiring Fund) will be subject to tax loss limitation rules by reason of such Fund undergoing an ownership change in the Reorganization. The Boards also considered that the ability of each Fund to fully utilize its existing capital loss carry-forwards and that the actual effect of the loss limitation rules depends on many variables and assumptions, including projected performance, and is, therefore, highly uncertain.

Expected Costs of the Reorganization. The Boards considered the terms and conditions of each Reorganization Agreement, including the estimated costs associated with each Reorganization and the allocation of such costs among the Funds. The Boards noted, however, that, assuming a Reorganization is consummated the Investment Advisor anticipated that the projected costs of such Reorganization may be recovered over time. The Board of PSY noted that, based on projected expense information, PSY shareholders are not expected to experience significant expense savings, if any, as a result of the Reorganizations and that the Investment Advisor would bear all of PSY's costs associated with PSY's Reorganization.

Terms of the Reorganization and Impact on Shareholders. The Boards noted that the aggregate net asset value of the shares of the Combined Fund that Target Fund shareholders will receive in the Reorganizations is expected to equal the aggregate net asset value (not the market value) of the Target Fund shares that Target Fund shareholders owned immediately prior to the Reorganizations, and the net asset value of Target Fund shares will not be diluted as a result of the Reorganizations. No fractional common shares of the Acquiring Fund will be issued to shareholders in connection with the Reorganizations, and Target Fund shareholders will receive cash in lieu of such fractional shares.

Effect on Shareholder Rights. The Boards noted that the Acquiring Fund and BPP are each organized as a Delaware statutory trust, while PSW and PSY are each organized as a Maryland corporation. The Boards also noted that the common shareholders of each Fund have substantially similar voting rights and rights with respect to the payment of dividends and distribution of assets upon liquidation of their respective Fund and have no preemptive, conversion or exchange rights.

Potential Benefits to the Adviser and its Affiliates. The Boards recognized that the Reorganizations may result in some benefits and economies for the Investment Advisor and its affiliates. These may include, for example, a reduction in the level of operational expenses incurred for administrative, compliance and portfolio management services as a result of the elimination of a Target Fund as a separate Fund in the BlackRock closed-end fund complex.

Conclusion. The Boards, including the Independent Board Members, approved each Reorganization, concluding that each Reorganization is in the best interests of the Acquiring Fund and the applicable Target Fund and that the interests of existing shareholders of each Fund will not be diluted as a result of its respective Reorganization. This determination was made on the basis of each Board Member's business judgment after consideration of all of the factors taken as a whole with respect to each Fund and its shareholders, although individual Board Members may have placed different weight on various factors and assigned different degrees of materiality to various factors.

PROPOSAL 1: THE REORGANIZATIONS OF THE TARGET FUNDS

The Reorganizations seek to combine four funds that are either the same or substantially similar (but not identical) to achieve certain economies of scale and other operational efficiencies. The primary investment objective of PSW is to

provide common shareholders with high current income. The primary investment objective of PSY is to provide common shareholders with current income. The secondary investment objective of both PSW and PSY is to provide common shareholders with capital appreciation. The investment objective of BPP is to seek high current income consistent with capital preservation. The investment objective of BTZ is to seek current income, current gains and capital appreciation. Each Fund's investment objective is a fundamental policy and may not be changed without prior shareholder approval. The Funds have the same investment adviser. Each Fund seeks to achieve its

investment objective(s) by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as "junk" bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities.

The Board of each Fund, including the Independent Board Members, has unanimously approved each Reorganization Agreement. As part of a Reorganization, the applicable Target Fund will merge with and into the Merger Subsidiary, and such Target Fund will terminate its registration under the 1940 Act. Following the Reorganizations, the Merger Subsidiary will dissolve under state law and be liquidated into the Acquiring Fund. The outstanding common shares of each Target Fund will be exchanged for newly-issued Acquiring Fund Shares, par value \$0.001 per share. The aggregate net asset value of Acquiring Fund Shares received by Target Fund shareholders in a Reorganization will equal the aggregate net asset value (not the market value) of such Target Fund common shares held by such Target Fund shareholders immediately prior to such Reorganization, less the applicable costs of such Reorganization (although Target Fund shareholders may receive cash for their fractional common shares). The Acquiring Fund will continue to operate as a registered, non-diversified, closed-end investment company with the investment objective and policies described in this Joint Proxy Statement/Prospectus.

The Boards have reviewed data presented by the Investment Advisor and believe that the Reorganizations generally would result in a reduced Total Expense Ratio for the Funds, as certain fixed administrative costs would be spread across the Combined Fund's larger asset base. The Reorganizations of all of the Funds are expected to result in a lower Total Expense Ratio for shareholders of each Fund. However, the level of expense savings will vary depending on the combination of the proposed Reorganizations. To the extent that one or more of the Reorganizations is not completed, but the other Reorganization(s) are completed, any expected expense savings by the Combined Fund may be reduced.

The Acquiring Fund currently pays the Investment Advisor a monthly management fee of 0.65% of the Acquiring Fund's average weekly Managed Assets.

If any of the Reorganizations are approved and consummated, the Combined Fund will pay the Investment Advisor a monthly fee at an annual rate of 0.62% of the Combined Fund's average weekly Managed Assets.

For the 12-month period ended April 30, 2012, the Total Expense Ratios of PSW, PSY, BPP and BTZ were 1.20%, 1.17%, 1.13% and 1.17%, respectively. The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.12% on a historical and pro forma basis for the 12-month period ended April 30, 2012, representing a reduction in the Total Expense Ratio for PSW, PSY, BPP, and BTZ of 0.08%, 0.05%, 0.01% and 0.05%, respectively, as a percentage of average net assets attributable to common shares. However, based on projected expense information, PSY shareholders are not expected to experience significant expense savings, if any, as a result of the Reorganizations. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined Fund's larger size) as more fully discussed herein.

The table below shows the Total Expense Ratios on a historical and pro forma basis for (i) the Reorganizations of all the Funds, (ii) the Reorganization of PSW, BPP and BTZ, (iii) the Reorganization of only PSY and BTZ, each for the 12-month period ended April 30, 2012, and shows the projected reduction in the Total Expense Ratio of each Fund, each as a percentage of average net assets attributable to common shares.

Pro Forma Combined Fund (All Funds)	Pro Forma Combined Fund (PSY & BTZ)	Pro Forma Combined Fund (PSW, BPP & BTZ)
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Total Expense Ratios	1.12%	1.14%	1.11%
Change in PSW Total Expense Ratio	(0.08)%	-	(0.09)%
Change in PSY Total Expense Ratio	(0.05)%	(0.03)%	-
Change in BPP Total Expense Ratio	(0.01)%	-	(0.02)%
Change in BTZ Total Expense Ratio	(0.05)%	(0.03)%	(0.06)%

In approving the proposed Reorganizations, the Board of each Fund, including the Independent Board Members, determined that participation in the Reorganizations is in the best interests of each Fund and its shareholders and that the interests of each Fund's shareholders will not be diluted with respect to the net asset value of such Fund as a result of its Reorganization. Before reaching these conclusions, the Board of each Fund, including the Independent Board Members, engaged in a thorough review process relating to the proposed Reorganizations.

The Boards of the Funds also received a memorandum outlining, among other things, the legal standards and certain other considerations relevant to the Boards' deliberations. The Boards of the Funds, including all of the Independent Board Members, approved the Reorganization at a meeting held on July 27, 2012.

Considering these and other reasons, the Board of each Target Fund unanimously concluded that completion of the Reorganizations is in the best interests of each Target Fund and its shareholders and that the interests of the shareholders of each Target Fund will not be diluted as a result of the Reorganizations. This determination was made on the basis of each Board Member's business judgment after consideration of all of the factors taken as a whole with respect to each Target Fund and its shareholders, although individual Board Members may have placed different weight and assigned different degrees of materiality to various factors. See "Reasons for the Reorganization."

If a Reorganization is not approved by a Target Fund's shareholders, such Target Fund will continue to operate for the time being as either a stand-alone Maryland corporation or a stand-alone Delaware statutory trust, as the case may be, and will continue to be advised by the Investment Advisor. However, if the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of the Funds and its product line, recommend alternative proposals to the Board of such Target Fund. In the event the Acquiring Fund shareholders do not approve the issuance of Acquiring Fund Shares in connection with Reorganization, then the affected Target Fund would continue to exist and operate on a stand-alone basis. An unfavorable vote by one of the Target Funds or the Acquiring Fund with respect to one of the Reorganizations will not affect the implementation of the Reorganizations by the other Funds.

The Target Fund Boards have determined that the Reorganizations are in the best interests of each Target Fund and the shareholders of each Target Fund and that the interests of such shareholders will not be diluted as a result of their Fund's Reorganization. Similarly, the Acquiring Fund Board has determined that each Reorganization is in the best interests of the Acquiring Fund and its shareholders and that the interests of such shareholders will not be diluted as a result of each Reorganization. As a result of the Reorganizations, however, shareholders of each Fund will hold a reduced percentage of ownership in the larger Combined Fund than they did in any of the individual Funds.

Each Reorganization is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. If a Reorganization so qualifies, in general, shareholders of a Target Fund will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, the Target Funds will recognize no gain or loss for U.S. federal income tax purposes by reason of the Reorganization. Neither the Acquiring Fund nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to each Reorganization. It is a condition to the closing of each Reorganization that the respective Target Fund and the Acquiring Fund receive an opinion from Skadden Arps, dated as of the Closing Date, regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code.

The Target Fund Boards request that shareholders of each Target Fund approve their Fund's proposed Reorganization at the Special Meeting to be held on Friday, November 2, 2012 at 9:00 a.m. (Eastern Time).

Shareholder approval of each of the PSW and PSY Reorganizations requires the affirmative vote by PSW and PSY shareholders, respectively, of a majority of the outstanding shares entitled to vote.

Shareholder approval of the BPP Reorganization requires the affirmative vote by BPP shareholders of a "majority of the outstanding voting securities" as defined under the 1940 Act (such a majority referred to herein as a "1940 Act Majority"), which means the affirmative vote of either (i) 67% or more of the voting securities present at the Special Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Fund, whichever is less. For additional

information regarding voting requirements, see "Voting Information and Requirements."

Subject to the requisite approval of the shareholders of each Target Fund with respect to each Reorganization, it is expected that the Closing Date will be after the close of business on or about December 7, 2012, but it may be at a different time as described herein.

Investing in the Combined Fund following the Reorganization involves risks. For additional information, see "Risk Factors and Special Considerations."

The PSW Board recommends that shareholders of PSW vote "FOR" PSW's proposed Reorganization.

The PSY Board recommends that shareholders of PSY vote "FOR" PSY's proposed Reorganization.

The BPP Board recommends that shareholders of BPP vote "FOR" BPP's proposed Reorganization.

INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives

The structure, organization and investment policies of the Funds are substantially similar. The primary investment objective of PSW is to provide common stockholders with high current income. The primary investment objective of PSY is to provide common stockholders with current income. The secondary investment objective of both PSW and PSY is to provide common stockholders with capital appreciation. The investment objective of BPP is to seek high current income consistent with capital preservation. The investment objective of the Acquiring Fund is to seek current income, current gains and capital appreciation.

Credit-Related Securities

Each of the Funds, under normal market conditions, seeks to achieve its investment objective by investing at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as "junk" bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities.

The Funds may invest in asset-backed securities. Asset-backed securities are generally issued as pass-through certificates, which represent undivided fractional ownership interests in an underlying pool of assets, or as debt instruments, which are also known as collateralized obligations, and are generally issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. The yield characteristics of certain asset-backed securities may differ from traditional debt securities. One such major difference is that all or a principal part of the obligations may be prepaid at any time because the underlying assets (i.e., loans) may be prepaid at any time. As a result, a decrease in interest rates in the market may result in increases in the level of prepayments as borrowers, particularly mortgagors, refinance and repay their loans. An increased prepayment rate with respect to an asset-backed security subject to such a prepayment feature will have the effect of shortening the maturity of the security. If the Funds have purchased such an asset-backed security at a premium, a faster than anticipated prepayment rate could result in a loss of principal to the extent of the premium paid.

The Funds may purchase certain mortgage pass-through securities. There are a number of important differences among the agencies and instrumentalities of the US government that issue mortgage-related securities and among the securities that they issue. For example, mortgage-related securities guaranteed by Ginnie Mae are guaranteed as to the timely payment of principal and interest by Ginnie Mae and such guarantee is backed by the full faith and credit of the United States. However, mortgage-related securities issued by Freddie Mac and Fannie Mae, including Freddie Mac and Fannie Mae guaranteed Mortgage Pass-Through Certificates, which are solely the obligations of Freddie Mac and Fannie Mae, are not backed by or entitled to the full faith and credit of the United States but are supported by the right of the issuer to borrow from the Treasury.

