Altra Industrial Motion Corp.
Form DEF 14A
March 22, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to Section 240.14a-12

ALTRA INDUSTRIAL MOTION CORP.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
No fee required
Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Altra Industrial Motion Corp.

300 Granite Street, Suite 201

Braintree, Massachusetts 02184

www.altramotion.com

March 22, 2019

Dear Fellow Stockholders:

You are cordially invited to attend the 2019 Annual Meeting of Stockholders of Altra Industrial Motion Corp. (Altra) to be held at 9:00 a.m. EDT on Wednesday, April 24, 2019 at the Boston Marriott Quincy, 1000 Marriott Drive, Quincy, Massachusetts 02169.

The Notice of Annual Meeting and Proxy Statement describe the matters to be acted upon at the meeting. We will also report on matters of interest to Altra stockholders.

Your vote is important. Whether or not you plan to attend the Annual Meeting in person, we encourage you to submit a proxy so that your shares will be represented and voted at the meeting. You may submit a proxy by calling a toll-free telephone number, by accessing the internet or by completing and mailing the enclosed proxy card in the return envelope provided. If you do not vote by one of the methods described above, you still may attend the Annual Meeting and vote in person.

Thank you for your continued support of Altra.

Sincerely,

Carl R. Christenson
Chairman and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Altra Industrial Motion Corp.

300 Granite Street, Suite 201

Braintree, Massachusetts 02184

March 22, 2019

The 2019 Annual Meeting of Stockholders of Altra Industrial Motion Corp. (Altra , the Company , we or our) will be held as follows:

DATE:	Wednesday, April 24, 2019
TIME:	9:00 a.m. EDT
LOCATION:	Boston Marriott Quincy, 1000 Marriott Drive, Quincy, Massachusetts 02169
PURPOSE:	To consider and act upon the following proposals:

1. The election of the 9 nominees for director named in the accompanying Proxy Statement;
2. The ratification of the selection of the independent registered public accounting firm;
3. An advisory vote to approve the compensation of Altra s named executive officers (Say on Pay); and
4. Such other business as may properly come before the meeting.

Shares represented by properly executed proxies that are hereby solicited by the Board of Directors of Altra will be voted in accordance with the instructions specified therein. Shares represented by proxies that are not limited to the contrary will be voted in favor of the election as directors of the persons nominated pursuant to Proposal 1 in the accompanying Proxy Statement and in favor of Proposal 2 and Proposal 3.

Stockholders of record at the close of business on March 13, 2019 will be entitled to vote at the meeting.

By order of the Board of Directors,

Glenn E. Deegan
Vice President, Legal and Human Resources, General Counsel and Secretary

It is important that your shares be represented and voted, whether or not you plan to attend the meeting.

YOU CAN VOTE:

1. BY MAIL:
Promptly return your signed and dated proxy/voting instruction card in the enclosed envelope.

2. BY TELEPHONE:
Call toll-free 1-800-690-6903 and follow the instructions.

3. BY INTERNET:
Access www.proxyvote.com and follow the on-screen instructions.

4. IN PERSON:
You may attend the Annual Meeting and vote in person.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 24, 2019

Altra s proxy statement, form of Proxy Card and 2018 Annual Report on Form 10-K are available at https://ir.altramotion.com/financials/annual-reports-and-proxies/default.aspx.

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PROXY STATEMENT

2019 ANNUAL MEETING OF STOCKHOLDERS

Wednesday, April 24, 2019

ALTRA INDUSTRIAL MOTION CORP.

300 Granite Street, Suite 201

Braintree, Massachusetts 02184

GENERAL INFORMATION

Proxy Solicitation

These proxy materials are being mailed or otherwise sent to stockholders of Altra Industrial Motion Corp. (Altra , the Company , we or our) on or about March 22, 2019, in connection with the solicitation of proxies by Altra s Board of Directors (the Board of Directors or the Board) for the Annual Meeting of Stockholders of Altra to be held at 9:00 a.m. EDT on Wednesday, April 24, 2019, at the Boston Marriott Quincy, 1000 Marriott Drive, Quincy, Massachusetts 02169. Directors, officers and other Altra employees also may solicit proxies by telephone or otherwise, but will not receive compensation for such services. Altra pays the cost of soliciting your proxy and reimburses brokers and other nominees their reasonable expenses for forwarding proxy materials to you.

Stockholders Entitled to Vote

Stockholders of record at the close of business on March 13, 2019, are entitled to notice of and to vote at the meeting. As of such date, there were 64,494,632 shares of Altra common stock outstanding, each entitled to one vote.

How to Vote

Stockholders of record described above may cast their votes by:

(1) signing, completing and returning the enclosed proxy card in the enclosed postage-paid envelope;

(2) calling toll-free 1-800-690-6903 and following the instructions;

(3) accessing www.proxyvote.com and following the instructions; or

(4) attending the Annual Meeting and voting in person.

Revocation of Proxies

A proxy may be revoked at any time before it is voted by delivering written notice of revocation to the Corporate Secretary of Altra at the address set forth above, by delivering a proxy bearing a later date, or by voting in person at the meeting.

Quorum; Required Vote

The holders of a majority of the shares entitled to vote at the meeting must be present in person or represented by proxy to constitute a quorum. Proxies received but marked as withheld, abstentions, or those treated as broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting in determining a quorum. If a quorum is not present at the Annual Meeting, we will be forced to reconvene the Annual Meeting at a later date.

Your shares may be voted if they are held in the name of a brokerage firm or bank (a broker), even if you do not provide the broker with voting instructions. Brokers have the authority, under applicable rules, to vote shares on certain routine matters for which their customers do not provide voting instructions. The ratification of the appointment of the independent registered public accounting firm of the Company is considered a routine matter. The election of directors and the advisory vote to approve the compensation of the Company s named executive officers (Say on Pay) are not considered routine matters. Broker non-votes are shares held by brokers or nominees for which instructions have not been received from the beneficial owners, or persons entitled to vote, and the broker is barred from exercising its discretionary authority to vote the shares because the proposal is a non-routine matter.

Election of Directors: Proposal 1. A plurality of the votes cast is required for the election of directors. You may vote FOR all or some of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. Votes WITHHELD and broker non-votes with respect to the election of directors will have no effect upon election of directors. You may not cumulate your votes for the election of directors.

Ratification of Independent Registered Public Accounting Firm: Proposal 2. Ratification of the selection of our independent registered public accounting firm requires the affirmative vote of a majority of the votes cast for or against the matter. You may vote FOR, AGAINST or ABSTAIN in connection with Proposal 2. Abstentions and broker non-votes will have no effect on this proposal.

Advisory Vote to Approve the Compensation of our Named Executive Officers: Proposal 3. The approval of Proposal 3, regarding the compensation of our named executive officers, requires the affirmative vote of a majority of the votes cast for or against the matter. You may vote FOR, AGAINST or ABSTAIN in connection with Proposal 3. Abstentions and broker non-votes have no effect on this proposal. Because the vote on the Say on Pay proposal is advisory, it will not be binding on the Board of Directors or the Company. However, the Compensation Committee will take into account the outcome of the Say on Pay vote when considering future executive compensation arrangements.

If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If no instructions are indicated, the shares will be voted as recommended by the Board of Directors.

Other Matters

The Board of Directors is not aware of any matters to be presented at the meeting other than those set forth in the accompanying notice. If any other matters properly come before the meeting, the persons named in the proxy will vote on such matters in accordance with their best judgment.

Additional Information

Additional information regarding the Company appears in our Annual Report on Form 10-K for the year ended December 31, 2018, a copy of which, including the financial statements and schedules thereto, but not the exhibits, accompanies this Proxy Statement. In addition, such report and the other reports we file with the Securities and Exchange Commission (SEC) are available, free of charge, through the Investor Relations section of our internet website at https://www.altramotion.com. Printed copies of these documents and any exhibit to our Form 10-K may be obtained, without charge, by contacting the Corporate Secretary, Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184, telephone (781) 917-0600.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON APRIL 24, 2019

Altra s proxy statement, form of Proxy Card and 2018 Annual Report on Form 10-K are available at https://ir.altramotion.com/financials/annual-reports-and-proxies/default.aspx.

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OWNERSHIP OF ALTRA COMMON STOCK

Securities Owned by Certain Beneficial Owners and Management

The following table sets forth certain information as of March 13, 2019, regarding the beneficial ownership of shares of our common stock by: (i) each person or entity known to us to be the beneficial owner of more than 5% of our common stock; (ii) each of our named executive officers; (iii) each member of our Board of Directors; and (iv) all members of our Board of Directors and executive officers as a group.

Beneficial ownership is determined in accordance with rules adopted by the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock issuable upon the exercise of stock options or warrants or the conversion of other securities held by that person that are currently exercisable or convertible, or are exercisable or convertible within 60 days of March 13, 2019, are deemed to be issued and outstanding. These shares, however, are not deemed outstanding for the purposes of computing percentage ownership of each other stockholder. Percentage of beneficial ownership is otherwise based on 64,494,632 shares of common stock outstanding as of March 13, 2019.

	Securities Beneficially Owned	
Name and Address of Beneficial Owner	**Shares of Common Stock Beneficially Owned**	**Percentage of Common Stock Outstanding**
Principal Securityholders:		
The Vanguard Group(2)	5,742,313	8.9%
BlackRock, Inc.(3)	4,785,882	7.4%
Gates Capital Management, L.P.(4)	3,747,956	5.8%
Named Executive Officers:		
Carl R. Christenson(1)(5)	255,883	*
Christian Storch(1)(6)	95,435	*
Glenn Deegan(1)	51,439	*
Craig Schuele(1)	75,224	*
Todd Patriacca(1)	23,773	*
Directors:		
Edmund M. Carpenter(1)	42,616	*
Lyle G. Ganske(1)(7)	23,632	*
Margot Hoffman(1)	2,718	*
Michael S. Lipscomb(1)	14,290	*
Larry P. McPherson(1)(8)	80,269	*
Patrick K. Murphy(1)	1,783	*
Thomas W. Swidarski(1)	10,712	*
James H. Woodward Jr.(1)	14,131	*
All directors and executive officers as a group (14 persons)	711,524	1.1%

* Represents beneficial ownership of less than 1%.

(1) Except as otherwise noted below, each of these individuals address of record is c/o Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons listed in the table have sole investment and voting power with respect to all Company securities owned by them.

(2) The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355. A portion of the shares are held by Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., each of which is a subsidiary of The Vanguard Group, Inc. Information and share amounts listed are derived from The Vanguard Group s Schedule 13G/A filed with the SEC on February 11, 2019, in which The

Vanguard

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Group states that it has sole voting power over 107,351 shares of Altra s common stock, shared voting power over 7,516 shares of Altra s common stock, sole dispositive power over 5,633,833 shares of Altra s common stock, and shared dispositive power over 108,480 shares of Altra s common stock.

(3) The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055. Shares are held by BlackRock International Limited, BlackRock Advisors, LLC, BlackRock Investment Management (UK) Ltd, BlackRock Asset Management Canada Limited, BlackRock Investment Management (Australia) Limited, BlackRock (Netherlands) B.V., BlackRock Fund Advisors, BlackRock Asset Management Ireland Limited, BlackRock Institutional Trust Company, N.A., BlackRock Financial Management, Inc., BlackRock Japan Co., Ltd., BlackRock Asset Management Schweiz AG, and BlackRock Investment Management, LLC, each of which is a subsidiary of BlackRock, Inc. Information and share amounts listed are derived from BlackRock, Inc. s Schedule 13G/A filed with the SEC on February 4, 2019, in which BlackRock, Inc. states that it has sole voting power over 4,585,332 shares of Altra s common stock and sole dispositive power over 4,785,882 shares of Altra s common stock.

(4) The address of Gates Capital Management L.P. is 1177 Avenue of the Americas, 46th Floor, New York, New York 10036. Shares are held by Gates Capital Management L.P., Gates Capital Management GP, LLC, Gates Capital Management, Inc. and Jeffrey L. Gates. Information and share amounts listed are derived from Gates Capital Management L.P. s Schedule 13G filed with the SEC on February 14, 2019, in which Gates Capital Management L.P. states that it has shared voting power over 3,747,956 shares of Altra s common stock, and shared dispositive power over 3,747,956 shares of Altra s common stock.

(5) Includes 168,249 shares held in trust, for which Mr. Christenson serves as trustee and for which Mr. Christenson shares voting and investment power.

(6) Includes 65,618 shares held in trust, for which Mr. Storch serves as trustee and for which Mr. Storch shares voting and investment power.

(7) Includes 500 shares as to which Mr. Ganske shares voting and investment power with his wife and includes 3,486 shares held in trust for the benefit of Mr. Ganske s daughters, for which Mr. Ganske s wife serves as trustee and for which Mr. Ganske does not have voting or investment power.

(8) Includes 59,804 shares held in trust, for which Mr. McPherson and his wife serve as trustees and for which Mr. McPherson shares voting and investment power and includes 12,000 shares held in a charitable remainder trust, for which Mr. McPherson and his wife serve as trustees and for which Mr. McPherson shares voting and investment power.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires Altra s directors, executive officers and beneficial owners of more than 10% of Altra s equity securities (10% Owners) to file initial reports of their ownership of Altra s equity securities and reports of changes in such ownership with the SEC. Directors, executive officers and 10% Owners are required by SEC regulations to furnish Altra with copies of all Section 16(a) forms they file. Based solely on a review of copies of such forms and written representations from Altra s directors, executive officers and 10% Owners, Altra believes that for the fiscal year of 2018, all of its directors, executive officers and 10% Owners were in compliance with the disclosure requirements of Section 16(a), except for Mr. Patriacca, who was late in filing a report on Form 4 for a transaction that occurred on July 26, 2018.

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PROPOSAL 1. ELECTION OF DIRECTORS

Effective as of October 1, 2018, the Board of Directors increased the size of the Board from eight to nine. The current Board of Directors is made up of nine directors. Each director s term expires at the 2019 Annual Meeting. The following directors have been nominated by the Company s Nominating and Corporate Governance Committee for election to serve for a term of one year until the 2020 Annual Meeting and until their successors have been duly elected and qualified:

Edmund M. Carpenter

Carl R. Christenson

Lyle G. Ganske

Margot L. Hoffman, Ph.D.

Michael S. Lipscomb

Larry P. McPherson

Patrick K. Murphy

Thomas W. Swidarski

James H. Woodward Jr.

All of the nominees for election have consented to being named in this Proxy Statement and to serve if elected. Biographical information for each of the nominees as of the most recent practicable date, is presented below.

The Board of Directors recommends that stockholders vote FOR the election of Mr. Carpenter, Mr. Christenson, Mr. Ganske, Dr. Hoffman, Mr. Lipscomb, Mr. McPherson, Mr. Murphy, Mr. Swidarski and Mr. Woodward.

NOMINEES FOR DIRECTOR

Edmund M. Carpenter, 77, has been a director since March 2007. Mr. Carpenter currently serves as an operating partner to Genstar Capital. Mr. Carpenter was President and Chief Executive Officer of Barnes Group Inc. from 1998 until his retirement in December 2006. Prior to joining Barnes Group Inc., Mr. Carpenter was Senior Managing Director of Clayton, Dubilier & Rice from 1996 to 1998, and Chief Executive Officer of General Signal from 1988 to 1995. Prior to joining General Signal Corporation, Mr. Carpenter held various executive positions at ITT Corporation, including President and Chief Operating Officer. Prior to joining ITT, he held executive positions with Fruehauf Corporation and served as a partner in the management services division of Touche Ross & Company. He began his career at Michigan Bell Telephone Company. He served as a director at Campbell Soup Company from 1990 to 2014. He holds both an M.B.A. and a B.S.E. in Industrial Engineering from the University of Michigan. Having served as CEO of a diversified global manufacturing and logistical services company, Mr. Carpenter presents valuable insight into organizational and operational management issues crucial to a public manufacturing company.

Carl R. Christenson, 59, has been our Chairman since April 2014, our Chief Executive Officer since January 2009 and a director since July 2007. Prior to his current position, Mr. Christenson served as our President and Chief Operating Officer from January 2005 to December 2008. From 2001 to 2005, Mr. Christenson was the President of Kaydon Bearings, a manufacturer of custom-engineered bearings and a division of Kaydon Corporation. Prior to joining Kaydon, Mr. Christenson held a number of management positions at TB Wood s Incorporated and several positions at the Torrington Company. Mr. Christenson served as a director at Vectra Co., f/k/a OM Group, Inc., a NYSE listed technology-driven diversified industrial company, from 2014 to 2015. Mr. Christenson holds a M.S. and B.S. degree in Mechanical Engineering from the University of Massachusetts and an M.B.A. from Rensselaer Polytechnic. In addition to more than twenty five years of experience in manufacturing companies, Mr. Christenson brings vast knowledge of the Company s business, structure, history and culture to the Board and the CEO position.

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Lyle G. Ganske, 60, has been a director since November 2007. Mr. Ganske is a Partner and M&A Practice Leader at Jones Day. He is an advisor to significant companies, focusing primarily on M&A, takeovers, takeover preparedness, corporate governance, executive compensation, and general corporate counseling. Mr. Ganske received his J.D. from Ohio State University and his B.S.B.A. at Bowling Green State University. He currently serves on the Executive Committees of Resilience Capital (private equity) and the Ohio Business Roundtable; the Advisory Board of Mutual Capital Partners (venture capital); and on the boards of Flashes of Hope and the Western Reserve Land Conservancy. Mr. Ganske is the former chair of Business Volunteers Unlimited and the Commission on Economic Inclusion. In addition to his substantial legal skills and expertise, Mr. Ganske brings to the Company s Board well-developed business and financial acumen critical to a dynamic public company.

Margot L. Hoffman, Ph.D., 56, has been a director since April 2018. Dr. Hoffman currently serves as the President and CEO for The Partnership for Excellence, the Baldrige-based program for Ohio, Indiana and West Virginia. Dr. Hoffman was the President of Quest4Leadership, a leadership development firm, from 2011-2014. From 1988 to 2008, Dr. Hoffman held positions in engineering, corporate training, and senior leadership at Dana Corporation, ultimately holding the position of President of its Driveshaft Products Group. Dr. Hoffman holds a Ph.D. in organization and management from Capella University, an MBA and bachelor of engineering technology degree from the University of Toledo, and serves as a national Baldrige senior examiner. Dr. Hoffman contributes to the Company s Board significant operational management and leadership development skills combined with substantial experience in global manufacturing businesses.

Michael S. Lipscomb, 72, has been a director since November 2007. Mr. Lipscomb served as Chairman and Chief Executive Officer of SIFCO Inc., a NYSE company in the aerospace business, from January 2015 until retiring from all positions in SIFCO in January 2016 and prior to that served as SIFCO s Chief Executive Officer starting in 2010, and as a board member starting in 2002. As CEO, Mr. Lipscomb led SIFCO through four acquisitions, a divestiture, and a business closure. These moves resulted in SIFCO becoming a leading precision component supplier to the aerospace and energy markets. Mr. Lipscomb also serves as Managing Partner of GS Capital Investments LLC, owner of Aviation Component Solutions, a company in the aerospace aftermarket business, and JC Carter Nozzles, a supplier of refueling nozzles and other components to the LNG market. Mr. Lipscomb serves as a Board member of both Integrity Organics (2014-present), a green company in the waste reclamation business, and The Ruhlin Company (board member 1996-present, Audit Chair 1996-2004, Compensation Chair 2004-present), an integrated ESOP-owned construction company. Previously, Mr. Lipscomb was a founding partner of Argo-Tech Corp. (1986-2007), where he became CEO in 1990 and Chairman in 1994. As CEO of Argo-Tech he led the company through five bank refinances, three high yield bond offerings and three acquisitions, and successfully managed the sale of the company to Eaton Corporation in March of 2007. During his career, Mr. Lipscomb served as a Managing Director at TRW, and in various operational and engineering management roles at the Utica Tool Company and Dow Chemical. Mr. Lipscomb received his MBA from Furman University and his B.S. from Clemson University. Mr. Lipscomb brings to the Company s Board a depth of global industrial operating experience and knowledge of organizational management essential to a public manufacturing company.

Larry P. McPherson, 73, has been a director since January 2005. Prior to joining the Board, Mr. McPherson was a Director of NSK Ltd. from 1997 until his retirement in 2004 and served as Chairman and Chief Executive Officer of NSK Europe from January 2002 to December 2003. In total he was employed by NSK Ltd. for 22 years during which time he was responsible for the major expansion of manufacturing operations in the U.S. and the reorganization and consolidation of European operations. Mr. McPherson served as Chairman and Chief Executive Officer of NSK Americas for the six years prior to his European assignment. Mr. McPherson serves as a board member of McNaughton and Gunn, Inc., a privately owned printing company. Mr. McPherson earned his MBA from Georgia State and his undergraduate degree in Electrical Engineering from Clemson University. Mr. McPherson contributes to the Company s Board significant organizational and operational management skills combined with a wealth of experience in global manufacturing businesses.

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Patrick K. Murphy, 57, has been a director since October 2018 and has served as the Senior Vice President of Fortive Corporation since July 2016. Prior to his current role, Mr. Murphy was the Group President Automation of Danaher Corporation from 2014 to 2016. In 2010, Mr. Murphy was named the President and CEO of Nidec Motor Corporation and from 2011 to 2014, Mr. Murphy was the President of the appliance, commercial and industrial motors business unit of Nidec Corporation. Prior to working at Nidec, Mr. Murphy spent 25 years at Emerson Motor Company in roles of increasing responsibility, including serving as Group Vice President of Emerson Appliance Solutions, President of the Emerson Appliance Motor Division, President of Digital Appliance Controls, VP Sales and Marketing and Director of Strategic Planning. Mr. Murphy holds a B.S. degree in Engineering from Cornell University and an M.B.A. from St. Louis University. Mr. Murphy s depth and breadth of knowledge, drawing on over thirty years of experience in industrial technologies and a strong background in management and technology to drive breakthrough innovation and performance, bring valuable insight to the Company s Board.

Thomas W. Swidarski, 60, has been a director since April 2014. Mr. Swidarski is currently CEO of Telos Alliance, a global audio technology company whose products and services help radio and television stations produce better programming. Mr. Swidarski has been a director of Evertec, a publicly traded payment processing company, since 2013 and also serves as a director of several privately held companies. Mr. Swidarski previously served as the Chief Executive Officer and President of Diebold Nixdorf, Incorporated, f/k/a Diebold, Incorporated (Diebold), a $3 billion global leader in designing, manufacturing and distributing self-service technologies (ATMs) in over 100 countries, from October 12, 2005 to January 19, 2013. Mr. Swidarski served as Senior Vice President of Financial Self-Service Group of Diebold, from 2001 to September 2005 and served as its Chief Operating Officer from October 12, 2005 to December 2005. Mr. Swidarski also held various strategic development and marketing positions at Diebold since 1996. Prior to Diebold, he held various positions within the financial industry for nearly 20 years focusing on marketing, product management, retail bank profitability, branding and retail distribution. Mr. Swidarski served as a Director of Diebold from December 12, 2005 to January 8, 2013. He holds a BA in marketing from the University of Dayton and an MBA in business management from Cleveland State University. Having served as Chief Executive Officer of a global provider of technology and services to a wide range of businesses, Mr. Swidarski brings to the Company s Board valuable insight into organizational management, global business, financial matters and marketing matters.

James H. Woodward, Jr., 66, has been a director since March 2007. From March 2009 to October 2011, Mr. Woodward served as Senior Vice President and Chief Financial Officer of Accuride Corporation. Previously, Mr. Woodward served as Executive Vice President and Chief Financial Officer and Treasurer of Joy Global Inc. from January 2007 until February 2008. Prior to joining Joy Global Inc., Mr. Woodward was Executive Vice President and Chief Financial Officer of JLG Industries, Inc. from August 2000 until its sale in December 2006. Prior to JLG Industries, Inc., Mr. Woodward held various financial and operational positions at Dana Incorporated, f/k/a Dana Corporation, since 1982. Mr. Woodward is a Certified Public Accountant and holds a B.A. degree in Accounting from Michigan State University. Mr. Woodward s depth and breadth of exposure to complex issues from his long and distinguished career in the manufacturing industry make him a skilled advisor who provides critical insight into organizational and operational management, global business and financial matters.

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BOARD OF DIRECTORS

Board of Directors Composition

Our bylaws provide that the size of the Board of Directors shall be determined from time to time by our Board of Directors. Effective as of October 1, 2018, the Board of Directors increased the size of the Board from eight to nine and, as a result, our Board of Directors is currently sized at nine members. Each of our executive officers and directors, other than non-employee directors, devotes his or her full time to our affairs. Our non-employee directors devote the amount of time to our affairs as necessary to discharge their duties. Edmund M. Carpenter, Lyle G. Ganske, Margot L. Hoffman, Ph.D., Michael S. Lipscomb, Larry P. McPherson, Patrick K. Murphy and Thomas W. Swidarski are each independent within the meaning of the Marketplace Rules of the NASDAQ Global Market (the NASDAQ Rules) and the federal securities laws and collectively constitute a majority of our Board of Directors.

Committees of the Board of Directors

Pursuant to our bylaws, our Board of Directors is permitted to establish committees from time to time as it deems appropriate. To facilitate independent director review and to make the most effective use of our directors time and capabilities, our Board of Directors has established the following committees: the Audit Committee, the Personnel and Compensation Committee and the Nominating and Corporate Governance Committee. The charter of each of the committees discussed below is available on our website at https://ir.altramotion.com/governance/governance-documents/default.aspx. Printed copies of these charters may be obtained, without charge, by contacting the Corporate Secretary, Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184, telephone (781) 917-0600. The membership and function of each committee are described below.

Audit Committee

The primary purpose of the Audit Committee is to assist the Board s oversight of:

- the integrity of our financial statements and reporting;
- our independent auditors qualifications, independence, compensation and performance;
- our internal controls and risk management;
- our compliance with legal and regulatory requirements;
- the performance of our internal audit function;
- the preparation of all reports and disclosure required or appropriate including the disclosure required by Item 407(d)(3)(i) of Regulation S-K; and
- legal, ethical and regulatory compliance including application of our Code of Business Conduct and Ethics.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act and currently consists of Messrs. Ganske, Carpenter and Lipscomb, each of whom is a non-employee member of our Board of Directors and independent within the meaning of the NASDAQ Rules. Mr. Ganske serves as chairman of our Audit Committee. Mr. Carpenter, Mr. Lipscomb and Mr. Ganske qualify as independent audit committee financial experts as such term has been defined by the SEC in Item 407 of Regulation S-K. We believe that the composition of our audit committee meets the criteria for independence under, and the functioning of our audit committee complies with the applicable requirements of, the NASDAQ Rules and federal securities law.

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Personnel and Compensation Committee

The primary purpose of our Personnel and Compensation Committee (the Compensation Committee) is to establish and review our overall compensation philosophy and policy, to establish and review our director compensation philosophy and policy, and to review and approve corporate goals and objectives relevant to compensation of the Company s executive officers. In addition, the Compensation Committee oversees our employee benefit plans and practices and produces a report on executive compensation as required by SEC rules. The Compensation Committee may form, and delegate any of its responsibilities to, a subcommittee so long as such subcommittee is solely comprised of one or more members of the Compensation Committee.