The Funds may invest in collateralized debt obligations ("CDOs"), which include collateralized bond obligations ("CBOs") and collateralized loan obligations ("CLOs"). CBOs and CLOs are types of asset-backed securities. A CDO is a bankruptcy remote entity which is backed by a diversified pool of debt securities (CBOs) or syndicated bank loans (CLOs). The cash flows of the CDO can be split into multiple segments, called "tranches", which will vary in risk profile and yield. The riskiest segment is the subordinated or "equity" tranche. This tranche bears the greatest risk of defaults from the underlying assets in the CDO and serves to protect the other, more senior, tranches from default in all but the most severe circumstances. Since it is shielded from defaults by the more junior tranches, a "senior" tranche will typically have higher credit ratings and lower yields than their underlying securities, and often receive investment grade ratings from one or more of the nationally recognized rating agencies. Despite the protection from the more

junior tranches, senior tranches can experience substantial losses due to actual defaults, increased sensitivity to future defaults and the disappearance of one or more protecting tranches as a result of changes in the credit profile of the underlying pool of assets.

The Funds may invest in zero-coupon bonds, which are normally issued at a significant discount from face value and do not provide for periodic interest payments. Zero-coupon bonds may experience greater volatility in market value than similar maturity debt obligations which provide for regular interest payments.

The Funds may invest in capital trusts. These securities are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics, or by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The securities can be structured as either fixed or adjustable coupon securities that can have either a perpetual or stated maturity date. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. Payments on these securities are treated as interest rather than dividends for federal income tax purposes. These securities generally are rated below that of the issuing company's senior debt securities.

The Funds may invest in preferred stocks. Preferred stock has a preference over common stock in liquidation (and generally in receiving dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Non-Investment Grade Securities

Under normal market conditions, each Fund may invest without limitation in securities rated below investment grade at the time of purchase. However, it is anticipated, under current market conditions, that each Fund will have an average credit quality of at least investment grade.

Securities rated below investment grade include securities that are rated Ba or lower by Moody's and BB or lower by S&P or Fitch or securities comparably rated by other rating agencies or in unrated securities determined by the Advisors to be of comparable quality. Securities rated Ba by Moody's are judged to have speculative elements, their future cannot be considered as well assured and often the protection of interest and principal payments may be very moderate. Securities rated BB by S&P or Fitch are regarded as having predominantly speculative characteristics and, while such obligations have less near-term vulnerability to default than other speculative grade debt, they face major ongoing uncertainties or exposure to adverse business, financial or economic conditions that could lead to inadequate capacity to meet timely interest and principal payments. Securities rated C are generally regarded as having extremely poor prospects of ever attaining any real investment standing. Securities rated D are in default and the payment of interest and/or repayment of principal is in arrears.

Lower grade securities, though high yielding, are characterized by high risk. They may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated securities. The secondary market for lower grade securities may be less liquid than that of higher rated securities. Adverse conditions could make it difficult at times for a Fund to sell certain securities or could result in lower prices than those used in calculating the Fund's net asset value.

The prices of debt securities generally are inversely related to interest rate changes; however, the price volatility caused by fluctuating interest rates of securities also is inversely related to the coupon of such securities. Accordingly, lower grade securities may be relatively less sensitive to interest rate changes than higher quality securities of comparable maturity because of their higher coupon. This higher coupon is what the investor receives in return for bearing greater credit risk. The higher credit risk associated with lower grade securities potentially can have a greater effect on the value of such securities than may be the case with higher quality issues of comparable maturity and will

be a substantial factor in a Fund's relative share price volatility.

Lower grade securities may be particularly susceptible to economic downturns. It is likely that an economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

The ratings of Moody's, S&P and the other rating agencies represent their opinions as to the quality of the obligations which they undertake to rate. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. Although these ratings may be an initial criterion for selection of portfolio investments, the Advisors also will independently evaluate these securities and the ability of the issuers of such securities to pay interest and principal. To the extent that a Fund invests in lower grade securities that have not been rated by a rating agency, the Fund's ability to achieve its investment objective(s) will be more dependent on the Advisors' credit analysis than would be the case when the Fund invests in rated securities.

Industry Concentration Policies

Currently, each of the Acquiring Fund and BPP invests at least 25% of its Managed Assets in the securities of companies principally engaged in financial services. A company is "principally engaged" in financial services if it derives at least 50% of its consolidated revenues from providing financial services. Companies in the financial services sector include commercial banks, industrial banks, savings institutions, finance companies, diversified financial services companies, investment banking firms, securities brokerage houses, investment advisory companies, insurance companies and companies providing similar services.

PSW and PSY each has a similar policy with respect to the financial services sector. Under normal circumstances, each of PSW and PSY will invest at least 25% of its total assets in the industries comprising the financial services sector. For PSW and PSY, the companies in the financial services sector are companies principally engaged in financial services. A company is principally engaged in financial services if it owns financial service related assets that constitute at least 50% of its revenue from providing financial services.

Each of PSW and PSY also has a policy restricting such Fund from investing 25% or more of its total assets in the utilities sector. The Acquiring Fund and BPP do not have such a policy, but each Fund has a fundamental investment restriction restricting such Fund from investing more than 25% of its total assets in any one industry.

Non-U.S. Securities

Under normal market conditions, up to 35% of the Acquiring Fund's Managed Assets may be invested in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies or multinational currency units. The Acquiring Fund may also invest in non-U.S. securities of so-called emerging market issuers. A company is deemed to be a non-U.S. company if it meets any of the following tests: (i) such company was not organized in the United States; (ii) such company's primary business office is not in the United States; (iii) the principal trading market for such company's assets is not located in the United States; (iv) less than 50% of such company's assets are located in the United States; or (v) 50% or more of such issuer's revenues are derived from outside the United States.

PSW and PSY may invest without limitation in non-U.S. securities that are U.S. dollar denominated or provide for payment to the Fund in U.S. dollars.

BPP may invest up to 35% of its Managed Assets in U.S. dollar denominated securities of non-U.S. issuers that are traded or listed in U.S. markets including securities represented by American Depositary Receipts. BPP may invest no more than 10% of its Managed Assets in emerging markets securities. The Acquiring Fund and the other Target Funds are not subject to this limitation.

Non-U.S. securities markets generally are not as developed or efficient as those in the United States. Securities of some non-U.S. issuers are less liquid and more volatile than securities of comparable U.S. issuers. Similarly, volume

and liquidity in most non-U.S. securities markets are less than in the United States and, at times, volatility of price can be greater than in the United States.

Because evidences of ownership of such securities usually are held outside the United States, the Funds would be subject to additional risks with respect to its investments in non-U.S. securities, which include possible adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of

governmental restrictions that might adversely affect or restrict the payment of principal and interest on the non-U.S. securities to investors located outside the country of the issuer, whether from currency blockage or otherwise.

For the Acquiring Fund, since non-U.S. securities may be purchased with and payable in foreign currencies, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations.

Illiquid Securities

The Acquiring Fund and BPP may invest up to 10% of their managed assets in illiquid securities. PSW and PSY may invest in illiquid securities without limitation.

Short Sales

Each Fund may make short sales of securities. However, the Acquiring Fund and BPP may not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of the Acquiring Fund's total assets and BPP's Managed Assets, respectively, or the Fund's aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class. Each Fund may also make short sales "against the box" without respect to such limitations. In this type of short sale, at the time of the sale, the Fund owns or has the immediate and unconditional right to acquire at no additional cost the identical security.

A short sale is a transaction in which a Fund sells a security it does not own in anticipation that the market price of that security will decline. A Fund may make short sales to strategic positions, for risk management, in order to maintain portfolio flexibility or to enhance income or gain.

When a Fund makes a short sale, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. A Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any payments received on such borrowed securities.

A Fund's obligation to replace the borrowed security will be secured by collateral deposited with the broker dealer, usually cash, U.S. Government securities or other liquid securities. A Fund will also be required to designate on its books and records similar collateral with its custodian to the extent, if any, necessary so that the aggregate collateral value is at all times at least equal to the current market value of the security sold short. Depending on arrangements made with the broker dealer from which it borrowed the security regarding payment over of any payments received by a Fund on such security, the Fund may not receive any payments (including interest) on its collateral deposited with such broker dealer.

If the price of the security sold short increases between the time of the short sale and the time a Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Although a Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited.

Short-Term Debt Securities; Temporary Defensive Position

During periods in which the Advisors determine that they are temporarily unable to follow a Fund's investment strategy or that it is impractical to do so or pending re-investment of proceeds received in connection with the sale of a security, the Fund may deviate from its investment strategy and invest all or any portion of its assets in cash, cash equivalents or short-term debt instruments.

The Advisors' determination that they are temporarily unable to follow a Fund's investment strategy or that it is impractical to do so will generally occur only in situations in which a market disruption event has occurred and where trading in the securities selected through application of the Fund's investment strategy is extremely limited or absent. In such a case, shares of the Fund may be adversely affected and the Fund may not pursue or achieve its investment objective. The Advisors currently anticipate that these are the only circumstances in which the Fund will invest in short-term debt securities.

Securities Lending and Delayed Settlement Transactions

Each Fund may also lend the securities it owns to others, which allows the Fund the opportunity to earn additional income. Although the Fund will require the borrower of the securities to post collateral for the loan in accordance with market practice and the terms of the loan will require that the Fund be able to reacquire the loaned securities if certain events occur, the Fund is still subject to the risk that the borrower of the securities may default, which could result in the Fund losing money, which would result in a decline in the Fund's net asset value. The Fund may also purchase securities for delayed settlement. This means that the Fund is generally obligated to purchase the securities at a future date for a set purchase price, regardless of whether the value of the securities is more or less than the purchase price at the time of settlement.

Leverage

Each Fund uses leverage to seek to obtain its investment objective. The Funds may utilize leverage to seek to enhance the yield and NAV of their common shares. However, these objectives cannot be achieved in all interest rate environments.

The Funds may utilize leverage by borrowing through a credit facility or through entering into reverse repurchase agreements. The Funds are permitted to issue senior securities representing indebtedness up to 33 % of their Managed Assets (each Fund's net assets plus the proceeds of any outstanding borrowings used for leverage). If the Funds segregate liquid assets having a value not less than the repurchase price (including accrued interest), a reverse repurchase agreement will not be considered a senior security and therefore will not be subject to this limitation. However, PSW and PSY each currently voluntarily limits its aggregate economic leverage to 50% of its Managed Assets, and the Acquiring Fund and BPP each currently voluntarily limits its aggregate economic leverage to 33 % of its Managed Assets. As of April 30, 2012, the Funds had aggregate economic leverage from reverse repurchase agreements and/or borrowings through a credit facility as a percentage of their total managed assets as follows:

	Percent of Economic Leverage
PSW	28%
PSY	27%
BPP	24%
BTZ	27%

In general, the concept of leveraging is based on the premise that the financing cost of assets to be obtained from leverage, which will be based on short-term interest rates, will normally be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the Managed Assets of each Fund are invested in higher-yielding portfolio investments, each Fund's shareholders will benefit from the incremental net income.

The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV. However, in order to benefit shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. If the yield curve becomes negatively sloped, meaning short-term interest rates exceed long-term interest rates, income to shareholders will be lower than if the Funds had not used leverage.

To illustrate these concepts, assume a Fund's capitalization is \$100 million and it borrows for an additional \$30 million, creating a total value of \$130 million available for investment in long-term securities. If prevailing short-term

interest rates are 3% and long-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund pays borrowing costs and interest expense on the \$30 million of borrowings based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with assets received from the borrowings earn income based on long-term interest rates. In this case, the borrowing costs and interest expense of the borrowings is significantly lower than the income earned on the Fund's long-term investments, and therefore the Fund's shareholders are the beneficiaries of the incremental net income.

If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental net income pickup will be reduced or eliminated completely. Furthermore, if prevailing short-term interest rates rise above long-term interest rates, the yield curve has a negative slope. In this case, the Fund pays higher short-term interest rates whereas the Fund's total portfolio earns income based on lower long-term interest rates.

Furthermore, the value of the Funds' portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the redemption value of the Funds' borrowings does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Funds' NAV positively or negatively in addition to the impact on Fund performance from borrowings discussed above.

The use of leverage may enhance opportunities for increased income to the Funds and common shareholders, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes in the Funds' NAVs, market prices and dividend rates than comparable portfolios without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the Funds' net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to shareholders will be reduced. Each Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause a Fund to incur losses. The use of leverage may limit each Fund's ability to invest in certain types of securities or use certain types of hedging strategies. Each Fund will incur expenses in connection with the use of leverage, all of which are borne by Shareholders and may reduce income.

During periods in which a Fund is using leverage, the fees paid to the Advisors for advisory and sub-advisory services will be higher than if the Fund did not use leverage because the fees paid will be calculated on the basis of the Fund's total assets (including leverage), including the proceeds from the issuance of preferred shares and other leverage. Leverage involves greater risks. A Fund's leveraging strategy may not be successful.

Certain types of borrowings may result in a Fund being subject to covenants in credit agreements relating to asset coverage and portfolio composition requirements. A Fund may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for the short-term corporate debt securities or preferred shares issued by the Fund. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. It is not anticipated that these covenants or guidelines will impede the Advisors from managing any Fund's portfolio in accordance with that Fund's investment objective and policies.

Each Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.

Reverse Repurchase Agreements. Borrowings may be made by each Fund through reverse repurchase agreements under which the Fund sells portfolio securities to financial institutions such as banks and broker-dealers and agrees to repurchase them at a particular date and price. Such agreements are considered to be borrowings under the 1940 Act unless the Fund designates on its books and records an amount of assets equal to the amount of the Fund's obligations under the reverse repurchase agreements. Each Fund may utilize reverse repurchase agreements when it is anticipated that the interest income to be earned from the investment of the proceeds of the transaction is greater than the interest expense of the transaction.