The Compensation Committee has the authority, pursuant to its charter, to retain outside counsel, compensation consultants or other advisors to assist it in carrying out its activities. The Compensation Committee retains Frederic W. Cook & Co., Inc. (FW Cook), as the Compensation Committee s independent compensation consultant.

Messrs. Carpenter, Lipscomb and Swidarski serve on the Compensation Committee, each of whom is a non-employee member of our Board of Directors and independent within the meaning of the NASDAQ Rules. Mr. Carpenter serves as chairman of the Compensation Committee. We believe that the composition of our Compensation Committee meets the criteria for independence under, and the functioning of our Compensation Committee complies with the applicable requirements of, the NASDAQ Rules.

Compensation Policies and Practices Regarding Risk Taking

The Company has considered its compensation policies and practices for its employees and concluded that the policies and practices do not give rise to risks that are reasonably likely to have a material adverse effect on the Company. This conclusion was based on the assessment performed by the Company s management and was reviewed by the Compensation Committee of the Company s Board of Directors.

Nominating and Corporate Governance Committee

The primary purpose of the Nominating and Corporate Governance Committee is to:

- identify and recommend to the Board individuals qualified to serve as directors of our company and on committees of the Board;
- advise the Board with respect to Board composition, procedures and committees;
- develop and recommend to the Board a set of corporate governance principles and guidelines applicable to us; and
- oversee the evaluation of the Board and our management.

Messrs. McPherson and Ganske and Dr. Hoffman serve on the Nominating and Corporate Governance Committee, each of whom is a non-employee member of our Board of Directors and independent within the meaning of the NASDAQ Rules. Mr. McPherson serves as chairman of the Nominating and Corporate Governance Committee. We believe that the composition of our Nominating and Corporate Governance Committee meets the criteria for independence under, and the functioning of our Nominating and Corporate Governance Committee complies with the applicable requirements of, the NASDAQ Rules. Please see the section entitled Corporate Governance herein for further discussion of the roles and responsibilities of the Nominating and Corporate Governance Committee.

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Board, Committee and Annual Meeting Attendance

For the fiscal year ended December 31, 2018, the Board and its Committees held the following aggregate number of regular and special meetings:

Board	8
Audit Committee	6
Personnel and Compensation Committee	4
Nominating and Corporate Governance Committee	2

Each of our directors attended 75% or more of the aggregate number of the meetings of the Board and of the Committees on which he served during the year.

The independent members of the Board, and each of the three standing committees of the Board, met in independent director sessions without the Chairman, Chief Executive Officer or members of management present at least four (4) times during 2018.

The Board has adopted a policy pursuant to which directors are expected to attend the Annual Meeting of Stockholders in the absence of a scheduling conflict or other valid reason. All of our directors serving at such time attended the 2018 Annual Meeting of Stockholders in person.

Board Leadership Structure and Board Oversight of Risk Management

Pursuant to our bylaws, our Board of Directors determines the best board leadership structure for the Company from time to time by appointing the Chairman of the Board. As part of our annual board self-evaluation process, the Board evaluates our leadership structure to ensure that it provides the optimal structure for the Company and stockholders. While we recognize that different board leadership structures may be appropriate for companies in different situations, we believe our current leadership structure, with Mr. Christenson serving as Chairman and CEO and with independent Board leadership provided by the appointment of a Lead Director, is the optimal structure for the Company.

Larry McPherson, who has served on the Board since 2005, currently serves as the Lead Director. The Board believes that a Lead Director improves the Board s overall performance by improving the efficiency of the Board s oversight and governance responsibilities and by enhancing the relationship between the Chief Executive Officer and the independent directors. The Lead Director acts as an intermediary between the Board and senior management. Among other things, the Lead Director is responsible, along with the Chairman, for facilitating communication among Directors and between the Board and the Chief Executive Officer, for working with the Chief Executive Officer and the Board to set the agenda for Board meetings, and for working with the Chief Executive Officer to provide an appropriate information flow to the Board. The Lead Director is also responsible for presiding over and setting the agenda for executive sessions of the Board and independent director meetings. The Lead Director is expected to foster a cohesive Board that cooperates with the Chief Executive Officer towards the ultimate goal of creating shareholder value.

Our Board of Directors currently has eight members (seven of which are independent) in addition to the Chairman and CEO. A number of the members of our Board of Directors are currently serving or have served as members of senior management of other public companies and have served as directors of other public companies. We have three board committees comprised solely of independent directors. We believe that the number of independent, experienced directors that make up our Board of Directors, along with the oversight of the Board of Directors by the Lead Director, provides our management with appropriate oversight, leadership and guidance. In addition, our non-employee directors meet in executive session, led by our Lead Director, without management present as frequently as they deem appropriate, typically at the time of each regular board meeting.

Our Board is responsible for overseeing our risk management. The Board s role in the Company s risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. The full Board (or the appropriate committee in the case of risks that are under the purview of a particular committee) receives these reports from the appropriate person within the Company to enable the Board to understand our risk identification, risk management and risk mitigation strategies. When a committee receives the report, the chairman of the relevant committee reports on the discussion to the full Board during the committee reports portion of the next Board meeting. This enables the Board and its Committees to coordinate the risk oversight role, particularly with respect to risk interrelationships. The Audit Committee also discusses guidelines and policies to govern the process by which risk management is handled. The Audit Committee discusses the Company s major risk exposures and the steps management has taken to monitor and control such exposures. The Board believes that the work undertaken by the full Board, together with the work undertaken by the Audit Committee and the other committees, enables the Board to effectively oversee the Company s risk management function.

Director Compensation

In 2017, the Compensation Committee engaged the services of FW Cook to review the design and competitiveness of the Company s non-employee director compensation program. FW Cook s review found that total per-director compensation was below the 25th percentile of peer group practice. Following the 2017 FW Cook review, the annual cash retainer for non-employee directors was increased from $60,000 to $75,000 and the annual equity compensation for non-employee directors was increased from $80,000 to $100,000 to bring total non-employee director compensation approximately in line with the median of peer group practice.

In July 2018, in connection with the Company s planned combination of Altra with four businesses from Fortive Corporation s Automation & Specialty platform (the Fortive Transaction) which substantially increased the size of the Company s business, the Compensation Committee again engaged the services of FW Cook to evaluate the Company s compensation peer group and review the design and competitiveness of the Company s compensation programs, including the non-employee director compensation program. FW Cook recommended a new compensation peer group and the non-employee director compensation review found that total per-director compensation remained below the 25th percentile of peer group practice. No changes were made to non-employee director compensation following the 2018 FW Cook review until February 2019 when cash compensation for non-employee directors was increased from $75,000 to $85,000 annually and equity compensation for non-employee directors was increased from $100,000 to $115,000 annually.

Standard Board Fees

Our non-employee directors currently receive the following standard cash compensation:

- Annual Retainer Fee: $85,000 (payable in equal quarterly installments);
- Lead Director: $25,000;
- Chairman of the Audit Committee: $12,500;
- Chairman of the Compensation Committee: $12,500; and
- Chairman of the Nominating and Corporate Governance Committee: $12,500.

Directors may elect to receive, in lieu of their regular cash compensation as outlined above, an amount of shares of Company stock equal in value to the cash compensation that otherwise would be paid at the time such cash compensation would have been payable.

In addition, each of the non-employee directors receives grants of restricted stock with an annual value equal to $115,000 paid in four equal quarterly installments with each such quarterly grant vesting immediately.

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All members of our Board of Directors are reimbursed for their usual and customary expenses incurred in connection with attending all Board and other committee meetings.

The following table sets forth information concerning compensation paid to our non-employee directors during the fiscal year ended December 31, 2018.

Non-Employee Director Compensation Table for Fiscal Year 2018

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(2)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Edmund M. Carpenter	92,500	100,096			192,596
Lyle G. Ganske	87,500(3)	100,096			187,596
Margot L. Hoffman, Ph.D.(4)	56,250	75,058			131,308
Michael S. Lipscomb	75,000	100,096			175,096
Larry P. McPherson	102,500	100,096			202,596
Patrick K. Murphy(5)	18,750	25,029			43,779
Thomas W. Swidarski	75,000	100,096			175,096
James H. Woodward Jr.	75,000	100,096			175,596

(1) These amounts reflect the aggregate grant date fair value of restricted stock awards granted in fiscal year 2018 in accordance with ASC Topic 718. For additional information on the valuation assumptions regarding the restricted stock awards, refer to Note 11 to our financial statements for the year ended December 31, 2018, which are included in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC.

(2) Stock grants to non-employee directors are paid in four equal quarterly installments. As of December 31, 2018, there were no outstanding unvested stock awards to non-employee directors.

(3) Mr. Ganske has elected to receive, in lieu of regular cash compensation, an amount of shares of Company stock equal in value to the cash compensation that otherwise would be paid at the time such cash compensation would otherwise have been payable. As a result, for 2018, all of Mr. Ganske s cash retainer was paid in shares of Company stock.

(4) Dr. Hoffman joined the Board effective as of April 24, 2018.

(5) Mr. Murphy joined the Board effective as of October 1, 2018.

Stock Ownership Guidelines

Our Board of Directors established stock ownership guidelines applicable to the Company s non-employee directors pursuant to which each non-employee director should retain the value of Company stock equivalent to five (5) times his annual cash retainer. All of the Company s non-employee directors have a five (5) year period to accumulate these specific values.

The following categories satisfy a participant s ownership guidelines: (i) shares of common stock owned directly; (ii) shares of common stock owned indirectly (e.g., by a spouse or a trust); (iii) shares of common stock represented by amounts invested in a 401(k) plan or deferred compensation plan maintained by the Company or an affiliate; and (iv) restricted stock (vested and unvested), earned performance shares (vested and unvested), restricted stock units (vested and unvested), or phantom stock. Unexercised options, unearned performance shares, and pledged shares are not counted toward meeting the guidelines.

The Company s Board of Directors has the discretion to enforce the stock ownership guidelines on a case-by-case basis. Violations of the Company s stock ownership guidelines may, without limitation and in the

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Board s discretion, result in the participant not receiving future grants of long-term incentive plan awards or annual equity retainer or result in the participant being required to retain all or a portion of future grants of long-term incentive plan awards or annual equity retainers until compliance is achieved.

Compensation Committee Interlocks and Insider Participation.

During our last completed fiscal year, no member of the Compensation Committee was an employee, officer or former officer of Altra. None of our executive officers served on the board of directors or compensation committee of any entity in 2018 that had an executive officer serving as a member of our Board or Compensation Committee.

Certain Relationships and Related Transactions

Transactions with Directors and Management

Under our Code of Business Conduct and Ethics, all transactions involving a conflict of interest, including holding a financial interest in a significant supplier, customer or competitor of the Company, are generally prohibited. However, holding a financial interest of less than 2% in a publicly held company and other limited circumstances are excluded transactions. Our directors and officers are prohibited from using his or her position to influence the Company s decision relating to a transaction with a significant supplier, customer, or competitor to which he or she is affiliated. Our Audit Committee Charter provides that the Audit Committee shall review, discuss and approve any transactions or courses of dealing with related parties (e.g., including significant shareholders of the Company, directors, corporate officers or other members of senior management or their family members) that are significant in size (including but not necessarily limited to transactions that exceed $120,000) or involve terms or other aspects that differ from those that would likely be negotiated with independent parties.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. We believe that these agreements are necessary to attract and retain qualified persons as directors and executive officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

Corporate Governance

The Nominating and Corporate Governance Committee s Role and Responsibilities

Primary responsibility for Altra s corporate governance practices rests with the Nominating and Corporate Governance Committee (the Governance Committee). The Governance Committee is responsible for, among other things, (i) overseeing the Company s policies and procedures for the Board s nomination of persons to stand for election to serve on the Board of Directors by stockholders and consideration of any stockholder nominations of persons to stand for election to the Board of Directors; (ii) identifying, screening and reviewing individuals qualified to serve as directors and recommending candidates for nomination for election or to fill vacancies; (iii) reviewing annually the composition and size of the Board; (iv) aiding the Board and its committees in their annual self-evaluations; (v) developing, recommending and overseeing implementation of the Company s corporate governance guidelines and principles; (vi) reviewing, monitoring and addressing conflicts of interest of directors and executives officers; and (vii) reviewing on a regular basis the overall corporate governance of the Company and recommending improvements when necessary. Described below are some of the significant corporate governance practices that have been instituted by the Board of Directors at the recommendation of the Governance Committee.

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Director Independence

The Governance Committee annually reviews the independence of all directors and reports its findings to the full Board. The Governance Committee has determined that the following director nominees are independent within the meaning of the NASDAQ Rules and relevant federal securities laws and regulations: Edmund M. Carpenter, Lyle G. Ganske, Margot L. Hoffman, Michael S. Lipscomb, Larry P. McPherson, Patrick K. Murphy and Thomas W. Swidarski.

Board Evaluation

The Board of Directors has adopted a policy whereby the Governance Committee will assist the Board and its committees in evaluating their performance and effectiveness on an annual basis. As part of this evaluation, the Governance Committee assesses the progress in the areas targeted for improvement during previous evaluations, and develops recommendations to enhance the respective Board or committee effectiveness over the next year.

Director Nomination Process

The Governance Committee reviews the skills, characteristics and experience of potential candidates for election to the Board of Directors and recommends nominees for director to the full Board for approval. In addition, the Governance Committee assesses the overall composition of the Board of Directors, including factors such as size, composition, diversity, skills, significant experience and time commitment to Altra.

It is the Governance Committee s policy to utilize a variety of means to identify prospective nominees for the Board, and it considers referrals from other Board members, management, stockholders and other external sources such as retained executive search firms. The Governance Committee utilizes the same criteria for evaluating candidates irrespective of their source.

The Governance Committee believes that any nominee must meet the following minimum qualifications:

- Candidates should be persons of high integrity who possess independence, forthrightness, inquisitiveness, good judgment and strong analytical skills.

- Candidates should demonstrate a commitment to devote the time required for Board duties including, but not limited to, attendance at meetings.

- Candidates should possess a team-oriented ethic consistent with Altra s core values, and be committed to the interests of all stockholders as opposed to those of any particular constituency.

The Governance Committee seeks nominees with a broad diversity of experience, professions, skills, geographic representation and backgrounds. Accordingly, when considering director candidates, the Governance Committee will seek individuals with backgrounds and qualities that, when combined with those of Altra s other directors, provide a blend of skills and experience that will further enhance the Board s effectiveness. The Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability, or any other basis proscribed by law.

To recommend a candidate for consideration, a stockholder should submit a written statement of the qualifications of the proposed nominee, including full name and address, to the Nominating and Corporate Governance Committee Chairman, c/o Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184.

Corporate Governance Guidelines

The Governance Committee has developed and recommended the Company s Statement of Governance Principles, Policies and Procedures (the Governance Principles) which has been approved by our full Board.

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Altra s Governance Principles are available on the Company s website at *https://ir.altramotion.com/governance/governance-documents/default.aspx*.

Majority Voting Policy in Uncontested Director Elections

Our Board has adopted a majority voting policy in uncontested director elections which is set forth in Altra s Governance Principles. Under the policy, any nominee for Director who receives a greater number of votes withheld from his or her election than votes for his or her election in an election of Directors that is not a contested election is expected to tender his or her resignation as a Director to the Board promptly following the certification of the election results. The Governance Committee will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will act on each tendered resignation, taking into account the Governance Committee s recommendation, within 90 days following the certification of the election results.

Business Conduct and Compliance

Altra maintains a Code of Business Conduct and Ethics (the Code of Ethics) that is applicable to all directors, officers and employees of the Company. It sets forth Altra s policies and expectations on a number of topics, including conflicts of interest, protection and proper use of company assets, relationships with customers and vendors (business ethics), accounting practices, and compliance with laws, rules and regulations. A copy of the Code of Ethics is available on the Company s website at *https://ir.altramotion.com/governance/governance-documents/default.aspx*. Individuals can report suspected violations of the Altra Industrial Motion Corp. Code of Ethics anonymously by contacting the Altra Compliance and Ethics Hotline at 1-866-368-1905.

Altra also maintains policies regarding insider trading and communications with the public (the Insider Trading Policy) and procedures for the Audit Committee regarding complaints about accounting matters (the Whistleblower Policy). The Insider Trading Policy sets forth the Company s limitations regarding trading in Company securities and the handling of non-public material information. The policy is applicable to directors, officers and employees of Altra and is designed to help ensure compliance with federal securities laws. The Insider Trading Policy prohibits the pledging of shares effective as of February 12, 2013, but this prohibition does not apply to pledges of the Company s securities in effect prior to February 12, 2013. The Insider Trading Policy does require, however, that existing pledges be minimized and terminated as soon as practicable. The Whistleblower Policy was established to set forth the Audit Committee s procedures to receive, retain, investigate and act on complaints and concerns of employees and stockholders regarding accounting, internal accounting controls and auditing matters, including complaints regarding attempted or actual circumvention of internal accounting controls. Accounting complaints may be made directly to the Chairman of the Audit Committee in writing as follows: Audit Committee Chairman, c/o Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184. A copy of the Audit Committee s Whistleblower Policy and procedures may be requested from the Corporate Secretary, Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184.

Succession Planning

The Board of Directors recognizes that a sudden or unexpected change in leadership could cause the Company to experience management transition issues that could adversely affect the Company s operations, relations with employees and results. The Governance Committee has developed and periodically reviews a succession plan for the Chief Executive Officer position and other key executive positions.

Communication with Directors

Stockholders or other interested parties wishing to communicate with the Board, the non-employee directors, or any individual director may do so by contacting the Lead Director of the Board by mail, addressed to Lead Director, c/o Altra Industrial Motion Corp., 300 Granite Street, Suite 201, Braintree, Massachusetts 02184.

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All communications to the Board will remain unopened and be promptly forwarded to the Lead Director, who shall in turn forward them promptly to the appropriate director(s). Such items as are unrelated to a director s duties and responsibilities as a Board member may be excluded from this policy by the Lead Director, including, without limitation, solicitations and advertisements; junk mail; product-related communications; job referral materials such as resumes; surveys; and material that is determined to be illegal or otherwise inappropriate. Before being discarded, the director(s) to whom such information is addressed is generally informed that the information has been removed, and that it will be made available to such director(s) upon request.

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OUR EXECUTIVE OFFICERS

The following table sets forth names, ages and positions of the persons who are our executive officers as of March 13, 2019:

Name	Age	Position
Carl R. Christenson	59	Chairman and Chief Executive Officer
Christian Storch	59	Vice President and Chief Financial Officer
Glenn E. Deegan	52	Vice President, Legal and Human Resources, General Counsel and Secretary
Gerald P. Ferris	69	Vice President of Global Sales
Todd B. Patriacca	49	Vice President of Finance, Corporate Controller and Treasurer
Craig Schuele	55	Vice President of Marketing and Business Development

Carl R. Christenson, 59, has been our Chairman since April 2014, our Chief Executive Officer since January 2009, and a director since July 2007. Prior to his current position, Mr. Christenson served as our President and Chief Operating Officer from January 2005 to December 2008. From 2001 to 2005, Mr. Christenson was the President of Kaydon Bearings, a manufacturer of custom-engineered bearings and a division of Kaydon Corporation. Prior to joining Kaydon, Mr. Christenson held a number of management positions at TB Wood s Incorporated and several positions at the Torrington Company. Mr. Christenson served as a director at Vectra Co., f/k/a OM Group, Inc., a NYSE listed technology-driven diversified industrial company, from 2014 to 2015. Mr. Christenson holds a M.S. and B.S. degree in Mechanical Engineering from the University of Massachusetts and an M.B.A. from Rensselaer Polytechnic.

Christian Storch, 59, has been our Chief Financial Officer since December 2007. From 2001 to 2007, Mr. Storch was the Vice President and Chief Financial Officer at Standex International Corporation (Standex International). Mr. Storch also served on the Board of Directors of Standex International from October 2004 to December 2007. Mr. Storch also served as Standex International s Treasurer from 2003 to April 2006 and Manager of Corporate Audit and Assurance Services from July 1999 to 2003. Prior to Standex International, Mr. Storch was a Divisional Financial Director and Corporate Controller at Vossloh AG, a publicly held German transport technology company. Mr. Storch has also previously served as an Audit Manager with Deloitte & Touche, LLP. Mr. Storch holds a degree in business administration from the University of Passau, Germany.

Glenn E. Deegan, 52, has been our Vice President, Legal and Human Resources, General Counsel and Secretary since June 2009. Prior to his current position, Mr. Deegan served as our General Counsel and Secretary since September 2008. From March 2007 to August 2008, Mr. Deegan served as Vice President, General Counsel and Secretary of Averion International Corp., a publicly held global provider of clinical research services. Prior to Averion, from June 2001 to March 2007, Mr. Deegan served as Director of Legal Affairs and then as Vice President, General Counsel and Secretary of MacroChem Corporation, a publicly held specialty pharmaceutical company. From 1999 to 2001, Mr. Deegan served as Assistant General Counsel of Summit Technology, Inc., a publicly held manufacturer of ophthalmic laser systems. Mr. Deegan previously spent over six years engaged in the private practice of law and also served as law clerk to the Honorable Francis J. Boyle in the United States District Court for the District of Rhode Island. Mr. Deegan holds a B.S. from Providence College and a J.D. from Boston College.

Gerald P. Ferris, 69, has been our Vice President of Global Sales since May 2007 and held the same position with Power Transmission Holdings, LLC, our predecessor, since March 2002. He is responsible for the worldwide sales of our broad product platform. Mr. Ferris joined our predecessor in 1978 and since joining has held various positions. He became the Vice President of Sales for Boston Gear in 1991. Mr. Ferris holds a B.A. degree in Political Science from Stonehill College.

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Todd B. Patriacca, 49, has been our Vice President of Finance, Corporate Controller and Treasurer since February 2010. Prior to his current position, Mr. Patriacca served as our Vice President of Finance, Corporate Controller and Assistant Treasurer since October 2008 and previous to that, as Vice President of Finance and Corporate Controller since May 2007 and as Corporate Controller since May 2005. Prior to joining us, Mr. Patriacca was Corporate Finance Manager at MKS Instruments Inc. (MKS), a semi-conductor equipment manufacturer since March 2002. Prior to MKS, Mr. Patriacca spent over ten years at Arthur Andersen LLP in the Assurance Advisory practice. Mr. Patriacca is a Certified Public Accountant and holds a B.A. in History from Colby College and an M.B.A. and an M.S. in Accounting from Northeastern University.

Craig Schuele, 55, has been our Vice President of Marketing and Business Development since May 2007 and held the same position with our predecessor since July 2004. He is responsible for global marketing as well as coordinating Altra s merger and acquisition activity. Prior to his current position, Mr. Schuele was our Vice President of Marketing since March 2002, and previous to that he was our Director of Marketing. Mr. Schuele joined our predecessor in 1986 and holds a B.S. degree in Management from Rhode Island College.

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COMPENSATION DISCUSSION AND ANALYSIS

The following discussion provides an overview and analysis of our compensation programs and policies and the major factors that shape the creation and implementation of those policies. In this discussion and analysis, and in the more detailed tables and narrative that follow, we will discuss compensation and compensation decisions for fiscal 2018 relating to the following persons, whom we refer to as our named executive officers:

Carl R. Christenson, Chairman and Chief Executive Officer;

Christian Storch, Chief Financial Officer;

Glenn E. Deegan, Vice President, Legal and Human Resources, General Counsel and Secretary; and

Craig Schuele, Vice President of Marketing and Business Development;

Todd B. Patriacca, Vice President of Finance, Corporate Controller and Treasurer.

Executive Summary

Overview

The Compensation Committee believes that executive compensation should be structured to encourage and reward performance that leads to meaningful results for the Company. Both our cash and equity incentive compensation programs are tied primarily to performance metrics designed to measure sales and earnings growth and working capital management of Altra. Our strategy is to compensate our executives at competitive levels through programs that emphasize performance-based incentive compensation in the form of annual cash payments and equity-based awards. Our executives have the opportunity to earn above-median compensation for above-market performance while below-market performance will result in below-median compensation.

Operating Performance

On October 1, 2018, Altra and Fortive Corporation (Fortive) consummated the combination of Altra with four operating companies from Fortive s Automation & Specialty platform (the A&S Business). In accordance with the terms and conditions of an Agreement and Plan of Merger and Reorganization (the Merger Agreement), dated March 7, 2018, among Altra, Fortive, McHale Acquisition Corp. (Merger Sub) and Stevens Holding Company, Inc. (Stevens Holding), and a Separation and Distribution Agreement, dated March 7, 2018, among Altra, Fortive and Stevens Holding (the Distribution Agreement), (1) Fortive transferred certain assets, liabilities and entities constituting a portion of the A&S Business to Stevens Holding, (2) Fortive distributed to its stockholders all of the issued and outstanding shares of Stevens Holding common stock held by Fortive by way of an exchange offer (the Distribution) and (3) Merger Sub merged with and into Stevens Holding and Stevens Holding became a wholly-owned subsidiary of Altra, and the issued and outstanding shares of Stevens Holding common stock converted into shares of Altra common stock (the Merger). In addition, pursuant to the Merger Agreement, prior to the effective time of the Merger, Fortive transferred certain non-U.S. assets, liabilities and entities constituting the remaining portion of the A&S Business to certain subsidiaries of Altra, and the Altra subsidiaries assumed substantially all of the liabilities associated with the transferred assets (the Direct Sales) (all of the foregoing, collectively, the Fortive Transaction). Upon consummation of the Fortive Transaction, the shares of Stevens Holding common stock then outstanding were automatically converted into the right to receive 35.0 million shares of Altra common stock, which were issued by Altra on the Closing Date, and represented approximately 54% of the outstanding shares of Altra common stock, together with cash in lieu of fractional shares. Altra s pre-Merger shareholders continued to hold the remaining approximately 46% of the outstanding shares of Altra common stock.

The A&S Business, consisting of four key brands, Kollmorgen, Portescap, Thomson and Jacobs Vehicle Systems, designs, manufactures, markets and sells electromechanical and electronic motion control products, including standard and custom motors, drives and controls; linear motion systems, ball screws, linear bearings, clutches/brakes, linear actuators and mechanical components; and through Jacobs Vehicle Systems, supplemental braking systems for commercial vehicles. With the completion of the Fortive transaction, Altra is now solidly positioned with an expanded portfolio of technologies, increased exposure to end markets with attractive secular trends, a proven world-class business system, and strong free cash flow generation. In addition, as a result of the successful completion of the Fortive Transaction, Altra has significantly increased the size and scope of its business:

- Revenues doubled to approximately $1.9 billion[1];
- The number of employees increased from approximately 4,500 to approximately 9,300; and
- The footprint of Altra s worldwide manufacturing facilities increased by approximately 70%.

In addition, we expect the transformational combination with the A&S Business to meaningfully enhance Altra s ability to drive growth and value creation for our shareholders, customers and employees. Notably, with the addition of the A&S Business, Altra has:

- Established a stronger position at the higher end of the technology spectrum;
- Expanded our portfolio of precision electrical, mechanical and software technologies and services;
- Increased our exposure to attractive end markets, including advanced material handling, aerospace & defense, factory automation, food processing, medical and robotics;
- Enhanced our financial profile with strong free cash flow that we expect will help accelerate growth and enable us to de-lever our balance sheet; and
- Combined two deeply embedded and proven business systems to create a world class business system that we expect will accelerate top- and bottom-line growth, drive sustainable competitive advantage and ensure superior execution of our strategic initiatives.