Dollar Roll Transactions. Borrowings may be made by each Fund through dollar roll transactions. A dollar roll transaction involves a sale by a Fund of a mortgage-backed or other security concurrently with an agreement by the Fund to repurchase a similar security at a later date at an agreed-upon price. The securities that are repurchased will bear the same interest rate and stated maturity as those sold, but pools of mortgages collateralizing those securities may have different prepayment histories than those sold. During the period between the sale and repurchase, the Fund will not be entitled to receive interest and principal payments on the securities sold. Proceeds of the sale will be invested in additional instruments for the Fund, and the income from these investments will

generate income for the Fund. If such income does not exceed the income, capital appreciation and gain or loss that would have been realized on the securities sold as part of the dollar roll, the use of this technique will diminish the investment performance of the Fund compared with what the performance would have been without the use of dollar rolls.

Preferred Shares. Each Fund is able to issue preferred shares in an amount up to 50% of its Managed Assets. The preferred shares would have complete priority upon distribution of assets over the common shares. Any issuance of preferred shares would leverage the common shares. So long as a Fund's portfolio is invested in securities that provide a higher rate of return than the dividend rate of the preferred shares, after taking expenses into consideration, the leverage will cause you to receive a higher rate of income than if the Fund were not leveraged.

Under the 1940 Act, a Fund is not permitted to issue preferred shares unless immediately after such issuance the value of the Fund's total assets is at least 200% of the liquidation value of the outstanding preferred shares (i.e., the liquidation value may not exceed 50% of the Fund's total assets). In addition, a Fund is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration, the value of the Fund's total assets is at least 200% of such liquidation value. If preferred shares are issued, each Fund intends, to the extent possible, to purchase or redeem preferred shares from time to time to the extent necessary in order to maintain coverage of any preferred shares of at least 200%. In addition, as a condition to obtaining ratings on the preferred shares, the terms of any preferred shares issued are expected to include asset coverage maintenance provisions which will require the redemption of the preferred shares in the event of non-compliance by a Fund and may also prohibit dividends and other distributions on the common shares in such circumstances. In order to meet redemption requirements, a Fund may have to liquidate portfolio securities. Such liquidations and redemptions would cause the Fund to incur related transaction costs and could result in capital losses to the Fund. Prohibitions on dividends and other distributions on the common shares could impair a Fund's ability to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"). If a Fund has preferred shares outstanding, two of the Fund's board members will be elected by the holders of preferred shares voting separately as a class. The remaining board members of a Fund will be elected by holders of common shares and preferred shares voting together as a single class. In the event a Fund fails to pay dividends on preferred shares for two years, holders of preferred shares would be entitled to elect a majority of the board members of the Fund.

Interest Rate Transactions

The Funds may enter into interest rate swap or cap transactions. Interest rate swaps involve a Fund's agreement with the swap counterparty to pay a fixed rate payment on a notional amount in exchange for the counterparty paying the Fund a variable rate payment on a notional amount that is intended to approximate the Fund's variable rate payment obligation on any variable rate borrowing. The payment obligation would be based on the notional amount of the swap.

Each Fund may use an interest rate cap, which would require it to pay a premium to the cap counterparty and would entitle it, to the extent that a specified variable rate index exceeds a predetermined fixed rate, to receive from the counterparty payment of the difference based on the notional amount. Each Fund would use interest rate swaps or caps only with the intent to reduce or eliminate the risk that an increase in short-term interest rates could have on common share net earnings as a result of leverage. Each Fund will usually enter into swaps or caps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. Each Fund intends to designate on its books and records cash or liquid securities having a value at least equal to the Fund's net payment obligations under any swap transaction, marked to market daily.

The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on the state of interest rates in general, a Fund's use of interest rate swaps or caps could enhance or harm the overall performance or the common shares. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, and could result in a decline in the net asset value of the common shares. In addition, if short-term interest rates are lower than a Fund's fixed rate of payment on the interest rate swap, the swap will reduce common share net earnings. If, on the other hand, short-term interest rates are higher than the fixed

rate of payment on the interest rate swap, the swap will enhance common share net earnings. Buying interest rate caps could enhance the performance of the common shares by providing a maximum leverage expense. Buying interest rate caps could also decrease the net earnings of the common shares in the event that the premium paid a Fund to the counterparty exceeds the additional amount the Fund would have been required to pay had it not entered into the cap agreement. A Fund would not enter into interest rate swap or cap transactions in an aggregate notional amount that exceeds the outstanding amount of the Fund's leverage.

Interest rate swaps and caps generally do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps is limited to the net amount of interest or premium payments that a Fund is contractually obligated to make. If the counterparty defaults, a Fund would not be able to use the anticipated net receipts under the swap or cap to offset the dividend payments on its preferred shares or interest payments on borrowing. Depending on whether the Fund would be entitled to receive net payments from the counterparty on the swap or cap, which in turn would depend on the general state of short-term interest rates at that point in time, such a default could negatively impact the performance of the common shares.

Although this will not guarantee that the counterparty does not default, a Fund will not enter into an interest rate swap or cap transaction with any counterparty that BlackRock believes does not have the financial resources to honor its obligation under the interest rate swap or cap transaction. Further, BlackRock will continually monitor the financial stability of a counterparty to an interest rate swap or cap transaction in an effort to proactively protect the Funds' investments.

In addition, at the time the interest rate swap or cap transaction reaches its schedule termination date, there is a risk that a Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transactions. If this occurs, it could have a negative impact on the performance of the common shares.

Early termination of a swap could result in termination payment by or to a Fund. An early termination of a cap could result in a termination payment to a Fund.

In addition, a Fund may use interest rate transactions in connection with the management of its portfolio securities.

Strategic Transactions

Each Fund may, but is not required to, use various strategic transactions described below to, facilitate portfolio management, mitigate risks and enhance total return. Such strategic transactions are generally accepted under modern portfolio management and are regularly used by many mutual funds, closed-end funds and other institutional investors. Although the Advisors seek to use the practices to further a Fund's investment objective(s), no assurance can be given that these practices will achieve this result.

Each Fund may purchase and sell derivative instruments such as exchange listed and over-the-counter put and call options on securities, financial futures, equity indices and other financial instruments, purchase and sell financial futures contracts and options thereon and engage in swaps. These derivative instruments may be transacted on an exchange or OTC. Each Fund also may purchase derivative instruments that combine features of these instruments. Collectively, all of the above are referred to as "Strategic Transactions."

Each Fund generally seeks to use Strategic Transactions as a portfolio management or hedging technique to seek to protect against possible adverse changes in the market value of securities held in or to be purchased for the Fund's portfolio, protect the value of the Fund's portfolio, facilitate the sale of certain securities for investment purposes, or establish positions in the derivatives markets as a temporary substitute for purchasing or selling particular

securities. Each Fund may use Strategic Transactions to enhance potential total returns although the Fund will commit variation margin for Strategic Transactions that involve futures contracts only in accordance with the rules of the Commodity Futures Trading Commission. Certain provisions of the Code may also restrict or affect the

ability of a Fund to engage in Strategic Transactions. See Appendix D of the Statement of Additional Information for additional information regarding Strategic Transactions.

Financial Futures Contracts. The Funds purchase or sell financial futures contracts and options on financial futures contracts to gain exposure to, or economically hedge against, changes in interest rates (interest rate risk). Financial futures contracts are agreements between a Fund and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and at a specified date. Depending on the terms of the particular contract, financial futures contracts are settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized appreciation or depreciation. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The use of financial futures contracts involves the risk of an imperfect correlation in the movements in the price of financial futures contracts, interest rates and the underlying assets.

Foreign Currency Exchange Contracts. The Funds enter into foreign currency exchange contracts as an economic hedge against either specific transactions or portfolio instruments or to obtain exposure to foreign currencies (foreign currency exchange rate risk). A foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. Foreign currency exchange contracts, when used by a Fund, help to manage the overall exposure to the currencies, in which some of the investments held by the Fund are denominated. The contract is marked-to-market daily and the change in market value is recorded by the Fund as an unrealized gain or loss. When the contract is closed, the Funds record a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed. The use of foreign currency exchange contracts involves the risk that the value of a foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies and the risk that a counterparty to the contract does not perform its obligations under the agreement.

Options. The Funds purchase and write call and put options to increase or decrease their exposure to underlying instruments (including credit risk, equity risk and/or interest rate risk) and/or, in the case of options written, to generate gains from options premiums. A call option gives the purchaser (holder) of the option the right (but not the obligation) to buy, and obligates the seller (writer) to sell (when the option is exercised), the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. When a Fund purchases (writes) an option, an amount equal to the premium paid (received) by the Fund is reflected as an asset (liability). The amount of the asset (liability) is subsequently marked-to-market to reflect the current market value of the option purchased (written). When an instrument is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the instrument acquired or deducted from (or added to) the proceeds of the instrument sold. When an option expires (or the Fund enters into a closing transaction), the Fund realize a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premiums received or paid). When a Fund writes a call option, such option is “covered,” meaning that the Funds holds the underlying instrument subject to being called by the option counterparty. When a Fund writes a put option, such option is covered by cash in an amount sufficient to cover the obligation.

In purchasing and writing options, the Funds bear the risk of an unfavorable change in the value of the underlying instrument or the risk that a Fund may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written option could result in a Fund purchasing or selling a security at a price different from the current market value.

Swaps. The Funds enter into swap agreements, in which the Funds and a counterparty agree to either make periodic net payments on a specified notional amount or net payment upon termination. Swap agreements are privately negotiated in the OTC market and may be executed on a registered financial and commodities exchange (“centrally cleared swaps”). In a centrally cleared swap, a Fund typically enters into an agreement with a counterparty; however, performance is guaranteed by the central clearing-house reducing or eliminating the Fund’s exposure to the credit risk of the counterparty. These payments received or made by the Funds are recorded in the

Statements of Operations as realized gains or losses, respectively. Any upfront fees paid are recorded as assets and any upfront fees received are recorded as liabilities and amortized over the term of the swap. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of centrally cleared swaps, if any, is recorded as a receivable or payable for variation margin in the Statements of Assets and Liabilities. When the swap is terminated, the Funds will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Funds' basis in the contract, if any. Generally, the basis of the contracts is the premium received or paid. Swap transactions involve, to varying degrees, elements of interest rate, credit and market risk in excess of the amounts recognized in the Statements of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavorable changes in interest rates and/or market values associated with these transactions.

Credit default swaps. The Funds enter into credit default swaps to manage their exposure to the market or certain sectors of the market, to reduce its risk exposure to defaults of corporate and/or sovereign issuers or to create exposure to corporate and/or sovereign issuers to which they are not otherwise exposed (credit risk). The Funds enter into credit default swap agreements to provide a measure of protection against the default of an issuer (as buyer of protection) and/or gain credit exposure to an issuer to which it is not otherwise exposed (as seller of protection). The Funds may either buy or sell (write) credit default swaps on single-name issuers (corporate or sovereign), a combination or basket of single-name issuers or traded indexes. Credit default swaps on single-name issuers are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a negative credit event take place with respect to the referenced entity (e.g., bankruptcy, failure to pay, obligation accelerators, repudiation, moratorium or restructuring). Credit default swaps on traded indexes are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a write-down, principal or interest shortfall or default of all or individual underlying securities included in the index occurs. As a buyer, if an underlying credit event occurs, the Funds will either receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising the index or receive a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the index. As a seller (writer), if an underlying credit event occurs, the Funds will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising the index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the index.

Interest rate swaps. The Funds enter into interest rate swaps to gain or reduce exposure to interest rates or to manage duration, the yield curve or interest rate risk by economically hedging the value of the fixed rate bonds which may decrease when interest rates rise (interest rate risk). Interest rate swaps are agreements in which one party pays a stream of interest payments, either fixed or floating rate, for another party's stream of interest payments, either fixed or floating, on the same notional amount for a specified period of time. Interest rate floors, which are a type of interest rate swap, are agreements in which one party agrees to make payments to the other party to the extent that interest rates fall below a specified rate or floor in return for a premium. In more complex swaps, the notional principal amount may decline (or amortize) over time.

Risks Associated with Strategic Transactions. The ability to use Strategic Transactions successfully depends on the Advisors' ability predict pertinent market movements as well as sufficient correlation among the instruments, which cannot be assured. Thus, the use of Strategic Transactions may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment, or may cause the Fund to hold a security that it might otherwise sell. Additionally, amounts paid by a Fund as premiums and cash or other assets held

in margin accounts with respect to Strategic Transactions are not otherwise available to the Fund for investment purposes.

The principal risks relating to the use of Strategic Transactions are: (a) less than perfect correlation between the prices of the instrument and the market value of the securities in a Fund's portfolio; (b) possible lack of a liquid secondary market for closing out a position in such instruments; (c) losses resulting from interest rate or other market movements not anticipated by the Advisors; and (d) the obligation to meet additional variation margin or other payment requirements, all of which could result in the Fund being in a worse position than if such techniques had not been used.