For the full year of 2018, we reported net sales of approximately $1.18 billion, up 34% from the prior year as we benefitted from the addition of the A&S Business in the fourth quarter of 2018 as well as strong performances across several of our end markets throughout the year. The combination of our year-long focus on strategic initiatives such as supply chain management and strategic pricing and the single-quarter contribution from the A&S Business had a favorable impact on our earnings and helped drive an improvement in non-GAAP income from operations, which is the non-GAAP income from operations reported in the Company s earnings release filed as an exhibit to the Company s Form 8-K filed with the SEC on February 21, 2019. In 2018, GAAP diluted earnings per share declined 48% to $0.92, primarily due to a reduction in net income as a result of increased costs related to the acquisition of the A&S Business. Non-GAAP diluted earnings per share, which is the non-GAAP diluted earnings per share reported in the Company s earnings release filed as an exhibit to the Company s Form 8-K filed with the SEC on February 21, 2019, grew 25.4% to $2.86. Excluding the impact of the A&S Business, our non-GAAP diluted earnings per share was $2.55, an increase of 11.8% over prior year. Finally, we continued to return value to shareholders through the payment of our quarterly dividends.

Our 2018 non-GAAP adjusted EBITDA, which is the non-GAAP adjusted EBITDA reported in the Company s slide deck filed as an exhibit to the Company s Form 8-K filed with the SEC on February 21, 2019 further adjusted to exclude the impact of the A&S Business, was approximately $141.1 million, which exceeded the non-GAAP adjusted EBITDA target of $138.3 million. Our 2018 working capital turns were 4.5, which exceeded the working capital management target of 4.36. Our non-GAAP adjusted diluted earnings per share excluding the impact of the A&S Business of $2.55 exceeded the non-GAAP adjusted diluted earnings per share target of $2.37. As a result of these above-target results, our named executive officers received an annual cash incentive payout equal to approximately 144.4% of target under our Management Incentive Compensation Plan.

[1] 2018 pro forma revenues after giving effect to the Fortive Transaction.

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The structure of the Fortive Transaction resulted in former Fortive shareholders holding shares representing approximately 54% of the outstanding shares of Altra common stock after the closing of the Fortive Transaction and therefore constituted a change in control under our Performance Share Award Agreements. As a result, following the closing of the Fortive Transaction, performance goals for performance shares were deemed satisfied based on actual performance as of the last completed quarter prior to the closing date of the Fortive Transaction (for outstanding unearned ROIC performance share awards) and as of the closing date of the Fortive Transaction (for outstanding unearned relative TSR performance share awards) in accordance with terms of the applicable award agreements.

Our return on invested capital (ROIC) for the first three fiscal quarters of 2018 (measured as of the most recently completed fiscal quarter prior to the change in control) was approximately 11.1%, which was above our 2018 ROIC target of 10.3%. As a result, our named executive officers received restricted stock equal to approximately 158.0% of target for the portion of their 2018 performance share awards tied to 2018 ROIC, which will cliff vest in February 2021. The portion of the outstanding 2018 performance share awards tied to total shareholder return on (TSR), which originally was to be measured for the three-year period ending December 31, 2020, was instead earned based on TSR performance for the period beginning January 1, 2018 and ending October 1, 2018 as a result of the change in control. During this significantly shortened performance period, TSR was approximately - 14.98%, or at the 17th percentile (ranking #16 out of 19) of our performance share peer group. As a result, our named executive officers will not receive a payout for the portion of their 2018 performance share awards tied to TSR.

The portion of the outstanding 2017 performance share awards tied to TSR, which originally was to be measured for the three-year period ending December 31, 2019, was instead earned based on TSR performance for the period beginning January 1, 2017 and ending October 1, 2018 as a result of the change in control. During this shortened performance period, TSR was approximately 11.93%, or at the 33rd percentile (ranking #11 out of 16) of our performance share peer group. As a result, our named executive officers received restricted stock equal to approximately 66.67% of target for the portion of their 2017 performance share awards tied to TSR, which will cliff vest in February 2020.

The portion of the outstanding 2016 performance share awards tied to TSR, which originally was to be measured for the three-year period ending December 31, 2018, was instead earned based on TSR performance for the period beginning January 1, 2016 and ending October 1, 2018 as a result of the change in control. During this shortened performance period, TSR was approximately 64.36%, or at the 46th percentile (ranking #9 out of 16) of our performance share peer group. As a result, our named executive officers received restricted stock equal to approximately 93.33% of target for the portion of their 2016 performance share awards tied to TSR, which cliff vested in February 2019.

Elements of Compensation

Total compensation for our executive officers consists of the following elements of pay:

- Base salary;
- Annual cash incentive bonus dependent on our financial performance and achievement of performance objectives;
- Long-term incentive compensation through grants of equity-based awards, which have traditionally been in the form of restricted stock and performance share awards;
- Participation in retirement benefits through a 401(k) Savings Plan;
- Severance benefits payable upon termination under specified circumstances to our key executive officers;
- Medical and dental benefits that are available to substantially all our employees. We share the expense of such health benefits with our employees, with the cost depending on the level of benefits coverage an

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employee elects to receive. Our health plan offerings are the same for our executive officers and our other non-executive employees; and

Our named executive officers are provided with the same short-term and long-term disability insurance benefits as our other salaried employees. Additionally, our named executive officers are provided with life insurance and supplemental long-term disability benefits that are not available to all salaried employees.

2018 Compensation Structure

In 2017, the Compensation Committee engaged the services of Frederic W. Cook (FW Cook) to review the design and competitiveness of the Company s executive compensation program. The Compensation Committee received a series of reports from FW Cook (the 2017 FW Cook Reports), which among other things: (i) recommended certain changes to the Company s compensation peer group; (ii) indicated that certain executive officer base salaries were below median market levels; and (iii) that the total target annual cash compensation (the sum of base salary and target bonus) and the total target direct compensation (the sum of base salary, target bonus and the annualized grant date present value of long-term incentive grants) for the Company s executive officers generally were below market median levels.

Based on its review of the compensation of the Company s executives and taking into account the findings and recommendations in the 2017 FW Cook Reports, the Compensation Committee approved certain changes to compensation levels and structure. For 2018, our compensation levels and structure continued to reflect both changes implemented in previous years as well as additional changes implemented for 2018 including, without limitation, the following:

Based on the recommendations contained in the 2017 FW Cook Reports, the Company made certain changes to its compensation peer group for 2018. Specifically, L.B. Foster Company and Powell Industries, Inc. were removed from the peer group (three other companies were removed in prior years due to acquisition) and the following five companies were added to the peer group: Barnes Group Inc., Franklin Electric Co., Inc., Mueller Water Products, Inc., Tennant Company and TriMas Corporation. Altra s revenues and market capitalization approximated the peer group median as of June 30, 2017;

The general structure of the Company s Management Incentive Compensation Program was retained, limiting the maximum award under the plan to 2.0x the target award for the Company s executives;

The Company s 2018 long-term incentive program included a performance share component based on relative total shareholder return measured over a three (3) year period to better align executive compensation with the return received by the Company s stockholders; and

For 2018, one-third of the Chief Executive Officer s target long term incentive award is comprised of performance shares and one-half of the other named executive officers target long term incentive award is comprised of performance shares. Beginning in 2019, one-half of the Chief Executive Officer s target long term incentive award will be comprised of performance shares.

In July 2018, in connection with the anticipated closing of the Fortive Transaction which substantially increased the size of the Company s business, the Compensation Committee again engaged the services of FW Cook and FW Cook delivered a series of reports evaluating the Company s compensation peer group and the design and competitiveness of the Company s compensation programs, including the executive compensation program (the 2018 FW Cook Reports). The 2018 FW Cook Reports recommended changes to the Company s compensation peer group to better reflect the size and business model characteristics of the new, combined Company. The 2018 FW Cook Reports also (i) indicated that certain executive officer base salaries were below median market levels; (ii) indicated that the total target annual cash compensation (the sum of base salary and target bonus) and the total target direct compensation (the sum of base salary, target bonus and the annualized grant date present value of long-term incentive grants) for the Company s executive officers generally were

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positioned near or below the 25th percentile of market practice; and (iii) recommended adjustments to target compensation levels for certain executives to recognize the expansion of responsibilities, to support a pay-for-performance orientation for the combined Company, and to promote retention.

Practices and Policies to Promote Effective Compensation Governance

Examples of practices and policies that the Committee has implemented to ensure effective governance of compensation plans include:

- We maintain rigorous share ownership guidelines which are applicable to all executives and non-employee directors, as appropriate;

- We provide double trigger change-in-control protection to our executive officers in which they may be entitled to severance benefits in the event of a change-in-control of the Company and qualifying employment termination. In addition, performance share awards granted under the 2014 Omnibus Incentive Plan also provide for double trigger change-in-control vesting;

- The Compensation Committee has the authority to hire independent counsel and other advisors and the Committee has engaged its own independent compensation consultant;

- The Compensation Committee has conducted a review and assessment of risk as it relates to our compensation policies and practices;

- Our Policy on Insider Trading prohibits hedging and short sale transactions and no director or officer may pledge Company securities as collateral; and

- The Company has adopted a comprehensive clawback policy that permits us to seek to recover certain amounts of both cash and equity incentive compensation under certain circumstances. Refer to the section entitled Clawback Policy for a description of the Company s clawback policy.

Personnel and Compensation Committee

The Compensation Committee of the Board of Directors, as further discussed in this Proxy Statement under the caption Committees of the Board of Directors, has responsibility for establishing, implementing and monitoring adherence with the Company s compensation program. The role of the Compensation Committee is to oversee, on behalf of the Board and for the benefit of the Company and its stockholders, the Company s compensation and benefit plans and policies, to review and approve equity grants to directors and executive officers and to determine and approve annually all compensation relating to the CEO and the other executive officers of the Company. The Compensation Committee utilizes the Company s Human Resources Department and reviews data from market surveys and proxy statements to assess the Company s competitive position with respect to base salary, annual incentives and long-term incentive compensation. The Compensation Committee has the authority to engage the services of independent compensation consultants and engaged FW Cook in 2011, 2014, 2017 and 2018 to conduct reviews of the competitiveness of the Company s executive and non-employee director compensation programs and also engaged FW Cook to review the Company s change in control agreements with its executives in 2015. The Compensation Committee meets annually to review executive compensation programs, determine compensation levels and performance targets, review management performance, and approve final executive bonus distributions.

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Objectives of Our Compensation Programs

We believe that compensation paid to executive officers should be closely aligned with the performance of the Company on both a short-term and long-term basis, and that such compensation should assist the Company in attracting and retaining key executives critical to the Company s success. To this end, our compensation program for executive officers is structured to achieve the following objectives:

Recruiting and Retention of Talented Professionals

We believe that the dedication, creativity, competence and experience of our workforce enable us to compete, given the realities of the industry in which we operate. We aim to compensate our executives at competitive levels in order to attract and retain highly qualified professionals critical to our success. There are many important factors in attracting and retaining qualified individuals, compensation being one of them.

Alignment of Individual and Short-Term and Long-Term Organizational Goals

We seek to align the short-term interests of our executives with those of our stockholders by structuring a significant portion of executive compensation as a performance-based bonus. In particular, the level of cash incentive compensation is determined by the use of annual performance targets, which we believe encourages superior short-term performance and operating results for the organization.

We strive to align the long-term interests of our executives with those of our stockholders and foster an ownership mentality in our executives by giving them a meaningful stake in our success through our equity incentive programs. Our equity compensation program for executives is designed to link the long-term compensation levels of our executives to the creation of lasting stockholder value.

What We Reward, Why We Pay Each Element of Compensation and How Each Element Relates to Our Compensation Objectives

Base salary, as well as benefits such as 401(k) participation, severance, health care and life and disability insurance, are intended to provide a level of income and benefits commensurate with the executive s position, responsibilities and contributions to the Company. We believe the combined value of base salary, annual cash incentives and fringe benefits should be competitive with the salary, bonus and general benefits provided to similarly situated executives in the industry.

We compensate our executives through programs that emphasize performance-based incentive compensation. We have structured annual cash and long-term equity compensation to motivate executives to achieve the business goals set by us and reward the executives for achieving such goals. For 2018, depending on the executive, target annual cash incentives comprised approximately 19%-23% of target total direct compensation and target long term incentives comprise approximately 33%-56% of target total direct compensation.

Through our annual cash bonus program, we attempt to tailor performance goals to our current priorities and needs. Through our long-term, non-cash incentive compensation, we attempt to align the interests of our executive officers with those of our stockholders by rewarding our executives based on absolute and relative stock price performance over time through awards of restricted stock and performance shares.

How We Determine the Amounts We Pay

The Compensation Committee utilizes the Company s Human Resources Department and reviews data from market surveys and proxy statements to assess the Company s competitive position with respect to base salary, annual incentives and long-term incentive compensation. The Compensation Committee engaged FW Cook in

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2011, 2014, 2017 and 2018 to assist it in assessing and recommending changes to the Company s compensation peer group and to conduct reviews of the competitiveness of the Company s executive and non-employee director compensation programs.

Compensation Peer Group

Based on the recommendations in the 2017 FW Cook Reports, the Compensation Committee established the below compensation peer group for 2018 compensation decisions.