Strategic Transactions are also subject to counterparty risk. The Funds' maximum risk of loss from counterparty credit risk on OTC derivatives is generally the aggregate unrealized gain netted against any collateral pledged by/posted to the counterparty. For OTC options purchased, the Funds bear the risk of loss in the amount of the premiums paid plus the positive change in market values net of any collateral received on the options should the counterparty fail to perform under the contracts. Options written by the Funds do not give rise to counterparty credit risk, as options written obligate the Funds to perform and not the counterparty. Counterparty risk related to exchange-traded financial futures contracts and options and centrally cleared swaps is deemed to be minimal due to the protection against defaults provided by the exchange on which these contracts trade.

The Funds may mitigate counterparty risk by procuring collateral and through netting provisions included within an International Swaps and Derivatives Association, Inc. master agreement ("ISDA Master Agreement") implemented between a Fund and each of its respective counterparties. An ISDA Master Agreement allows each Fund to offset with each separate counterparty certain derivative financial instrument's payables and/or receivables with collateral held. The amount of collateral moved to/from applicable counterparties is generally based upon minimum transfer amounts of up to \$500,000. To the extent amounts due to the Funds from their counterparties are not fully collateralized, contractually or otherwise, the Funds bear the risk of loss from counterparty non-performance.

In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission (“SEC”) require that the Funds either deliver collateral or segregate assets in connection with certain investments (e.g., financial futures contracts, foreign currency exchange contracts, swaps, and options written), or certain borrowings (e.g., reverse repurchase agreements and loan payable), the Funds will, consistent with SEC rules and/or certain interpretive letters issued by the SEC, segregate collateral or designate on their books and records cash or liquid securities having a market value at least equal to the amount that would otherwise be required to be physically segregated. Furthermore, based on requirements and agreements with certain exchanges and third party broker-dealers, each party to such transactions has requirements to deliver/deposit securities as collateral for certain investments.

The Funds manage counterparty risk by entering into agreements only with counterparties that it believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Certain ISDA Master Agreements allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event a Funds’ net assets decline by a stated percentage or the Funds fail to meet the terms of their ISDA Master Agreements, which would cause the Funds to accelerate payment of any net liability owed to the counterparty.

There is no assurance that Strategic Transactions will be available at any time or that the Investment Advisors will determine to use them for hedging or risk management purposes or, if used, that the strategies will be successful. A more complete discussion of Strategic Transactions and their risks is contained in the Statement of Additional Information.

Other Investment Policies

See "Investment Objectives and Policies of the Funds—Other Investment Policies" in the Statement of Additional Information for a discussion of the Funds' other investment policies.

COMPARISON OF THE FUNDS

Investment Objectives

The Funds have substantially similar (but not identical) investment objectives. The primary investment objective of PSW is to provide common stockholders with high current income. The primary investment objective of PSY is to provide common stockholders with current income. The secondary investment objective of both PSW and PSY is to provide common stockholders with capital appreciation. The investment objective of BPP is to seek high current income consistent with capital preservation. The investment objective of BTZ is to seek current income, current gains and capital appreciation.

Investment Strategies and Restrictions

The Funds have the same or substantially similar (but not identical) investment strategies and restrictions. A comparison of the significant investment strategies and operating policies used by the Funds is set forth in the table below. The investment strategies and significant operating policies of the Combined Fund will be those of the Acquiring Fund.

Each of PSW and PSY is a Maryland corporation and a diversified investment management company registered under the 1940 Act, while each of BPP and the Acquiring Fund is a Delaware statutory trust and a non-diversified investment management company registered under the 1940 Act. As a "non-diversified" investment management company, the Acquiring Fund is not limited by the 1940 Act in the proportion of its assets that it may invest in securities of a single issuer. However, each Fund's investments will be limited so as to qualify the Fund as a "regulated investment company" for purposes of Federal tax laws. Requirements for qualification include limiting its investments so that, at the close of each quarter of the taxable year, (i) not more than 25% of the market value of the Fund's total assets will be invested in (A) the securities of a single issuer (other than U.S. Government securities and securities of other regulated investment companies), (B) the securities of two or more issuers (other than securities of other regulated investment companies) controlled by the Fund and engaged in the same, similar or related trades or businesses or (C) the securities of one or more qualified publicly traded partnerships and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets will be invested in the securities of a single issuer and the Fund will not own more than 10% of the outstanding voting securities of a single issuer (other than U.S. Government securities and securities of other regulated investment companies). A fund that is classified as "diversified" under the 1940 Act (i.e., PSW and PSY) must satisfy the foregoing 5% and 10% requirements with respect to 75% of its total assets. To the extent that the Acquiring Fund assumes large positions in the securities of a small number of issuers, the Acquiring Fund's net asset value may fluctuate to a greater extent than that of PSW and PSY as a result of changes in the financial condition or in the market's assessment of the issuers.

PSW	PSY	BPP	BTZ
Credit-Related Securities	Credit-Related Securities	Credit-Related Securities	Credit-Related Securities
Same as BTZ	Same as BTZ	Same as BTZ	Under normal market conditions, the Fund will invest at least 80% of its total assets in credit-related securities, including, but not limited to, investment grade

corporate bonds, high
yield bonds, bank
loans, preferred
securities or
convertible bonds or

PSW	PSY	BPP	BTZ
			<p>derivatives with economic characteristics similar to these credit-related securities (the “80% Policy”).</p>
<p>Investment Grade Policy</p>	<p>Investment Grade Policy</p>	<p>Investment Grade Policy</p>	<p>Investment Grade Policy</p>
<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>Same as BTZ</p>	<p>Under normal market conditions, the Fund may invest without limitation in securities rated below investment grade at the time of purchase.</p>
<p>Industry Concentration*</p>	<p>Industry Concentration*</p>	<p>Industry Concentration*</p>	<p>Industry Concentration*</p>
<p>· Under normal circumstances, the Fund will invest at least 25% of its total assets in the industries comprising the financial services sector.</p>	<p>Same as PSW</p>	<p>Same as BTZ</p>	<p>· The Fund will invest at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services.</p>
<p>· The companies in the financial services sector are companies principally engaged in financial services. A company is principally engaged in financial services if it owns financial service related assets that constitute at least 50% of its revenue from providing financial services.</p>			<p>· A company is “principally engaged” in financial services if it derives at least 50% of its consolidated revenues from providing financial services.</p>
<p>· The Fund also may emphasize investments</p>			

in the industries
comprising the utilities
sector; however, the
Fund will not invest
25% or more of its
total

*See Proposal 3, which proposes the removal of the financial sector concentration policy.

PSW	PSY	BPP	BTZ
<p>assets in any one of the industries comprising the utilities sector.</p>			
<p>Non-U.S. Securities</p>	<p>Non-U.S. Securities</p>	<p>Non-U.S. Securities</p>	<p>Non-U.S. Securities</p>
<p>· The Fund may invest without limitation in securities of issuers domiciled outside the United States that are U.S. dollar denominated investments or otherwise provide for payment to the Fund in U.S. dollars.</p>	<p>Same as PSW</p>	<p>· The Fund may invest up to 35% of its Managed Assets in U.S. dollar denominated securities of non-U.S. issuers that are traded or listed in U.S. markets. For purposes of this 35% limitation, non-U.S. securities include securities represented by American Depository Receipts.</p> <p>· The Fund may invest in any region of the world and invests in companies operating in developed countries such as Canada, Japan, Australia, New Zealand and most Western European countries.</p> <p>· The Fund does not intend to invest in companies based in emerging markets such as the Far East, Latin America and Eastern Europe, but if it did, may invest no more than 10% of its managed assets in emerging markets securities.</p>	<p>· Under normal market conditions, the Fund may invest up to 35% of its Managed Assets in non-U.S. securities. Non-U.S. securities may include securities denominated in U.S. dollars or in non-U.S. currencies or multinational current units.</p> <p>· The Fund may invest in non-U.S. securities of so-called emerging market issuers.</p> <p>· For purposes of the Fund, a company is deemed to be a non-U.S. company if it meets any of the following tests: (i) such company was not organized in the United States; (ii) such company's primary business office is not in the United States; (iii) the principal trading market for such company's assets is not located in the United States; (iv) less than 50% of such company's assets are located in the United States; or (v) 50% or more of such issuer's revenues are derived from outside the United States.</p>

PSW	PSY	BPP	BTZ
Common Stock	Common Stock	Common Stock	Common Stock
Same as BTZ	Same as BTZ	Same as BTZ	The Fund may invest in common stocks, subject to the 80% Policy.
Illiquid Securities	Illiquid Securities	Illiquid Securities	Illiquid Securities
The Fund may invest in preferred securities, debt securities and other securities that lack a secondary trading market or are otherwise considered illiquid.	Same as PSW	Same as BTZ	The Fund may invest up to 10% of its managed assets in illiquid securities
Defensive Measures	Defensive Measures	Defensive Measures	Defensive Measures
The Fund for temporary defensive purposes may invest up to 100% of its total assets in securities issued or guaranteed by the United States Government or its instrumentalities or agencies, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper rated in the highest category by an established rating agency, or other debt securities deemed by the Investment Advisor to be consistent with a defensive posture, or may hold its assets in cash.	Same as PSW	Substantially the same as BTZ	For temporary defensive purposes or to keep cash on hand, the Fund may invest up to 100% of its Managed Assets in cash equivalents and short-term debt securities.
Leverage	Leverage	Leverage	Leverage
The Fund may not issue senior securities	The Fund may not issue senior securities	The Fund may not issue senior securities	The Fund may not issue senior securities

or borrow money other or borrow money or borrow money other or borrow money other
than as except as permitted than as than as

PSW	PSY	BPP	BTZ
permitted by Section 18 of the 1940 Act or otherwise as permitted by applicable law.	by Section 18 of the 1940 Act.	permitted by the 1940 Act.	permitted by the 1940 Act.
The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities. The Fund at times may borrow from affiliates of the Investment Advisor, provided that the terms of such borrowings are no less favorable than those available from comparable sources of funds in the marketplace.	The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities. The Fund at times may borrow from affiliates of the Investment Advisor, provided that the terms of such borrowings are no less favorable than those available from comparable sources of funds in the marketplace.	The Fund may borrow from banks and other financial institutions and may also borrow additional funds using such investment techniques as BlackRock may from time to time determine. The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.	The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities. The Fund currently voluntarily limits its aggregate economic leverage to 33 % of its Managed Assets.
The Fund currently voluntarily limits its aggregate economic leverage to 50% of its Managed Assets.	The Fund currently voluntarily limits its aggregate economic leverage to 50% of its Managed Assets.	The Fund currently voluntarily limits its aggregate economic leverage to 33 % of its Managed Assets.	The Fund currently voluntarily limits its aggregate economic leverage to 33 % of its Managed Assets.
Reverse Repurchase Agreements	Reverse Repurchase Agreements	Reverse Repurchase Agreements	Reverse Repurchase Agreements
Same as BTZ	Same as BTZ	Same as BTZ	The Fund may engage in reverse repurchase agreements.

PSW	PSY	BPP	BTZ
When-Issued and Forward Commitment Securities	When-Issued and Forward Commitment Securities	When-Issued and Forward Commitment Securities	When-Issued and Forward Commitment Securities
Same as BTZ	Same as BTZ	Same as BTZ	The Fund may purchase securities on a "when-issued" basis and may purchase or sell securities on a "forward commitment" basis.
Options	Options	Options	Options
<ul style="list-style-type: none"> · The Fund may purchase call options on any of the types of securities in which it may invest. The Fund also may purchase and sell call options on indices. · The Fund is authorized to write (i.e., sell) covered call options on the securities in which it may invest and to enter into closing purchase transactions with respect to certain of such options. · The Fund is authorized to write (i.e., sell) uncovered call options on securities in which it may invest but that are not currently held by the Fund. · The Fund is authorized to purchase put options. The Fund may also purchase uncovered put options. · The Fund also has authority to write (i.e., sell) put options 	Same as PSW	<ul style="list-style-type: none"> · The Fund may sell or purchase call options ("calls") on securities and indices based upon the prices of debt securities that are traded on U.S. securities exchanges and on the over-the-counter markets. · All such calls sold by the Fund must be "covered" as long as the call is outstanding (i.e., the Fund must own the instrument subject to the call or other securities or assets acceptable for applicable segregation and coverage requirements). · As with calls, the Fund may purchase put options ("puts") on securities (whether or not it holds such securities in its portfolio). · The Fund will not sell puts if, as a result, more than 50% of the Fund's assets would be required to cover its potential 	<ul style="list-style-type: none"> · The Fund may purchase call options on any of the types of individual securities, indices or instruments in which it may invest. · The Fund is also authorized to write (i.e., sell) covered call options on the individual securities, indices or instruments in which it may invest and to enter into closing purchase transactions with respect to certain of such options. · The Fund also is authorized to write (i.e., sell) uncovered call options on individual securities, indices or instruments in which it may invest but that are not currently held by the Fund. · The Fund is authorized to purchase put options. The Fund also may