Actuant Corporation	EnPro Industries, Inc.	Lydall, Inc.	TriMas Corporation
Barnes Group Inc.	ESCO Technologies, Inc.	NN, Inc.	Watts Water Technologies, Inc.
Chart Industries, Inc.	Franklin Electric Co., Inc.	Mueller Water Products, Inc.	
CIRCOR International, Inc.	The Gorman-Rupp Company	RBC Bearings Incorporated	
Columbus McKinnon Corp.	John Bean Technologies Corporation	Tennant Company	

We believe that our compensation peer group for 2018 is representative of the market in which we compete for talent. The size of the group has been established so as to provide sufficient benchmarking data across the range of senior positions in our Company. Our compensation peer group companies were chosen because they are similar to Altra in terms of size, industry and business mix. We believe the quality of these organizations will allow Altra to maintain a high level of continuity in the peer group, providing a consistent measure for benchmarking compensation. Our revenues and market capitalization were in the median range of the peer companies at the time of the 2017 FW Cook Reports. In July 2018, in connection with the anticipated closing of the Fortive Transaction, FW Cook performed another review of the Company s compensation peer group and the recommendations from the 2018 FW Cook Reports were considered in establishing the Company s compensation peer group for 2019.

Base Salary

Base salaries for executives are determined by the Compensation Committee or the Board based upon job responsibilities, level of experience, individual performance, comparisons to the salaries of executives in similar positions at other companies within the compensation peer group, as well as internal comparisons of the relative compensation paid to the members of our executive team.

In addition, our CEO makes recommendations to the Compensation Committee with respect to the base compensation of our executives other than himself. In the case of the CEO, the Compensation Committee evaluates his performance and makes a recommendation of base compensation to the Board. These recommendations are then evaluated, discussed, modified as appropriate and ultimately approved by the Compensation Committee or the Board. Pursuant to the employment agreements the Company has entered into with Messrs. Christenson and Storch, the Board may not reduce, but may increase, their base salaries so long as their employment agreements are in effect. For further discussion of the employment agreements, see the section entitled Employment Agreements in this Proxy Statement.

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On February 12 and 13, 2018, the Compensation Committee approved the 2018 base salary compensation for our named executive officers after a review of competitive market data and consideration of the 2017 FW Cook Reports, which indicated that certain executive officer base salaries were below median market levels and could be increased to more closely reflect market median levels. On February 12, 2019, the Compensation Committee approved increases to the 2019 base salary compensation for our named executive officers after a review of competitive market data and consideration of the 2018 FW Cook Reports, which indicated that certain executive officer base salaries were below, and in some cases significantly below, median market levels and could be increased to more closely reflect market median levels as part of the Company s annual salary review process. The 2019 base salary increases for our named executive officers were approved retroactive to October 1, 2018, the closing date of the Fortive Transaction. For the year 2018, the named executive officers received base salaries as set forth in the table below.

Named Executive Officer	2017 Base Salary	2018 Base Salary Effective 1/1/18	Percentage Increase	2018 Base Salary Effective 10/1/18	Percentage Increase
Carl R. Christenson	$689,585	$ 800,000	16%	$900,000	12%
Christian Storch	$429,665	$ 442,555	3%	$480,000	8%
Glenn E. Deegan	$344,793	$ 355,137	3%	$385,000	8%
Craig Schuele	$254,616	$ 269,893	6%	$310,000	15%
Todd B. Patriacca	$240,000	$ 247,200	3%	$275,000	11%

Annual Cash Incentives

Our executive officers are eligible to participate in the Company s Management Incentive Compensation Program (MICP). Under the MICP, the Compensation Committee establishes an annual target bonus opportunity for each of our executive officers based upon the Company s achievement of certain financial performance targets. The financial performance targets in 2018 were based on adjusted EBITDA, working capital management, and sales and earnings per share (sales/EPS) growth goals. Overall, this combination of performance targets is designed to emphasize profitability and productivity, and drive sales growth.

The adjusted EBITDA target consists of earnings before interest, income taxes, depreciation and amortization and is adjusted further for certain non-recurring items, including, but not limited to, the impact of and inventory fair value adjustments recorded in connection with acquisitions. The adjusted EBITDA target for fiscal 2018 was approximately $138.3 million. The working capital management target is based on the number of working capital turns for the year. The working capital management target for fiscal 2018 was approximately 4.36 turns. The sales/EPS growth component of the MICP is based on the growth of sales and non-GAAP adjusted diluted earnings per share. The baselines for measuring sales/EPS growth for the 2018 MICP were budgeted 2018 net sales of approximately $902.3 million and budgeted 2018 non-GAAP adjusted diluted earnings per share of $2.37. Our executive officers are not entitled to a bonus under the MICP if the Company does not achieve at least 80% of the adjusted EBITDA target.

The Compensation Committee annually establishes a target bonus opportunity for each executive officer which represents the percentage of base salary to be received by the executive officer as a cash bonus if the Company meets its adjusted EBITDA and working capital management targets. This target percentage is then adjusted upwards or downwards by plotting actual adjusted EBITDA results on an established adjusted EBITDA target performance grid (EBITDA Multiplier). The resulting percentage is then further adjusted upwards or downwards by plotting actual working capital turns on an established working capital turns performance grid (Working Capital Turns Multiplier). The resulting percentage may then be further adjusted upward, but not downward, by plotting actual sales and non-GAAP adjusted diluted earnings per share on an established sales/EPS performance grid (Sales/EPS Multiplier). The maximum award under the MICP is limited to 2.0x the target award for the Company s executives.

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The Company s actual results for fiscal 2018 (excluding the impact of the A&S Business) were: (i) adjusted EBITDA of approximately $141.1 million which exceeded the adjusted EBITDA target and resulted in an EBITDA Multiplier of 1.10, (ii), working capital turns of approximately 4.5 which was greater than the working capital management target and resulted in a Working Capital Turns Multiplier of 1.01, and (iii) sales of approximately $935.2 million and non-GAAP adjusted diluted earnings per share of $2.55 which resulted in a Sales/EPS Multiplier of 1.30. Based upon these results, the Compensation Committee approved bonuses to each of Messrs. Christenson, Storch, Deegan, Schuele and Patriacca as set forth in the table below.

Officer	2018 Target Bonus - Percentage of Base Salary	2018 Actual Bonus Payout $	2018 Actual Bonus Payout Percentage of Base Salary	2018 Actual Bonus Payout Percentage of Target Bonus
Carl R. Christenson	75%	$ 893,661	108%	144%
Christian Storch	60%	$ 391,622	87%	144%
Glenn E. Deegan	55%	$ 288,039	79%	144%
Craig Schuele	50%	$ 202,144	72%	144%
Todd B. Patriacca	45%	$ 165,181	65%	144%

Any bonuses earned are fully paid in cash following the end of the year earned and after the completion of the consolidated financial statement audit.

To further clarify the bonus calculation, the following is an example calculation for Mr. Christenson:

Base Salary	Target%	Target $	EBITDA Multiplier	Working Capital Turns Multiplier	Sales/EPS Growth Multiplier	Bonus Payment(1)
$825,000	75%	$ 618,750	1.10	1.01	1.30	$ 893,661

(1) (893,661 = 618,750 * 1.10 * 1.01 * 1.30)

Long-Term Incentive Compensation

The Compensation Committee awards long-term incentive grants to the Company s executive officers as a component of total compensation to further align executive officers compensation with the long-term performance of the Company and to aid in retention. We believe that equity-based compensation ensures that our executives have a continuing stake in the long-term success of the Company. We issue equity-based compensation in the form of restricted stock or restricted stock units, which generally vest ratably over a period of years, and performance shares, which generally include a measurement period for the applicable performance metric of at least one year and may also vest over a period of years after the amount of the award is fixed. The purpose of these equity incentives is to encourage stock ownership, offer long-term performance incentive and more closely align the executive s compensation with the return received by the Company s stockholders.

The 2017 FW Cook Reports noted, among other things, that the Company s long-term incentive program was performance-based, supported the Company s retention objective and generally was aligned with best practice. As a result, no changes were made to the overall structure of the Company s long-term incentive program for 2018.

The Compensation Committee has established a target long-term incentive opportunity for each executive officer which represents a percentage of base salary to be received annually by the executive officer as a grant of time vested restricted stock. In setting the target percentage of base salary for the restricted stock award grant, the Compensation Committee considers compensation peer group benchmarking data and recommendations and data provided by FW Cook, such as the data contained in the 2017 FW Cook Reports. The Compensation Committee may then adjust the incentive grant upwards or downwards in its discretion. For 2018, Messrs. Christenson, Storch, Deegan, Schuele and Patriacca have target restricted stock award grant percentages equal to 150%, 50%, 50%, 45% and 35% of their respective base salaries. On February 13, 2018, the Compensation Committee approved the following grants of restricted stock for each of the named executive officers set forth below:

Officer	2018 Number of Restricted Shares Granted(1)	2018 Stock Value at Time of Grant
Carl R. Christenson	26,201	$ 1,200,000
Christian Storch	4,832	$ 221,278
Glenn E. Deegan	3,878	$ 177,569
Craig Schuele	2,652	$ 121,452
Todd B Patriacca	1,890	$ 86,250

(1) Shares vest in equal annual installments on August 15, 2018, August 15, 2019, August 15, 2020 and August 15, 2021.

The Compensation Committee did not adjust any of the above grants from the target percentage.

The Compensation Committee has also established a target long-term incentive opportunity for each executive officer which represents a percentage of base salary to be received annually by the executive officer as a performance share award. In setting the target percentage of base salary for the performance share award grant, the Compensation Committee considered compensation peer group benchmarking data and data contained in the 2017 FW Cook Reports. For 2018, Messrs. Christenson, Storch, Deegan, Schuele and Patriacca had target performance share award grant percentages equal to 75%, 50%, 50%, 45% and 35% of their respective base salaries.

The performance objective for fifty percent (50%) of the 2018 performance share awards was a targeted amount of return on invested capital (ROIC) established by the Compensation Committee of the Company over a measurement period of one year beginning on January 1, 2018 and ending on December 31, 2018. The Committee believes ROIC provides a useful measure of how efficiently the Company uses its capital and whether adequate returns from that capital are achieved. The Committee further believes that ROIC is closely correlated with the creation of shareholder value. Award payouts for the performance shares are based on the percentage of the performance target achieved. The percentage of the award earned at the end of the performance cycle based on the performance target can range between 0%, for achievement of less than approximately 85% of the performance target, and 200%, for achievement of approximately 110% of the performance target. Once the amount of the performance share award is fixed based upon achievement of the target performance objective, the awards will be paid in restricted common stock, which restricted stock will vest on the second anniversary of the issuance date. Following the closing of the Fortive Transaction which resulted in a change in control, performance goals for the ROIC portion of the 2018 performance share awards were deemed satisfied based on actual performance as of the last completed quarter prior to the closing date of the Fortive Transaction. The chart below details results certified by the Compensation Committee compared to the 2018 ROIC goal:

	Threshold		Target		Maximum	As Certified 2018 ROIC Results
ROIC[1]:	8.8%	9.3%	10.3%	11.05%	11.3%	11.1%
Pay-out as % of Target:	0%	50%	100%	150%	200%	158.0%

1 Results between ROIC performance levels are interpolated.

The performance objective for the remaining fifty percent (50%) of the 2018 performance share awards measures the Company s total shareholder return (TSR) against the TSR for a peer group of companies (consisting of the 17 companies in our 2018 compensation peer group plus Rexnord Corporation) over a measurement period of three years beginning on January 1, 2018 and ending on December 31, 2020. Award payouts for the performance shares are based on the percentile rank of the Company s TSR compared to the TSR of peer group companies over the performance period. The chart below illustrates potential payouts at various levels of performance:

Relative TSR Performance Level[1]	Vesting Percentage (% of Target Award)	Payout if Altra TSR is negative
75th Percentile	150%	100%
50th Percentile	100%	100%
25th Percentile	50%	50%
Below 25th Percentile	0%	0%

1 Results between performance levels are interpolated.

As a result of the Fortive Transaction, which was considered a change in control under the applicable award agreements, the 2018 TSR performance share awards were earned based on TSR performance for the period beginning January 1, 2018 and ending October 1, 2018. During this significantly shortened performance period, TSR was approximately -14.98%, or at the 17th percentile (ranking #16 out of 19) of our performance share peer group. As a result, our named executive officers will not receive a payout for the portion of their 2018 performance share awards tied to TSR.

Information regarding the 2018 Performance Share grants to named executive officers is set forth in the table below.

Officer	2018 Total Target Number of Performance Shares Granted	2018 Actual ROIC Performance Shares Awarded (weighted 50% of total award)[1]	2018 Actual Relative TSR Performance Shares Awarded (weighted 50% of total award)[2]
Carl R. Christenson	13,101	10,483	0
Christian Storch	4,832	3,867	0
Glenn E. Deegan	3,878	3,103	0
Craig Schuele	2,652	2,123	0
Todd B. Patriacca	1,890	1,513	0

1 Awards cliff vest in February 2021. Shares awarded includes dividend equivalent shares calculated based on earned performance shares.

2 Awards originally had a measurement period of three years beginning on January 1, 2018 and ending on December 31, 2020. As a result of the Fortive Transaction, which was considered a change in control under the applicable award agreements, the 2018 TSR performance share awards were earned based on TSR performance for the period beginning January 1, 2018 and ending October 1, 2018.

Other Benefits

We have a 401(k) plan in which the named executive officers currently participate. We also provide life, disability, medical and dental insurance as part of our compensation package. The Compensation Committee considers all of these plans and benefits when reviewing the total compensation of our executive officers.

For 2018, the 401(k) plan offered a company match of $1.00 for every $1.00 contributed by a named executive officer to the plan up to 3% of the executive officer s eligible compensation and $0.50 for every $1.00 contributed by a named executive officer to the plan for the next 2% of the executive officer s eligible compensation (for an aggregate maximum total matching contribution of up to 4% of eligible compensation) subject to applicable IRS maximums. For 2018, the Company also contributed an amount equal to 2% of a named executive officer s eligible compensation to their account regardless of the amount of the contributions made by the named executive officer.

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The named executive officers are provided with the same short-term and long-term disability benefits as our other salaried employees. Additionally, the named executive officers are provided with life insurance and supplemental long-term disability benefits that are not available to all salaried employees.

Perquisites

We do not provide the named executive officers with perquisites or other personal benefits such as company vehicles, club memberships, financial planning assistance, tax preparation or other similar benefits.

Stock Ownership Guidelines

The Compensation Committee has established stock ownership guidelines for certain of the Company s senior executive positions, including those held by Messrs. Christenson, Storch, Deegan, Schuele and Patriacca, pursuant to which such executives should retain the value of Company stock equal to the following:

Carl R. Christenson five times (5x) annual base salary.

Christian Storch three times (3x) annual base salary.

Other named executive officers one time (1x) annual base salary.

The following categories satisfy a participant s ownership guidelines: (i) shares of common stock owned directly; (ii) shares of common stock owned indirectly (e.g., by a spouse or a trust); (iii) shares of common stock represented by amounts invested in a 401(k) plan or deferred compensation plan maintained by the Company or an affiliate; and (iv) restricted stock (vested and unvested), earned performance shares (vested and unvested), restricted stock units (vested and unvested), or phantom stock. Unexercised options, unearned performance shares, and pledged shares are not counted toward meeting the guidelines. All of these executive officers have a five (5) year period to accumulate the specific values referenced above. As of March 13, 2019, all of our named executive officers were in compliance with the stock ownership guidelines.

The Company s Board of Directors has the discretion to enforce the stock ownership guidelines on a case-by-case basis. Violations of the Company s stock ownership guidelines may, without limitation and in the Board s discretion, result in the participant not receiving future grants of long-term incentive plan awards or annual equity retainer or result in the participant being required to retain all or a portion of future grants of long-term incentive plan awards or annual equity retainer until compliance is achieved.

Clawback Policy

The Company has adopted a clawback policy that permits us to seek to recover certain amounts of incentive compensation, including both cash and equity, granted on or after January 1, 2017 to any current or former executive officer (as defined in the Securities Exchange Act of 1934, as amended, and the listing standards of the national securities exchange on which the Company s securities are listed) or such other senior executive who engaged in fraud or material misconduct, if payment of such compensation was based on the achievement of financial results that were subsequently the subject of a restatement of our financial statements due to fraud or material misconduct, and the executive engaged in improper conduct that materially contributed to the need for restatement, and a lower amount of incentive compensation would have been earned based on the restated financial results.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended generally places a limit of $1,000,000 on the amount of compensation that we may deduct in any one year with respect to our applicable named executive officers. Prior to the Tax Cuts and Jobs Act of 2017, this limit generally did not apply to compensation that met the tax code exception for qualifying performance-based compensation. The Compensation Committee considers the anticipated tax treatment to the Company and its executive officers when reviewing the executive compensation programs. However, the Compensation Committee will not necessarily seek to limit executive compensation to amounts deductible under Section 162(m), particularly given the sweeping elimination of the exception for qualified performance-based compensation, as the Compensation Committee wishes to maintain flexibility to structure our executive compensation programs in ways that best promote the interests of the Company and its stockholders.

Change of Control Matters, Employment Contracts and Other Agreements

Employment Agreements

Two of our named executive officers, Messrs. Christenson and Storch, have entered into employment agreements with us. Mr. Christenson entered into his employment agreement in early January 2005, which was subsequently amended on March 3, 2009 (with such amendment effective as of January 1, 2009). The initial term of Mr. Christenson s amended employment agreement expired on December 31, 2013, but the term of the agreement automatically renews for successive one-year terms unless either Mr. Christenson or Altra terminates the agreement upon 6 months prior notice to such renewal date. Mr. Storch entered into his employment agreement in December 2007, which was subsequently amended on November 5, 2012. The initial term of Mr. Storch s amended employment agreement expired on December 31, 2013, but the term of the agreement automatically renews for successive one-year terms unless either Mr. Storch or Altra terminates the agreement upon 6 months prior notice to such renewal date. Each of the employment agreements contain usual and customary restrictive covenants, including 12 month non-competition provisions and non-solicitation/no hire of employees or customers provisions, non-disclosure of proprietary information provisions and non-disparagement provisions. In the event of a termination by the Company without cause or by the Executive for good reason, Messrs. Christenson and Storch are entitled to severance equal to 12 months salary, continuation of medical and dental benefits for the 12-month period following the date of termination, and an amount equal to their pro-rated bonus for the year of termination. In addition, upon such termination, all of Mr. Christenson s unvested equity awards and fifty percent of Mr. Storch s unvested equity awards received from our Incentive Plan shall automatically vest. Any payments upon termination are subject to certain conditions including compliance with the non-competition, non-solicitation, non-disclosure and non-disparagement provisions described above. Under the terms of his employment agreement, upon his death or disability, fifty percent of Mr. Storch s unvested equity awards received from the Company s Incentive Plan shall automatically vest.

Under the agreements, each of Messrs. Christenson and Storch is also eligible to participate in all compensation or employee benefit plans or programs and to receive all benefits and perquisites for which the Company s salaried employees generally are eligible under any current or future plan or program on the same basis as other senior executives of the Company.

Change of Control Provisions

Pursuant to the terms of the employment agreements discussed above under the caption Employment Agreements, we provide benefits to Messrs. Christenson and Storch upon termination of employment from the Company under certain circumstances. The benefits described under the caption Employment Agreements are in addition to the benefits to which the executives would be entitled upon a termination of employment generally (i.e. vested retirement benefits accrued as of the date of termination, stock awards that are vested as of the date of termination and the right to elect continued health coverage pursuant to COBRA).

The Company has entered into change of control agreements, effective as of February 16, 2015, with each of our named executive officers (collectively, the Executives). These agreements replaced prior change of control agreements which were effective as of October 28, 2008, to, among other things, (a) change the multiple of base salary and target bonus that certain Executives would be entitled to receive and (b) replace the golden

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parachute excise tax gross-up provision with a net-better cutback provision. The change of control agreements provide that, subject to certain conditions, including compliance with non-competition, non-solicitation, non-disclosure and non-disparagement provisions, in the event that (a) the Executive is terminated without cause or such Executive terminates employment for good reason within 24 months following a change of control of the Company (as defined in the change of control agreements) or (b) the Executive is terminated without cause in anticipation of a change of control of the Company within 90 days prior to such change of control (each, a triggering event), such Executive will be entitled to certain benefits. Such benefits include (i) a lump sum amount payable in cash equal to the sum of (A) a multiple (shown below for each of the named executive officers) of the Executive s annual base salary then in effect and (B) a multiple (shown below for each of the named executive officers) of the Executive s target bonus amount for the year of termination and (ii) continuation of medical and dental benefits for up to 18 months (period shown below for each of the named executive officers) following the date of termination. In addition, upon termination following a change of control, the Executive will be entitled to an amount equal to such Executive s pro-rated bonus for the year of termination and all of such Executive s outstanding equity incentive awards will automatically vest in full and be exercisable as of the date of termination.

Executive	Title	Multiple of Base Salary and Target Bonus	Medical and Dental Continuation
Carl R. Christenson	Chairman and Chief Executive Officer	3x	18 Months
Christian Storch	Chief Financial Officer	2x	18 Months
Glenn E. Deegan	Vice President, Legal and Human Resources, General Counsel and Secretary	2x	18 Months
Craig Schuele	Vice President of Marketing and Business Development	2x	18 Months
Todd B. Patriacca	Vice President of Finance, Corporate Controller and Treasurer	1.5x	18 Months

Because Messrs. Christenson and Storch also have employment agreements with the Company, the change of control agreements for these Executives provide that in the event of a triggering event, such Executive shall be entitled to receive benefits and payments under only one of the employment agreement or the change of control agreement, whichever is more favorable to the Executive at the time of such triggering event.

As more fully discussed in the caption 2014 Omnibus Incentive Plan in this Proxy Statement, the Compensation Committee has the authority to effect immediate vesting of various employee incentive awards upon a change of control of Altra. The Compensation Committee may provide that any time prior to a change in control, any outstanding stock options, stock appreciation rights, stock units and unvested cash awards shall immediately vest and become exercisable and any restriction on restricted stock awards or stock units shall immediately lapse. In addition, the Compensation Committee may provide that all awards held by participants who are in our service at the time of the change of control, shall remain exercisable for the remainder of their terms notwithstanding any subsequent termination of a participant s service.

Executive Severance Policy

The Compensation Committee has approved an Executive Severance Plan, amended and restated effective as of February 12, 2019, applicable to executive officers of the Company, including our named executive (collectively for the purposes of this subsection, the Participants). The Executive Severance Plan provides that,

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subject to certain conditions including compliance with non-competition, non-solicitation, non-disclosure and non-disparagement provisions, in the event that a Participant is terminated without cause by the Company, such Participant for a period of 24 months for the CEO and 12 months for the other the other named executive officers following such termination (the Severance Period) will be entitled to (i) continue receiving his or her base salary, (ii) receive a cash payment equal to 100% of the Participant s target annual bonus during the Severance Period and paid out in equal installments over the Severance Period; and (iii) continue to receive coverage under the Company s group medical and dental insurance plans. In the event a Participant enters into a written agreement with the Company regarding severance, including a change of control agreement, the terms and conditions of such written agreement shall control with respect to the termination circumstances covered by such agreement and the Participant shall not be eligible to receive benefits under this policy.

Because Messrs. Christenson and Storch also have employment agreements with the Company, the Executive Severance Plan provides that in the event of a triggering event, such Participant shall be entitled to receive benefits and payments under only one of the employment agreement or the Executive Severance Plan, whichever is more favorable to the Participant at the time of such triggering event.

Amounts payable to our named executive officers due to termination of employment or a change of control under any employment agreements or otherwise are disclosed in further detail in the table entitled Potential Post-Employment Payments to Named Executive Officers contained in this Proxy Statement.

Advisory Vote on Executive Compensation

We conducted advisory votes on executive compensation at each of our Annual Meetings from 2011 to 2018. While these votes were not binding on the Company, our Board of Directors or our Compensation Committee, we believe that it is important for our stockholders to have an opportunity to vote on this proposal on an annual basis as a means to express their views regarding our executive compensation philosophy, our compensation policies and programs, and our decisions regarding executive compensation, all as disclosed in our proxy statement. Our Board of Directors and our Compensation Committee value the opinions of our stockholders and, to the extent there is any significant vote against the compensation of our named executive officers as disclosed in the proxy statement, we will consider our stockholders concerns and the Compensation Committee will evaluate whether any actions are necessary to address those concerns. In addition to our annual advisory vote to approve executive compensation, we are committed to ongoing engagement with our stockholders on executive compensation and corporate governance issues. These engagement efforts take place throughout the year through meetings, telephone calls and correspondence involving our senior management, directors and representatives of our stockholders.

At the 2018 Annual Meeting, approximately 99% of the votes cast on the advisory vote on executive compensation proposal were in favor of our named executive officer compensation as disclosed in the proxy statement, and as a result our named executive officer compensation was approved. The Board of Directors and Compensation Committee reviewed these final vote results and took them into account in evaluating our executive compensation policies and decisions. As noted above, the Compensation Committee engaged FW Cook in 2011, 2014, 2017 and 2018 to assist in identifying an updated and expanded compensation peer group and in reviewing the competitiveness of the Company s executive compensation programs.

We have determined that our stockholders should vote on a Say-on-Pay proposal each year, consistent with the preference expressed by our stockholders at the 2011 and 2017 Annual Meetings. It is expected that the next such vote will occur at the 2020 Annual Meeting of stockholders. **Accordingly, our Board of Directors recommends that you vote FOR Proposal 3 at the Annual Meeting**. For more information, see *Proposal 3. Advisory Vote to Approve the Compensation of the Company s Named Executive Officers (Say on Pay)* in this proxy statement.

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COMPENSATION COMMITTEE REPORT

The Personnel and Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. Based on this review and discussion, the Personnel and Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Personnel and Compensation Committee:

Edmund M. Carpenter (Chairman)
Michael S. Lipscomb
Thomas W. Swidarski

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COMPENSATION OF NAMED EXECUTIVES

The following table summarizes all compensation paid during fiscal years 2016, 2017, and 2018 to our principal executive officer, our principal financial officer and our three other most highly compensated executive officers who were serving as executive officers at December 31, 2018. We refer to these executive officers as the named executive officers.