PSW	PSY	BPP	BTZ
<p>on the types of securities that may be held by the Fund, provided that such put options are covered, meaning that such options are secured by segregated, liquid instruments. The Fund will not sell puts if, as a result, more than 50% of the Fund's assets would be required to cover its potential obligations under its hedging and other investment transactions.</p> <p>· The Fund is also authorized to write (i.e., sell) uncovered put options on securities in which it may invest but that the Fund does not currently have a corresponding short position or has not deposited cash equal to the exercise value of the put option with the broker dealer through which it made the uncovered put option as collateral.</p> <p>· The Fund will engage in transactions in OTC options only with banks or dealers which have capital of at least \$50 million or whose obligations are guaranteed by an entity having capital of at least \$50 million.</p>		<p>obligation under its hedging and other investment transactions.</p>	<p>purchase uncovered put options.</p> <p>· The Fund has authority to write (i.e., sell) put options on the types of securities or instruments that may be held by the Fund, provided that such put options are covered, meaning that such options are secured by segregated, liquid instruments. The Fund will not sell put options if, as a result, more than 50% of the Fund's total assets would be required to cover its potential obligations under the put options and under any other transactions (excluding calls) that would be treated as senior securities under the 1940 Act.</p> <p>· The Fund is also authorized to write (i.e., sell) uncovered put options on securities or instruments in which it may invest but that the Fund does not currently have a corresponding short position or has not deposited cash equal to the exercise value of the put option with the broker dealer through which it made the uncovered put option as collateral.</p>

PSW	PSY	BPP	BTZ
Interest Rate Transactions	Interest Rate Transactions	Interest Rate Transactions	Interest Rate Transactions
Same as BTZ	Same as BTZ	Same as BTZ	The Fund may engage in interest rate swap, cap or floor transactions.
Credit Derivatives	Credit Derivatives	Credit Derivatives	Credit Derivatives
<ul style="list-style-type: none"> The Fund may enter into credit default swap agreements. The Fund will enter into credit default swap agreements only with counterparties who are rated investment grade quality by at least one nationally recognized statistical rating organization at the time of entering into such transaction or whose creditworthiness is believed by the Investment Advisor to be equivalent to such rating. 	Same as PSW	Same as BTZ	The Fund may engage in credit derivative transactions.
Futures	Futures	Futures	Futures
The Fund is authorized to engage in transactions in financial futures contracts and related options on such futures contracts.	Same as PSW	Same as BTZ	The Fund may enter into futures contracts of securities, aggregates of securities or indices or prices thereof, other financial indices and U.S. Government debt securities or options on the above.
Short Sales	Short Sales	Short Sales	Short Sales
The Fund may make short sales of	Same as PSW	Substantially the Same as BTZ	The Fund may make short sales of

securities. The Fund
also may make short

securities. The Fund
will not make a short

PSW	PSY	BPP	BTZ
sales “against the box.”			<p>sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its total assets or the Fund's aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class.</p> <p>· The Fund may also make short sales "against the box" without respect to such limitations.</p>
Securities Lending	Securities Lending	Securities Lending	Securities Lending
Same as BTZ	Same as BTZ	Same as BTZ	The Fund will not lend portfolio securities if, as a result, the aggregate of such loans exceeds 33 % of the value of the Fund’s total assets (including such loans).
Indexed and Inverse Floating Obligations	Indexed and Inverse Floating Obligations	Indexed and Inverse Floating Obligations	Indexed and Inverse Floating Obligations
The Fund may invest in securities whose potential returns are directly related to changes in an underlying index or interest rate, known as indexed securities. The Fund also may invest in securities whose return is inversely related to changes in an interest rate.	Same as PSW	No Stated Policy	No Stated Policy

The Funds' investment restrictions differ in some respects, as discussed below. The fundamental investment restrictions of each Fund may not be changed without the approval of the holders of a majority of the outstanding common shares of that Fund. (For this purpose and under the 1940 Act, "majority" means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares). The following investment restrictions of the Acquiring Fund will apply to the Combined Fund. Under its fundamental investment restrictions, the Acquiring Fund may not:

- 1) invest 25% or more of the value of its total assets in securities of issuers in any one industry; provided that the Fund will invest 25% or more of its total assets in securities of issuers in the financial services sector; provided, further, that such limitation shall not apply to obligations issued or guaranteed by the U.S. Government or by its agents or instrumentalities;
- 2) issue senior securities or borrow money other than as permitted by the 1940 Act or pledge its assets other than to secure such issuances or in connection with hedging transactions, short sales, when issued and forward commitment transactions and similar investment strategies;
- 3) make loans of money or property to any person, except through loans of portfolio securities, the purchase of debt securities or the entry into repurchase agreements;
- 4) underwrite the securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities or the sale of its own securities, the Fund may be deemed to be an underwriter;
- 5) purchase or sell real estate, except that the Fund may invest in securities of companies that deal in real estate or are engaged in the real estate business, including REITs and real estate operating companies, and instruments secured by real estate or interests therein and the Fund may acquire, hold and sell real estate acquired through default, liquidation, or other distributions of an interest in real estate as a result of the Fund's ownership of such other assets; or
- 6) purchase or sell commodities or commodity contracts for any purposes except as, and to the extent, permitted by applicable law without the Fund becoming subject to registration with the Commodity Futures Trading Commission (the "CFTC") as a commodity pool.

Each Fund's shareholders separately are being asked to remove the same or substantially similar references to the financial sector concentration requirements in (1). See "Proposals 3: Removal of Financial Sector Concentration Policies."

Additional investment restrictions adopted by the Acquiring Fund, which may be changed by its Board without shareholder approval, provide that the Acquiring Fund may not:

- A) make any short sale of securities except in conformity with applicable laws, rules and regulations and unless after giving effect to such sale, the market value of all securities sold short does not exceed 25% of the value of the Fund's total assets and the Fund's aggregate short sales of a particular class of securities of an issuer does not exceed 25% of the then outstanding securities of that class. The Fund may also make short sales "against the box" without respect to such limitations. In this type of short sale, at the time of the sale, the Fund owns or has the immediate and unconditional right to acquire at no additional cost the identical security;
- B) purchase securities of open-end or closed-end investment companies except in compliance with the 1940 Act or any rules promulgated or exemptive relief obtained thereunder. As a shareholder in any investment company, the Fund may bear its ratable share of that investment company's expenses, and may remain subject to payment of the Fund's advisory fees and other expenses with respect to assets so invested. Holders of common shares would therefore

be subject to duplicative expenses to the extent the Fund invests in other investment companies. In addition, the securities of other investment companies may be leveraged and will therefore be subject

to the risks of leverage. The net asset value and market value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares; and

C) under normal market conditions, invest at least 80% of its total assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds, bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities.

In addition, to comply with U.S. federal tax requirements for qualification as a regulated investment company, the Acquiring Fund's investments will be limited in a manner such that at the close of each quarter of each taxable year, (a) no more than 25% of the value of the Acquiring Fund's total assets are invested (i) in the securities (other than U.S. Government securities or securities of other regulated investment companies) of a single issuer or two or more issuers controlled by the Acquiring Fund and determined to be engaged in the same, similar or related trades or businesses or (ii) in the securities of one or more "qualified publicly traded partnerships" (as defined under Section 851(h) of the Internal Revenue Code of 1986, as amended (the "Code")) and (b) with regard to at least 50% of the value of the Acquiring Fund's total assets, no more than 5% of the value of its total assets are invested in the securities (other than U.S. Government securities or securities of other regulated investment companies) of a single issuer and no investment represents more than 10% of the outstanding voting securities of such issuer. These tax-related limitations may be changed by the board members to the extent appropriate in light of changes to applicable tax requirements.

Each Target Fund's fundamental and non-fundamental investment restrictions are substantially similar to the Acquiring Fund's fundamental and non-fundamental investment restrictions described above, subject to the differences noted below.

- PSW and PSY each have a fundamental investment restriction providing that such Fund will not make any investment inconsistent with the Fund's classification as a diversified company. The Acquiring Fund and BPP are non-diversified investment companies; thus, the Acquiring Fund and BPP do not have this investment restriction.
- PSW and PSY each have a fundamental investment restriction providing that such Fund will not make any investment for the purpose of exercising control or management. BPP has a substantially similar non-fundamental investment restriction. The Acquiring Fund is not subject to this investment restriction.
- PSW and PSY each have a non-fundamental investment restriction providing that such Fund will not mortgage, pledge, hypothecate or transfer, as security for indebtedness, any securities owned by the Fund except as may be necessary in connection with the issuance of senior securities, as permitted by Section 18 of the 1940 Act, or in connection with transactions permitted by such Fund's investment policies. The Acquiring Fund has a fundamental investment restriction providing that it will not pledge its assets other than to secure issuances of senior securities or in connection with hedging transactions, short sales, when issued and forward commitment transactions and similar investment strategies. BPP is not subject to this investment restriction.
- PSW and PSY each have a non-fundamental investment restriction providing that such Fund may not purchase any securities on margin, except with the clearance of purchases and sales of portfolio securities. The Acquiring Fund and BPP are not subject to this investment restriction.
- The Acquiring Fund and BPP each have a non-fundamental investment restriction providing that such Fund may not make any short sale of securities if the market value of all securities sold short exceeds 25% of the value of the Fund's total assets (managed assets for BPP) or the Fund's aggregate short sales of a particular class of securities of an issuer does not exceed 25% of the then outstanding securities of that class. PSW and PSY are not subject to this investment restriction.

The percentage limitations applicable to the Funds' portfolio described in the prospectus and this Joint Proxy Statement/Prospectus apply only at the time of investment and will not be considered violated unless an

excess or deficiency occurs or exists immediately after and as a result of the acquisition of securities, and the Funds are not required to sell securities due to subsequent changes in the value of securities it owns.

Any policies of the Acquiring Fund not described as fundamental in this Joint Proxy Statement/Prospectus may be changed by its Board without shareholder approval.

MANAGEMENT OF THE FUNDS

The Boards

The Board of each Fund is responsible for the overall supervision of the operations of its respective Fund and performs the various duties imposed on the directors of investment companies by the 1940 Act and under applicable state law. A list of the Board Members, a brief biography for each Board Member and additional information relating to the Boards are included in the Statement of Additional Information.

The Advisors

BlackRock Advisors, LLC acts as the investment adviser for each Fund. PSW and PSY each pays the Investment Advisor a monthly management fee of 0.60% based on an aggregate of (i) the Fund's average daily Net Assets and (ii) the proceeds of any outstanding debt securities or borrowings used for leverage. "Net Assets" means the total assets of the Fund minus the sum of the accrued liabilities. The liquidation preference of any outstanding preferred stock (other than accumulated dividends) is not considered a liability in determining the Fund's Net Asset Value.

BPP and BTZ each pays the Investment Advisor a monthly management fee of 0.65% based on the Fund's average weekly Managed Assets. "Managed Assets" means the total assets of the Fund minus the sum of the accrued liabilities (other than the aggregate indebtedness constituting financial leverage).

If any of the Reorganizations are approved and consummated, the Combined Fund will pay the Investment Advisor a monthly fee at an annual rate of 0.62% of the Combined Fund's average weekly Managed Assets

BlackRock Financial Management, Inc. acts as the sub-advisor for each Fund and BlackRock Investment Management, LLC also acts as the sub-advisor for BTZ (each, a "Sub-Advisor" and together with the Investment Advisor, the "Advisors"). BlackRock Advisors, LLC and each Fund has entered into a separate sub-advisory agreement with each Sub-Advisor under which the BlackRock Advisors, LLC pays the Sub-Advisor for services it provides, a monthly fee that is a percentage of the investment advisory fees paid by each Fund to BlackRock Advisors, LLC.

A discussion regarding the basis for the approval of the Investment Management Agreement and the Sub-Investment Advisory Agreement by the Board of each Fund is provided in such Fund's Form N-CSR for such Fund's most recent fiscal year end available at www.sec.gov or by visiting www.blackrock.com.

BlackRock Advisors, LLC, located at 100 Bellevue Parkway, Wilmington, Delaware 19809, and each Sub-Advisor, located at 55 East 52nd Street, New York, New York 10055, are wholly owned subsidiaries of BlackRock, Inc. ("BlackRock"). BlackRock is one of the world's largest publicly-traded investment management firms. As of June 30, 2012, BlackRock's assets under management were approximately \$3.560 trillion. BlackRock has over 20 years of experience managing closed-end products and, as of June 30, 2012 advised a registered closed-end family of 92 exchange-listed active funds with approximately \$42.7 billion in assets. In addition, BlackRock advised six non-exchange-listed closed-end funds with approximately \$303.8 million in assets.

BlackRock offers products that span the risk spectrum to meet clients' needs, including active, enhanced and index strategies across markets and asset classes. Products are offered in a variety of structures including separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. Headquartered in New York City, as of June 30, 2012, the firm has approximately 9,900 employees in 27 countries and a major presence in key global markets, including North and South America, Europe,

Asia, Australia and the Middle East and Africa.

Portfolio Management

The Investment Advisor serves as the investment adviser for each of the Funds and is expected to continue to serve as investment adviser for the Combined Fund. Each Fund is managed by a team of investment professionals comprised of Jeffrey Cucunato, Managing Director at BlackRock, Mitchell S. Garfin, Managing

Director at BlackRock, and Stephan Bassas, Director at BlackRock. Each is a member of BlackRock's Corporate Credit Group within BlackRock's Fundamental Fixed Income portfolio management group. Each is jointly responsible for the day-to-day management of each Fund's portfolio, which includes setting each Fund's overall investment strategy, overseeing the management of each Fund and/or selection of its investments. Messrs. Cucunato, Bassas and Garfin have been members of each Fund's portfolio management team since 2011.

Mr. Cucunato has held several key roles at BlackRock. Prior to joining the corporate bond team, Mr. Cucunato focused on interest rate products, including government and agency securities. He was also involved in the day-to-day management of BlackRock's inflation-linked bond portfolios. He began his career at BlackRock in 1995 as an analyst in the Global Client Group, working with international clients and alternative investments, and became a portfolio manager in 1997. Mr. Cucunato earned a BA degree, cum laude, in history from Dartmouth College in 1995.

Mr. Garfin joined BlackRock in 1997 as an analyst in the Account Management Group working with taxable financial institutional clients. He joined the Portfolio Management Group in 2000 as a credit research analyst and in 2005 moved to portfolio management. Mr. Garfin moved to his current role in 2007. Mr. Garfin earned a BBA degree, with distinction, in finance from the University of Michigan in 1997, and an MBA degree in finance and economics from New York University's Stern School of Business in 2005.

Mr. Bassas' service with the firm dates back to 2000, including his years with Merrill Lynch Investment Managers ("MLIM"), which merged with BlackRock in 2006. At MLIM, Mr. Bassas managed European corporate bond portfolios. Prior to joining MLIM in 2000, Mr. Bassas worked as a portfolio manager and asset swap proprietary trader for Paribas Asset Management and Paribas Capital Markets in Luxembourg and London. Mr. Bassas earned an MBA degree from the University of Lyon, France in 1993 and attended the Investment Management Program at the London Business School in 2000.

The Statement of Additional Information provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in each Fund.

Portfolio Transactions with Affiliates

The Advisors may place portfolio transactions, to the extent permitted by law, with brokerage firms affiliated with the Funds and the Advisors, if they reasonably believe that the quality of execution and the commission are comparable to that available from other qualified brokerage firms. None of the Funds paid brokerage commissions to affiliated broker-dealers during their three most recent fiscal years.

Legal Proceedings

On July 29, 2010, the Investment Advisor announced that a derivative complaint had been filed by Roy Curbow and other plaintiffs, including shareholders of PSY and BTZ on July 27, 2010 in the Supreme Court of the State of New York, New York County. The complaint names the Investment Advisor, BlackRock, Inc. and certain of the directors/trustees, officers and portfolio managers of PSY and BTZ as defendants. The complaint alleges, among other things, that the parties named in the complaint breached fiduciary duties owed to PSY and BTZ and their common shareholders by redeeming auction-market preferred shares, auction rate preferred securities, auction preferred shares and auction rate securities (collectively, "AMPS") at their liquidation preference. The complaint seeks unspecified damages for losses purportedly suffered by PSY and BTZ as a result of the prior redemptions and injunctive relief preventing PSY and BTZ from redeeming AMPS at their liquidation preference in the future. On March 15, 2012, the Supreme Court of the State of New York, New York County entered an order consolidating the above-referenced derivative complaint with another derivative complaint, containing almost identical allegations, already pending in that court. The court on March 15, 2012, also granted plaintiffs permission to file an amended

complaint. On April 16, 2012, the plaintiffs filed a Consolidated Shareholder Derivative Complaint. Defendants moved to dismiss the Consolidated Shareholder Derivative Complaint on July 20, 2012. The Investment Advisor, BlackRock, Inc. and the other defendants named in the complaint believe that the claims asserted in the complaint are without merit and intend to vigorously defend themselves in the litigation.

On November 15, 2010, the Investment Advisor announced the intention to redeem all of the outstanding AMPS issued by five of its taxable closed-end funds: PSW, PSY, BPP, BTZ, and BGT. All such outstanding AMPS

were subsequently redeemed. The redemptions encompass all remaining taxable AMPS issued by BlackRock closed-end funds and total approximately \$569 million. The AMPS were redeemed with available cash or proceeds from reverse repurchase agreement financing or a credit facility on a fund-by-fund basis and, in each case, the refinancing resulted in a lower cost of financing for each fund under then-existing market conditions.

In exchange for the shareholder plaintiff's agreement to withdraw a previously filed motion for preliminary injunction enjoining any further redemptions of AMPS, each of these funds agreed to provide the plaintiffs in those actions with 30 days prior notice of any additional redemptions. On November 24, 2010, the Investment Advisor announced that counsel for the plaintiffs filed a motion for a preliminary injunction enjoining PSY and BTZ from redeeming outstanding AMPS pending final resolution of the underlying shareholder derivative suit. On December 23, 2010, the court denied plaintiffs' motion for a preliminary injunction.

On June 3, 2011, a putative class action lawsuit was brought by Hinda Wachtel against PSY, certain former and current directors of PSY, BlackRock, Inc., and certain other financial institutions in the Circuit Court for Baltimore City. The complaint alleges that the redemptions at par of certain AMPS issued by PSY constituted a breach of the fiduciary duties purportedly owed to the common shareholders of PSY; that PSY allegedly aided and abetted breaches of fiduciary duties by the directors; and that PSY, BlackRock, Inc., and others were unjustly enriched. The Complaint requests a declaratory judgment that PSY aided and abetted breaches of fiduciary duties by the directors and that PSY, BlackRock, Inc. and certain other financial institutions were unjustly enriched; seeks to enjoin BlackRock, Inc. from serving as investment adviser to PSY or otherwise earning fees for services rendered to PSY; and claims unquantified damages, attorneys' fees, interest and punitive damages. On June 5, 2012, the plaintiff voluntarily dismissed the complaint without prejudice.

On June 9, 2011, a putative class action lawsuit was brought by Sydell Protas against BTZ, certain former and current trustees of BTZ, BlackRock, Inc., and certain other financial institutions, in the Court of Chancery of the State of Delaware. On August 31, 2011, Plaintiff filed an "Amended Verified Derivative and Class Action Complaint" (the "Amended Complaint"), which purports to assert certain of the claims derivatively on behalf of BTZ and certain of the claims directly as class claims. The Amended Complaint alleges that the redemptions at par of certain AMPS issued by BTZ constituted a breach of the fiduciary duties purportedly owed to the common shareholders of BTZ; that BTZ allegedly aided and abetted breaches of fiduciary duties by the trustees; and that BTZ, BlackRock, Inc., and others were unjustly enriched. The Amended Complaint requests a declaratory judgment that BTZ aided and abetted breaches of fiduciary duties by the trustees and that BTZ, BlackRock, Inc. and certain other financial institutions were unjustly enriched; seeks to enjoin BlackRock, Inc. from serving as investment adviser to BTZ or otherwise earning fees for services rendered to BTZ; and claims unquantified damages, attorneys' fees, interest and punitive damages. On May 4, 2012, the court dismissed the Amended Complaint with prejudice. On June 4, 2012, the Plaintiff appealed the Delaware Chancery Courts decision to the Delaware Supreme Court. On July 23, 2012, the Plaintiff voluntarily dismissed her appeal.

Other Service Providers

The professional service providers for the Funds are as follows:

Service	Service Providers to the Funds
Investment Advisor	BlackRock Advisors, LLC
Sub-Advisor	BlackRock Financial Management, Inc. BlackRock Investment Management, LLC*
Custodian	State Street Bank and Trust Company

Transfer Agent, Dividend Disbursing Agent and Registrar

Computershare Trust Company N.A.

Accounting Services Provider

State Street Bank and Trust Company

Independent Registered Public Accounting Firm

Fund Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

Service Counsel to the Independent Board Members	Service Providers to the Funds Debevoise & Plimpton LLP
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* Sub-Advisor only to the Acquiring Fund

All securities owned by each Fund and all cash, including proceeds from the sale of securities in each Fund's investment portfolio, are held by State Street Bank and Trust Company, 1 Lincoln Street, Boston Massachusetts 02111, as custodian. Computershare Trust Company N.A. 250 Royall Street, Canton, Massachusetts 02021 serves as each Fund's transfer agent with respect to each Fund's common shares.

It is not anticipated that the Reorganizations will result in any change in the organizations providing services to Acquiring Fund as set forth above. As a result of the Reorganizations, the service providers to Acquiring Fund are anticipated to be the service providers to the Combined Fund.

Capitalization

The Board of each Fund may authorize separate classes of shares together with such designation of preferences, rights, voting powers, restrictions, limitations, qualifications or terms as may be determined from time to time by the Board of such Fund. The tables below set forth the capitalization of the Funds as of April 30, 2012 and the pro forma capitalization of the Combined Fund as if the proposed Reorganizations of all of the Funds had occurred on that date, as if the proposed Reorganization of only PSY into BTZ had occurred on that date and as if the proposed Reorganizations of PSW and BPP into BTZ had occurred on that date.

Capitalization as of April 30, 2012 (Unaudited)

Reorganization of All the Funds

	BTZ	PSW	PSY	BPP	Adjustments	Pro forma Combined Fund (All Funds)
Net assets (a)	\$748,315,500	\$111,635,672	\$476,527,034	\$230,722,424	\$(990,000)(b)	\$1,566,210,630
Common Shares						
Outstanding	51,828,157	10,311,941	40,807,418	18,467,785	(12,874,635)(c)	108,540,666
Net asset value	\$14.44	\$10.83	\$11.68	\$12.49		\$14.43

(a) Based on the number of outstanding common shares listed in "Outstanding Common Shares as of April 30, 2012" table below.

(b) Reflects non-recurring aggregate estimated reorganization expenses of \$990,000 of which \$450,000 was attributable to BTZ, \$240,000 was attributable to PSW, and \$300,000 was attributable to BPP. Because of the expected benefits outlined above for each Fund, and because, over time, the savings attributable to BTZ, PSW and BPP's participation in each Reorganization outweigh the costs associated with such Reorganization, the Investment Advisor recommended, and the Boards have approved, that BTZ, PSW and BPP be responsible for its own Reorganization expenses. See "Reasons for the Reorganizations." The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.

(c)

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Reflects adjustments of 2,592,061 for PSW shares of common stock, 7,783,403 for PSY shares of common stock and 2,499,171 for BPP shares of common stock due to differences in per share NAV.

Reorganization of PSY and BTZ

	BTZ	PSY	Adjustments	Pro forma Combined Fund (PSY & Acquiring Fund)
Net assets (a)	\$748,315,500	\$476,527,034	\$(450,000) (b)	\$1,224,392,534
Common Shares outstanding	51,828,157	40,807,418	(7,783,403) (c)	84,852,172
Net asset value	\$14.44	\$11.68		\$14.43

(a) Based on the number of outstanding common shares listed in "Outstanding Common Shares as of April 30, 2012" table below.

(b) Reflects non-recurring aggregate estimated reorganization expenses of \$450,000 attributable to BTZ. Because of the expected benefits outlined above for BTZ, and because, over time, the savings attributable to BTZ's participation in the Reorganization outweigh the costs associated with such Reorganization, the Investment Advisor recommended, and the Boards have approved, that BTZ be responsible for its own Reorganization expenses. See "Reasons for the Reorganizations." The actual costs associated with the proposed Reorganization may be more or less than the estimated costs discussed herein.

(c) Reflects adjustments due to differences in per share NAV.

Reorganization of PSW and BPP into BTZ

	BTZ	PSW	BPP	Adjustments	Pro forma Combined Fund (PSW, BPP & Acquiring Fund)
Net assets (a)	\$748,315,500	\$111,635,672	\$230,722,424	\$(990,000)(b)	\$1,089,683,596
Common Shares outstanding	51,828,157	10,311,941	18,467,785	(5,091,232)(c)	75,516,651
Net asset value	\$14.44	\$10.83	\$12.49		\$14.43

(a) Based on the number of outstanding common shares listed in "Outstanding Common Shares as of April 30, 2012" table below.

(b) Reflects non-recurring aggregate estimated reorganization expenses of \$990,000 of which \$450,000 was attributable to BTZ, \$240,000 was attributable to PSW and \$300,000 was attributable to BPP, respectively. Because of the expected benefits outlined above for each Fund, and because, over time, the savings attributable to each Fund's participation in the Reorganization outweigh the costs associated with such Reorganization, the Investment Advisor recommended, and the Boards have approved, that each Fund be responsible for its own Reorganization expenses. See "Reasons for the Reorganizations." The actual costs associated with the proposed Reorganization may be more or less than the estimated costs discussed herein.

(c) Reflects adjustments due to differences in per share NAV.

ADDITIONAL INFORMATION ABOUT THE COMMON SHARES OF THE FUNDS

General

Shareholders of a Fund are entitled to share equally in dividends declared by the Fund's Board as payable to holders of the Fund's common shares and in the net assets of the Fund available for distribution to holders of the common shares. Shareholders do not have preemptive or conversion rights and a Fund's common shares are not redeemable. The outstanding common shares of each Fund are fully paid and nonassessable, except as provided under such Fund's charter.

Purchase and Sale

Purchase and sale procedures for the common shares of each of the Funds are identical. Investors typically purchase and sell common shares of the Funds through a registered broker-dealer on the NYSE, thereby incurring a brokerage commission set by the broker-dealer. Alternatively, investors may purchase or sell common shares of the Funds through privately negotiated transactions with existing shareholders.

Outstanding Common Shares as of April 30, 2012

Fund	Title of Class	Amount Authorized	Amount Held by Fund for its Own Account	Amount Outstanding Exclusive of Amount Shown in Previous Column
PSW	Common Shares	199,994,540	None	10,311,941
PSY	Common Shares	199,978,000	None	40,807,418
BPP	Common Shares	Unlimited	None	18,467,785
BTZ	Common Shares	Unlimited	None	51,828,157

Share Price Data

The following tables set forth the high and low market prices for common shares of each Fund on the NYSE, for each full quarterly period within each Fund's two most recent fiscal years and each full quarter since the beginning of each Fund's current fiscal year, along with the net asset value and discount or premium to net asset value for each quotation.

PSW Period Ended	Market Price		Net Asset Value		Premium/(Discount) to Net Asset Value	
	High	Low	High	Low	High	Low
A p r i l 3 0 , 2012	\$10.28	\$9.79	\$10.88	\$10.64	(5.08)%	(8.99)%
J a n u a r y 3 1 , 2012	\$9.81	\$8.90	\$10.64	\$10.06	(7.80)%	(13.23)%
O c t o b e r 3 1 , 2011	\$9.41	\$8.59	\$10.88	\$9.88	(9.15)%	(18.05)%
J u l y 3 1 , 2011	\$9.47	\$9.24	\$10.90	\$10.59	(11.63)%	(14.42)%
A p r i l 3 0 , 2011	\$9.28	\$8.97	\$10.80	\$10.43	(13.17)%	(15.09)%

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J a n u a r y 3 1 , 2011	\$9.83	\$8.70	\$10.85	\$10.24	(8.59)%	(15.04)%
O c t o b e r 3 1 , 2010	\$9.92	\$9.49	\$10.90	\$10.40	(7.50)%	(10.87)%
J u l y 3 1 , 2010	\$9.54	\$8.64	\$10.46	\$9.91	(7.74)%	(17.40)%
A p r i l 3 0 , 2010	\$9.36	\$8.34	\$10.40	\$9.57	(8.81)%	(14.29)%
J a n u a r y 3 1 , 2010	\$8.70	\$8.00	\$9.78	\$9.22	(9.46)%	(14.89)%

PSY Period Ended	Market Price		Net Asset Value		Premium/(Discount) to Net Asset Value	
	High	Low	High	Low	High	Low
April 30, 2012	\$10.80	\$10.34	\$11.70	\$11.46	(6.98)%	(10.17)%
January 31, 2012	\$10.44	\$9.42	\$11.46	\$10.84	(8.22)%	(14.06)%
October 31, 2011	\$10.20	\$9.16	\$11.66	\$10.61	(10.61)%	(15.95)%
July 31, 2011	\$10.30	\$9.96	\$11.72	\$11.41	(10.20)%	(13.65)%
April 30, 2011	\$10.08	\$9.61	\$11.63	\$11.25	(12.81)%	(15.34)%
January 31, 2011	\$10.60	\$9.39	\$11.70	\$11.01	(8.23)%	(14.87)%
October 31, 2010	\$10.67	\$10.21	\$11.69	\$11.16	(6.28)%	(11.22)%
July 31, 2010	\$10.37	\$9.24	\$11.37	\$10.75	(7.67)%	(18.30)%
April 30, 2010	\$10.46	\$9.71	\$11.35	\$10.51	(2.35)%	(9.20)%
January 31, 2010	\$10.17	\$8.85	\$10.66	\$9.91	(4.24)%	(12.12)%

BPP Period Ended	Market Price		Net Asset Value		Premium/(Discount) to Net Asset Value	
	High	Low	High	Low	High	Low
April 30, 2012	\$11.43	\$11.11	\$12.55	\$12.27	(8.29)%	(10.36)%
January 31, 2012	\$11.09	\$10.05	\$12.27	\$11.58	(8.96)%	(13.88)%
October 31, 2011	\$10.86	\$9.79	\$12.54	\$11.35	(11.18)%	(17.60)%
July 31, 2011	\$10.97	\$10.66	\$12.62	\$12.26	(11.40)%	(14.75)%
April 30, 2011	\$10.75	\$10.30	\$12.51	\$12.05	(13.46)%	(15.62)%
January 31, 2011	\$11.27	\$10.11	\$12.50	\$11.79	(8.62)%	(14.52)%
October 31, 2010	\$11.42	\$10.84	\$12.52	\$11.90	(6.79)%	(10.38)%
July 31, 2010	\$10.80	\$9.70	\$11.95	\$11.35	(8.12)%	(18.14)%
April 30, 2010	\$10.83	\$10.14	\$11.95	\$11.20	(6.53)%	(10.92)%
January 31, 2010	\$10.53	\$9.93	\$11.38	\$10.92	(5.24)%	(10.70)%

BTZ Period Ended	Market Price		Net Asset Value		Premium/(Discount) to Net Asset Value	
	High	Low	High	Low	High	Low
April 30, 2012	\$13.27	\$12.87	\$14.51	\$14.20	(7.67)%	(10.00)%
January 31, 2012	\$12.92	\$11.79	\$14.20	\$13.37	(8.69)%	(13.95)%
October 31, 2011	\$12.50	\$11.26	\$14.47	\$13.10	(10.94)%	(17.82)%
July 31, 2011	\$12.74	\$12.30	\$14.54	\$14.13	(11.28)%	(14.38)%
April 30, 2011	\$12.36	\$11.95	\$14.41	\$13.92	(13.15)%	(15.49)%
January 31, 2011	\$13.18	\$11.72	\$14.56	\$13.69	(8.22)%	(14.96)%

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October 31, 2010	\$13.37	\$12.52	\$14.71	\$13.94	(6.14)%	(11.47)%
July 31, 2010	\$12.66	\$11.57	\$14.01	\$13.17	(8.04)%	(16.32)%
April 30, 2010	\$12.63	\$11.41	\$13.97	\$12.89	(8.01)%	(12.57)%
January 31, 2010	\$11.86	\$10.91	\$13.23	\$12.55	(10.29)%	(14.61)%

As of April 30, 2012, the net asset value per common share of BTZ was \$14.44 and the market price per common share was \$13.26, representing a discount to net asset value of (8.17)%, the net asset value per common share of PSW was \$10.83 and the market price per common share was \$10.08, representing a discount to net asset value of (6.93)%, the net asset value per common share of PSY was \$11.68 and the market price per common share was \$10.79, representing a discount to net asset value of (7.62)%, and the net asset value per common share of BPP was \$12.49 and the market price per common share was \$11.43, representing a discount to net asset value of (8.49)%. For the periods shown in the tables above, common shares of BTZ, PSW, PSY and BPP traded at a discount to net asset value.

Performance Information

The performance table below illustrates the past performance of an investment in common shares of each Fund by setting forth the average total returns for the Funds for the periods indicated. A Fund's past performance does not necessarily indicate how its common shares will perform in the future.

Average Annual Total Returns as of April 30, 2012

Fund	Trailing 12-month Distribution Yield based on April 30, 2012 NAV	One Year ended April 30, 2012 based on NAV	One Year ended April 30, 2012 based on Market Price	Life of Fund ended April 30, 2012 based on NAV	Life of Fund ended April 30, 2012 based on Market Price	Inception Date
PSW	6.11%	7.98%	16.86%	(0.05)%	(1.39)%	08/01/03
PSY	5.93%	7.55%	14.64%	1.20%	(0.19)%	03/28/03
BPP	5.67%	6.72%	13.67%	1.92%	0.43%	02/28/03
BTZ	6.15%	7.59%	15.19%	0.82%	(1.63)%	12/27/06

DIVIDENDS AND DISTRIBUTIONS

The dividend and distribution policy of the Acquiring Fund will be the dividend and distribution policy for the Combined Fund. The dividend and distribution policies of the Target Funds are substantially the same as those of the Acquiring Fund. The Acquiring Fund intends to make regular monthly cash distributions of all or a portion of its net investment income to holders of the Fund's common shares. The Acquiring Fund's net investment income consists of all interest income accrued on portfolio assets less all expenses of the Fund. The Acquiring Fund is required to allocate net capital gains and other taxable income, if any, received by the Fund among its stockholders on a pro rata basis in the year for which such capital gains and other income are realized.

The tax treatment and characterization of the Acquiring Fund's distributions may vary significantly from time to time because of the varied nature of the Fund's investments. The Acquiring Fund will indicate the proportion of its capital gains distributions that constitute long-term and short-term gains annually. The ultimate tax characterization of the Acquiring Fund's distributions made in a calendar or fiscal year cannot finally be determined until after the end of that fiscal year. As a result, there is a possibility that the Acquiring Fund may make total distributions during a calendar or fiscal year in an amount that exceeds the Acquiring Fund's earnings and profits (as determined for U.S. federal income tax purposes), if any, for the relevant fiscal year and its previously undistributed earnings and profits from prior years, if any. In such situations, the amount by which the Acquiring Fund's total distributions exceed its earnings and profits generally will be treated as a tax-free return of capital reducing the amount of a shareholder's tax basis in such shareholder's shares, with any amounts exceeding such basis treated as gain from the sale of shares.

Various factors will affect the level of the Acquiring Fund's net investment income, such as its asset mix, its level of retained earnings, the amount of leverage utilized by the Fund and the effects thereof and the movement of interest rates for debt securities. These factors, among others, may result in the Combined Fund's level of net investment income being different from the level of net investment income for any of the Target Funds or the Acquiring Fund if the Reorganizations were not completed. To permit the Acquiring Fund to maintain more stable monthly distributions and to the extent consistent with the distribution requirements imposed on regulated investment companies by the Code, the Acquiring Fund may from time to time distribute less than the entire amount earned in a particular period. The income would be available to supplement future distributions. As a result, the distributions paid by the Acquiring

Fund for any particular month may be more or less than the amount actually earned by the Acquiring Fund during that month. Undistributed earnings will increase the Acquiring Fund's net asset value and, correspondingly, distributions from undistributed earnings and from capital, if any, will reduce the Acquiring Fund's net asset value. Holders of the Acquiring Fund's common shares will automatically have all dividends and distributions reinvested in common shares issued by the Acquiring Fund or common shares of the Acquiring Fund purchased in the open market in accordance with the Acquiring Fund's Automatic Dividend Reinvestment Plan, unless an election is made to receive cash. For information concerning the manner in which dividends and distributions to holders of the Acquiring Fund's common shares may be reinvested automatically in the Acquiring Fund's common shares, see "Automatic Dividend Reinvestment Plan" as follows.

AUTOMATIC DIVIDEND REINVESTMENT PLAN

The automatic dividend reinvestment plan (the “Plan”) of the Acquiring Fund will be the automatic dividend reinvestment plan of the Combined Fund. The automatic dividend reinvestment plan of each Target Fund is the same as the Acquiring Fund’s Plan. Shareholders of the Acquiring Fund are automatically enrolled to have all distributions of dividends and capital gains reinvested by Computershare Trust Company, N.A. (the “Plan Agent”), agent for shareholders in administering the Plan, in the Acquiring Fund’s Shares. Shareholders who do not participate in the Plan receive all distributions in cash paid by check and mailed directly to the shareholders of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent.

After the Acquiring Fund declares a dividend or determines to make a capital gain distribution, the Plan Agent will acquire shares for the participants’ accounts, depending upon the circumstances described below, either (i) through receipt of unissued but authorized shares from the Fund (“newly issued shares”), or (ii) by purchase of outstanding shares on the open market or on the Fund’s primary exchange (“open-market purchases”). If, on the dividend payment date, the net asset value per share (“NAV”) is equal to or less than the market price per share plus estimated brokerage commissions (such condition being referred to herein as “market premium”), the Plan Agent will invest the dividend amount in newly issued shares on behalf of the participants. The number of newly issued shares to be credited to each participant’s account will be determined by dividing the dollar amount of the dividend by the NAV on the dividend payment date. However, if the NAV is less than 95% of the market price on the dividend payment date, the dollar amount of the dividend will be divided by 95% of the market price on the dividend payment date. If, on the dividend payment date, the NAV is greater than the market value per share plus estimated brokerage commissions (such condition being referred to herein as “market discount”), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participants in open market purchases.

In the event of a market discount on the payment date for any dividend, the Plan Agent will have until the last business day before the next date on which the common shares trade on an “ex-dividend” basis or 30 days after the payment date for such dividend, whichever is sooner (the “last purchase date”), to invest the dividend amount in common shares acquired in open-market purchases. It is contemplated that the Combined Fund will pay monthly dividends. Therefore, the period during which open-market purchases can be made will exist only from the payment date on the dividend through the date before the next “ex-dividend” date, which typically will be approximately ten days. If the Plan Agent is unable to invest the full dividend amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any un-invested portion in newly issued shares. Investments in newly issued shares made in this manner would be made pursuant to the same process described above and the date of issue for such newly issued shares will substitute for the dividend payment date.

Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Agent prior to the dividend record date. Additionally, the Plan Agent seeks to process notices received after the record date but prior to the payable date and such notices often will become effective by the payable date. Where late notices are not processed by the applicable payable date, such termination or resumption will be effective with respect to any subsequently declared dividend or distribution.

The Plan Agent’s fees for the handling of the reinvestment of dividends are paid by the Acquiring Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent’s open-market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and distributions will not relieve participants of any U.S. federal income tax that may be payable on such dividends or distributions. Participants should consult their own tax advisors regarding the U.S. federal income tax consequences of the automatic reinvestment of dividends and distributions, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax laws.

The Acquiring Fund reserves the right to amend or terminate its Plan. There is no direct service charge to participants in its Plan; however, the Acquiring Fund reserves the right to amend its Plan to include a service charge payable by the participants. Participants who request a sale of shares through the Plan Agent are subject to a \$2.50 sales fee and a \$0.15 per share sold brokerage commission.

All correspondence concerning the Plan, including any questions about the Plan, should be directed to the Plan Agent at Computershare Trust Company, N.A., through the internet at www.computershare.com/investor, by calling 1-800-699-1236 or in writing to Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078.

All overnight correspondence should be directed to the Plan Agent at 250 Royall Street, Canton, MA 02021.

CERTAIN PROVISIONS OF THE CHARTER

Each Fund's charter includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board. This could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control over the Fund. Such attempts could have the effect of increasing the expenses of the Fund and disrupting the normal operation of the Fund.

The Board of each of BPP and BTZ is divided into three classes, with the terms of one class expiring at each annual meeting of shareholders. At each annual meeting, one class of trustees is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the Board of each of BPP and BTZ. The Boards of PSW and PSY are not classified. With respect to BPP and BTZ, a director may only be removed from office for cause and only by action taken by the holders of at least 75% of the shares of capital stock entitled to be voted on the matter. With respect to PSW and PSY, a director may be removed from office with or without cause by vote of the holders of 66 2/3% of the votes entitled to be voted on the matter.

The charters of PSW and PSY require the favorable vote of 66 2/3% of the outstanding shares of capital stock of the Fund entitled to be voted on the matter, unless such action has been approved, adopted or authorized by the affirmative vote of at least two-thirds of the total number of directors fixed in accordance with the bylaws, in which case the affirmative vote of a majority of all of the outstanding shares entitled to vote on the matter is required, and the charters of BPP and BTZ require the favorable vote of a 1940 Act Majority, to approve, adopt or authorize the following:

- a merger or consolidation or statutory share exchange of the Fund with any other corporation or entity,
- a sale of all or substantially all of the Fund's assets (other than in the regular course of the Fund's investment activities), or
- a liquidation or dissolution of the Fund.

The Board of each Fund has determined that the voting requirements described above, which are, in the case of PSW and PSY, greater than the minimum requirements under the 1940 Act or, in certain circumstances, Maryland law are in the best interests of shareholders generally. Reference should be made to the charter of each Fund on file with the SEC for the full text of these provisions.

GOVERNING LAW

Each of BPP and BTZ is organized as a Delaware statutory trust pursuant to its Agreement and Declaration of Trust governed by the laws of the State of Delaware. BPP was organized on January 8, 2003 and commenced investment operations on February 28, 2003. BTZ was organized on November 15, 2005 and commenced investment operations on December 27, 2006.

Each of PSW and PSY is incorporated as a Maryland corporation pursuant to its Articles of Incorporation governed by the laws of the State of Maryland. PSW was incorporated on May 2, 2003 and commenced operations on August 1, 2003. PSY was incorporated on January 23, 2003 and commenced operations on March 28, 2003.

In general, a Delaware statutory trust provides greater flexibility with respect to procedural matters and a corporation provides greater certainty with respect to limitation of personal liability. In contrast to the Maryland General Corporation Law, the Delaware Statutory Trust Act allows the parties to define their business relationships and provide rules only in situations where the parties have failed to agree. The Delaware Statutory Trust Act gives maximum effect to the principle of freedom of contract and to the enforceability of a statutory trust's governing instrument.

As noted above, a Maryland corporation provides greater certainty with respect to limitation of personal liability. Shareholders of a Maryland corporation currently have no personal liability for the corporation's acts or obligations, except that a shareholder may be liable to the extent that (i) the shareholder knowingly accepted a distribution in violation of such Maryland corporation's charter or the Maryland General Corporation Law or (ii) the subscription price or other agreed upon consideration for stock subscribed for has not been paid. Under the Delaware Statutory Trust Act, shareholders of a Delaware statutory trust are entitled to the same limitation of personal liability as is extended to shareholders of a private corporation organized for profit under the General Corporation Law of the State of Delaware. However, there is a remote possibility that shareholders of a Delaware statutory trust could, under certain circumstances be held liable for the Delaware statutory trust's liabilities to the extent the courts of another state refused to recognize such limited liability in a controversy involving a Delaware statutory trust's obligations. Each of BPP's and BTZ's governing document disclaims shareholder liability for acts or obligations of such Fund. Thus, a Delaware statutory trust shareholder's risk of incurring financial loss due to shareholder liability is limited to circumstances in which a court refuses to recognize the Delaware Statutory Trust Act and the complaining party is held not bound by the Delaware statutory trust's disclaimer regarding shareholder liability.

Shareholders of each of BPP and BTZ do not have appraisal rights for their common shares because the Delaware Statutory Trust Act and their respective governing documents do not provide for appraisal rights. By contrast, shareholders are entitled to demand and receive payment of the fair value of their shares under Maryland law, except under certain circumstances, one of which is if such shares are publicly traded on a national securities exchange. Since PSW and PSY common shares are traded on NYSE, common shareholders of PSW and PSY do not have appraisal rights. See "Appraisal Rights" for additional information about appraisal rights.

Other differences between Maryland and Delaware law relate to the authorized shares of a Fund. Consistent with Maryland law, PSW and PSY have authorized a specific number of shares, while BPP and BTZ, consistent with Delaware law, have authorized the issuance of an unlimited number of shares.

The foregoing is only a summary of certain differences between PSW and PSY under Maryland law and BPP and BTZ under Delaware law. It is not intended to be a complete list of differences and shareholders should refer to the provisions of each Fund's applicable organizational documents for a more thorough comparison. Such documents are filed as part of each Fund's registration statement with the SEC, and shareholders may obtain copies of such documents as described on page iv of this Joint Proxy Statement/Prospectus.

CONVERSION TO OPEN-END FUND

To convert PSW to an open-end investment company, PSW's charter requires the affirmative vote of the holders of at least 66 2/3% of PSW's outstanding shares of capital stock entitled to be voted on the matter (or a majority of such shares if the amendment was previously approved, adopted or authorized by the affirmative vote of at least two-thirds of the total number of directors fixed in accordance with the bylaws).

To convert PSY to an open-end investment company, PSY's charter requires the affirmative vote of the holders of at least 66 2/3% of PSY's outstanding shares of capital stock entitled to be voted on the matter (or a majority of such shares if the amendment was previously approved, adopted or authorized by the affirmative vote of at least two-thirds of the total number of directors fixed in accordance with the bylaws).

To convert BPP to an open-end investment company, BPP's charter requires the affirmative vote not less than seventy-five percent (75%) of the shares of each affected class or series outstanding (or a 1940 Act Majority if the amendment was previously approved, adopted or authorized by the affirmative vote of at least eighty percent (80%) of the board members of the Fund).

To convert BTZ to an open-end investment company, BTZ's charter requires the favorable vote of the holders of not less than seventy-five percent (75%) of the shares outstanding (or a 1940 Act Majority if the amendment was previously approved, adopted or authorized by the affirmative vote of at least eighty percent (80%) of the board members of the Fund).

The foregoing votes would satisfy a separate requirement in the 1940 Act that any conversion of a Fund to an open-end investment company be approved by the shareholders. If approved in the foregoing manners, we

anticipate conversion of a Fund to an open-end investment company might not occur until 90 days after the shareholders' meeting at which such conversion was approved and would also require at least 10 days' prior notice to all shareholders. Following any such conversion, it is possible that certain of the Fund's investment policies and strategies would have to be modified to assure sufficient portfolio liquidity. In the event of conversion, the common shares would cease to be listed on the NYSE. Shareholders of an open-end investment company may require the company to redeem their shares at any time, except in certain circumstances as authorized by or under the 1940 Act, at their net asset value, less such redemption charge, if any, as might be in effect at the time of redemption. An open-end investment company expects to pay all such redemption requests in cash, but reserves the right to pay redemption requests in a combination of cash and securities. If such partial payment in securities were made, investors may incur brokerage costs in converting such securities to cash. If a Fund were converted to an open-end investment company, it is likely that new shares would be sold at net asset value plus a sales load. The Boards believe, however, that the Funds' closed-end structure is desirable in light of the Funds' investment objectives and policies. Therefore, shareholders should assume that it is not likely that the Boards would vote to convert any of the Funds to an open-end fund.

VOTING RIGHTS

Voting rights are identical for the shareholders of each Fund. The shareholders of each Fund are entitled to one vote for each share held by them. The shareholders of each Fund do not have any preemptive or preferential right to purchase or subscribe to any shares of such Fund.

Each Fund's common shares do not have cumulative voting rights, which means that the holders of more than 50% of a Fund's common shares voting for the election of directors can elect all of the directors standing for election by such holders, and, in such event, the holders of the Fund's remaining common shares will not be able to elect any directors.

APPRAISAL RIGHTS

Shareholders of each of BPP and BTZ do not have appraisal rights for their common because such Funds are organized as Delaware statutory trusts and their governing documents do not provide for appraisal rights. Under Maryland law, shareholders of an investment company whose shares are traded publicly on a national securities exchange are not entitled to demand the fair value of their shares in connection with a reorganization. Thus, shareholders of PSW and PSY will not have appraisal rights.

FINANCIAL HIGHLIGHTS

BlackRock Credit Allocation Income Trust I, Inc. (PSW)

The Financial Highlights table is intended to help you understand PSW's financial performance for the periods shown. Certain information reflects the financial results for a single Fund share. The total returns in the table represent the rate an investor would have earned or lost on an investment in PSW (assuming reinvestment of all dividends and/or distributions, if applicable). The information for the six months ended April 30, 2012 is unaudited. The information for the remaining periods shown has been audited by _____, PSW's independent registered public accounting firm. Financial statements for the fiscal year ended October 31, 2011 and the Report of the Independent Registered Public Accounting Firm thereon appear in PSW's Annual Report for the fiscal year ended October 31, 2011, which is available upon request.

	Six Months Ended April 30, 2012 (Unaudited)		Year Ended October 31, 2011		2010		2009		2008	
BlackRock Credit Allocation Income Trust I, Inc. (PSW)										
Per Share Operating Performance										
Net asset value, beginning of period	\$	10.52	\$	10.75	\$	9.31	\$	7.43	\$	19.54
Net investment income		0.35		0.69		0.63		0.86		1.70
Net realized and unrealized gain (loss)		0.35		(0.30)		1.58		2.06		(12.06)
Dividends to Preferred Shareholders from net investment income		-		(0.01)		(0.06)		(0.08)		(0.48)
Net increase (decrease) from investment operations		0.70		0.38		2.15		2.84		(10.84)
Dividends and distributions to Common Shareholders from:										
Net investment income		(0.39)		(0.61)		(0.62)		(0.83)		(1.22)
Tax return of capital		-		-		(0.09)		(0.13)		(0.05)
Total dividends and distributions		(0.39)		(0.61)		(0.71)		(0.96)		(1.27)
Capital charge with respect to issuance of:										
Common Shares		-		-		-		-		-
Preferred Shares		-		-		-		-		-
Net asset value, end of period	\$	10.83	\$	10.52	\$	10.75	\$	9.31	\$	7.43
Market price, end of period	\$	10.08	\$	9.25	\$	9.67	\$	8.24	\$	7.00
Total Investment Return Applicable to Common Shareholders ³										
Based on net asset value		7.14	% ⁴	4.55	%	24.77	% ⁵	46.46	%	(58.09)
Based on market price		13.41	% ⁴	2.20	%	26.81	%	37.59	%	(55.38)
Ratios to Average Net Assets Applicable to Common Shareholders										
Total expenses ⁶		1.24	% ⁷	1.14	%	1.16	%	1.61	%	2.00
Total expenses after fees waived and paid indirectly ⁶		1.24	% ⁷	1.14	%	1.14	%	1.59	%	2.00
Total expenses after fees waived and paid indirectly and excluding interest expense ⁶		1.08	% ⁷	1.02	%	1.13	%	1.44	%	1.48
Net investment income ⁶		6.79	% ⁷	6.56	%	6.28	%	12.45	%	10.79
Dividends to Preferred Shareholders		-		0.06	%	0.59	%	1.09	%	3.03
Net investment income to Common Shareholders		6.79	% ⁷	6.50	%	5.69	%	11.36	%	7.76
Supplemental Data										

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Net assets applicable to Common Shareholders, end of period (000)	\$111,636	\$108,529	\$110,808	\$96,048	\$76,430	\$
Preferred Shares outstanding at \$25,000 liquidation preference, end of period (000)	-	-	\$40,250	\$40,250	\$68,250	\$
Borrowings outstanding, end of period (000)	\$42,901	\$53,268	\$6,083	\$4,972		