Summary Compensation Table

Name & Principal Position	Year	Salary	Bonus	Stock Awards(1)	Non-Equity Incentive Plan Compensation(2)	All Other Compensation	Total Compensation
Carl R. Christenson	2018	$ 825,000	$	$1,812,935(3)	$893,661	$36,000(9)	$3,567,596
President and Chief Executive	2017	689,585		1,581,716	877,566	33,772	3,182,639
Officer	2016	669,500		1,496,409	640,209	33,012	2,839,130
Christian Storch	2018	451,916		447,370(4)	391,621	42,128(10)	1,333,035
Vice President and Chief	2017	429,665		442,165	437,433	33,853	1,343,116
Financial Officer	2016	417,150		413,030	319,120	33,244	1,182,544
Glenn Deegan	2018	362,603		359,044(6)	288,039	38,038(12)	1,047,724
Vice President, Legal and	2017	344,793		354,869	321,775	32,016	1,053,453
Human Resources, General	2016	334,750		331,424	234,743	34,307	935,224
Counsel and Secretary							
Craig Schuele	2018	279,920		245,535(7)	1,362,932	1,362,932	

Total Short-Term Securities (Cost $1,362,932) 1.3% 1,362,932

Options Purchased		Notional Amount (000)	
Over-the-Counter Put Swaptions 0.0%			
Pay a fixed rate of 4.50% and receive a floating rate based on 3-month LIBOR, Expires 9/16/13, Broker Credit Suisse International	EUR	1,300	26,527
Pay a fixed rate of 4.50% and receive a floating rate based on 3-month LIBOR, Expires 10/21/13,			

Broker Deutsche Bank AG	1,300	28,902
Total Options Purchased (Cost $66,622) 0.0%		55,429
Total Investments Before Options Written (Cost $152,547,625*) 146.2%		158,702,792

Options Written		
Over-the-Counter Call Swaptions (0.2)%		
Pay a fixed rate of 4.03% and receive a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	USD 1,800	(255,028)

Options Written	**Notional Amount (000)**	**Value**
Over-the-Counter Put Swaptions (0.0)%		
Receive a fixed rate of 4.03% and pay a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	USD 1,800	$ (2,881)
Total Options Written (Premiums Received $129,600) (0.2)%		(257,909)
Total Investments, Net of Options Written 146.0%		158,444,883
Liabilities in Excess of Other Assets (46.0)%		(49,915,746)
Net Assets 100.0%		$ 108,529,137

* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2011, as computed for federal income tax purposes, were as follows:

Aggregate cost	$	152,469,279
Gross unrealized appreciation	$	9,163,076
Gross unrealized depreciation		(2,929,563)
Net unrealized appreciation	$	6,233,513

(a) Security exempt from registration pursuant to Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
(b) Variable rate security. Rate shown is as of report date.
(c) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
(d) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
(e) Security is perpetual in nature and has no stated maturity date.
(f) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation
Barclays Capital, Inc.	$128,125	$3,125
JPMorgan Chase Bank NA	$ 70,350	$ 350

(g) Non-income producing security.
(h) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
(i) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at October 31, 2010	Net Activity	Shares Held at October 31, 2011	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	5,884,098	(4,521,166)	1,362,932	$824

(j) Represents the current yield as of report date.

For Fund compliance purposes, the Fund s industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

See Notes to Financial Statements.

Reverse repurchase agreements outstanding as of October 31, 2011 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date[1]	Net Closing Amount	Face Amount
Credit Suisse Securities (USA) LLC	0.40 %	5/18/11	Open	$1,041,022	$1,039,093
UBS Securities LLC	0.38 %	5/18/11	Open	1,967,462	1,964,000
UBS Securities LLC	0.38 %	5/19/11	Open	873,528	872,000
Credit Suisse Securities (USA) LLC	0.40 %	5/20/11	Open	1,298,940	1,296,562
UBS Securities LLC	0.35 %	6/08/11	Open	2,227,658	2,224,500
UBS Securities LLC	0.38 %	6/14/11	Open	1,126,663	1,125,000
Credit Suisse Securities (USA) LLC	0.40 %	6/15/11	Open	1,016,129	1,014,562
UBS Securities LLC	0.37 %	6/27/11	Open	957,919	956,670
Deutsche Bank Securities, Inc.	0.36 %	7/01/11	Open	537,210	536,550
Credit Suisse Securities (USA) LLC	0.35 %	7/05/11	Open	1,290,116	1,288,624
Credit Suisse Securities (USA) LLC	0.35 %	7/11/11	Open	862,359	861,412
UBS Securities LLC	0.32 %	7/12/11	Open	526,048	525,525
UBS Securities LLC	0.28 %	7/16/11	Open	196,165	196,000
Credit Suisse Securities (USA) LLC	0.35 %	7/18/11	Open	416,066	415,638
Deutsche Bank Securities, Inc.	0.35 %	7/20/11	Open	2,357,006	2,354,625
UBS Securities LLC	0.35 %	8/01/11	Open	872,780	872,000
UBS Securities LLC	0.32 %	8/02/11	Open	382,509	382,200
BNP Paribas Securities Corp.	0.03 %	8/04/11	Open	285,209	285,188
Credit Suisse Securities (USA) LLC	0.40 %	8/05/11	Open	597,584	597,000
BNP Paribas Securities Corp.	0.37 %	8/16/11	Open	1,018,656	1,017,850
BNP Paribas Securities Corp.	0.37 %	8/17/11	Open	956,447	955,700
Barclays Capital, Inc.	0.35 %	8/26/11	Open	557,238	556,875

Barclays Capital, Inc.	0.35	%	8/31/11	Open	1,194,470	1,193,750
Credit Suisse Securities (USA) LLC	0.35	%	9/08/11	Open	1,043,172	1,042,626
Deutsche Bank Securities, Inc.	0.35	%	9/08/11	Open	310,413	310,250
UBS Securities LLC	0.37	%	9/08/11	Open	302,418	302,250
Credit Suisse Securities (USA) LLC	0.35	%	9/09/11	Open	491,253	491,000
Barclays Capital, Inc.	0.35	%	9/14/11	Open	1,626,821	1,626,063
Deutsche Bank Securities, Inc.	0.35	%	9/14/11	Open	418,495	418,300
UBS Securities LLC	0.35	%	9/14/11	Open	357,167	357,000
UBS Securities LLC	0.38	%	9/14/11	Open	3,690,869	3,689,000

Reverse repurchase agreements outstanding as of October 31, 2011 were as follows (concluded):

Counterparty	**Interest Rate**		**Trade Date**	**Maturity Date**	**Net Closing Amount**	**Face Amount**
Barclays Capital, Inc.	0.40	%	9/23/11	Open	$738,320	$738,000
Barclays Capital, Inc.	0.40	%	9/30/11	Open	748,001	747,736
Deutsche Bank Securities, Inc.	0.40	%	10/04/11	Open	591,434	591,250
Deutsche Bank Securities, Inc.	0.35	%	10/14/11	Open	1,233,903	1,233,688
Deutsche Bank Securities, Inc.	0.38	%	10/20/11	Open	208,526	208,500
Barclays Capital, Inc.	0.40	%	10/26/11	Open	4,293,701	4,293,415
BNP Paribas Securities Corp.	0.40	%	10/26/11	Open	9,757,010	9,756,360
Deutsche Bank Securities, Inc.	0.40	%	10/26/11	Open	2,955,546	2,955,350
Credit Suisse Securities (USA) LLC	0.35	%	10/27/11	Open	1,197,526	1,197,468
BNP Paribas Securities Corp.	0.08	%	10/31/11	Open	778,051	778,051
Total					$53,301,810	$53,267,631

[1] Certain agreements have no stated maturity and can be terminated by either party at anytime.

Financial futures contracts sold as of October 31, 2011 were as follows:

Contracts	**Issue**	**Exchange**	**Expiration**	**Notional Value**	**Unrealized Appreciation (Depreciation)**
95	Euro-Schatz	Eurex	December 2011	EUR 10,421,025	$ (8,689)

1	German Euro Bund	Chicago Mercantile	December 2011	EUR	135,470	(306)
219	10-Year US Treasury Note	Chicago Board of Trade	December 2011	USD	28,264,688	49,508
13	Ultra US Treasury Bond	Chicago Board of Trade	December 2011	USD	1,980,875	82,070
Total						$ 122,583

Foreign currency exchange contracts as of October 31, 2011 were as follows:

Currency Purchased		**Currency Sold**		**Counterparty**	**Settlement Date**	**Unrealized Depreciation**
USD	342,375	EUR	249,000	Citibank NA	1/25/12	$ (1,979)
USD	33,064	EUR	24,000	Deutsche Bank AG	1/25/12	(127)
Total						$ (2,106)

See Notes to Financial Statements.

Credit default swaps on single-name issues buy protection outstanding as of October 31, 2011 were as follows:

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Raytheon Co.	1.00%	Citibank NA	9/20/16	USD 225	$ 1,272
Raytheon Co.	1.00%	Deutsche Bank AG	9/20/16	USD 270	(212)
General Dynamics Corp.	1.00%	JPMorgan Chase & Co.	9/20/16	USD 625	5,383
Computer Sciences Corp.	1.00%	Morgan Stanley & Co., Inc.	9/20/16	USD 275	1,295
General Dynamics Corp.	1.00%	Morgan Stanley & Co., Inc.	9/20/16	USD 400	1,225
Raytheon Co.	1.00%	Morgan Stanley & Co., Inc.	9/20/16	USD 150	(187)
Dell, Inc.	1.00%	Barclays Bank Plc	12/20/16	USD 630	(4,234)
Computer Sciences Corp.	1.00%	Credit Suisse Securities (USA) LLC	12/20/16	USD 280	(5,686)
Lockheed Martin Corp.	1.00%	Deutsche Bank AG	12/20/16	USD 750	7,956
STMicroelectronics NV	1.00%	Deutsche Bank AG	12/20/16	EUR 285	(348)
Southwest Airlines Co.	1.00%	Goldman Sachs Capital Markets LP	12/20/16	USD 280	(66)
Southwest Airlines Co.	1.00%	Royal Bank of Scotland Plc	12/20/16	USD 280	(1,272)
Total					$ 5,126

Credit default swaps on single-name issues sold protection outstanding as of October 31, 2011 were as follows:

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Issuer Credit Rating[1]	Notional Amount (000)[2]	Appreciation (Depreciation)
Aviva USA Corp.	1.00 %	Deutsche Bank AG	5/25/12	AA-	USD 650	$ 1,175
Assured						

Guaranty Corp.	5.00 %	Citibank NA	12/20/14	AA+	USD 40		(223)
Assured Guaranty Corp.	5.00 %	Citibank NA	3/20/15	AA+	USD 185		296
MetLife, Inc.	1.00 %	Deutsche Bank AG	3/20/18	A+	USD 200		(9,776)
Total						$	(8,528)

1 Using S&P s rating.

2 The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of agreement.

Credit default swaps on traded indexes buy protection outstanding as of October 31, 2011 were as follows:

Issuer	**Pay Fixed Rate**	**Counterparty**	**Expiration Date**	**Notional Amount (000)**	**Unrealized Depreciation**
Dow Jones CDX North America High Yield Index Series 17	5.00%	JPMorgan Chase Bank & Co.	12/20/16	USD 1,050	$(100,610)

Interest rate swaps outstanding as of October 31, 2011 were as follows:

Fixed Rate	**Floating Rate**	**Counterparty**	**Expiration Date**	**Notional Amount (000)**		**Unrealized Appreciation (Depreciation)**	
1.43%(b)	3-month LIBOR	Deutsche Bank AG	9/13/13	EUR	10,600	$	(8,635)
2.72%(b)	3-month LIBOR	Deutsche Bank AG	8/08/21	USD	1,400		52,236
4.35%(a)	3-month LIBOR	Deutsche Bank AG	4/15/41	USD	600		(167,211)
3.93%(a)	3-month LIBOR	Citibank NA	7/21/41	USD	1,600		(311,632)
3.01%(b)	3-month LIBOR	Deutsche Bank AG	9/13/41	USD	200		1,780
2.63%(b)	3-month LIBOR	Deutsche Bank AG	9/26/41	USD	400		(27,485)
2.81%(a)	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/11/41	USD	400		13,186
3.00%(a)	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/18/41	USD	300		(1,882)
Total						$	(449,643)

(a) Fund pays a fixed interest rate and receives floating rate.

(b) Fund pays a floating interest rate and receives fixed rate.

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 unadjusted price quotations in active markets/exchanges for identical assets and liabilities

Level 2 other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund s own assumptions used in determining the fair value of investments and derivative financial instruments)

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and does not necessarily correspond to the Fund s perceived risk of investing in those securities. For information about the Fund s policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

See Notes to Financial Statements.

The following tables summarize the inputs used as of October 31, 2011 in determining the fair valuation of the Fund s investments and derivative financial instruments:

Valuation Inputs	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities		$493,571	$503,750	$997,321
Corporate Bonds		127,634,584	858,000	128,492,584
Preferred Securities	$340,913	25,478,943		25,819,856
Taxable Municipal Bonds		903,248		903,248
US Government Sponsored Agency Securities		294,830		294,830
US Treasury Obligations		776,592		776,592
Short-Term Securities	1,362,932			1,362,932
Total	$1,703,845	$155,581,768	$1,361,750	$158,647,363

Valuation Inputs	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative Financial Instruments[1]				
Assets:				
Interest rate contracts	$131,578	$122,631		$254,209
Credit contracts		17,427	$1,175	18,602
Liabilities:				
Interest rate contracts	(8,995)	(774,754)		(783,749)
Foreign currency exchange contracts		(2,106)		(2,106)
Credit contracts		(122,614)		(122,614)
Total	$122,583	$(759,416)	$1,175	$(635,658)

1 Derivative financial instruments are swaps, financial futures contracts, foreign currency exchange contracts and options. Swaps, financial futures contracts and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Asset-Backed Securities	Corporate Bonds	Total
Assets:			
Balance, as of October 31, 2010			
Accrued discounts/premiums			
Net realized gain (loss)			
Net change in unrealized appreciation/depreciation[2]	$ (52,364)	$ 33,000	$ (19,364)
Purchases	556,114	825,000	1,381,114
Sales			
Transfers in[3]			
Transfers out[3]			
Balance, as of October 31, 2011	$ 503,750	$ 858,000	$ 1,361,750

2 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The net change in unrealized appreciation/depreciation on investments still held at October 31, 2011 was $(19,364).

3 The Fund s policy is to recognize transfers in and transfers out as of the beginning of the period of the event or the change in circumstances that caused the transfer.

The following is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used to determine fair value:

	Credit Contracts
Assets:	
Balance, as of October 31, 2010	
Accrued discounts/premiums	$ 1,984
Net realized gain (loss)	
Net change in unrealized appreciation/depreciation[4]	1,175
Purchases	
Issuances[5]	3,440
Sales	
Settlements[6]	(5,424)
Transfers in[3]	
Transfers out[3]	
Balance, as of October 31, 2011	$ 1,175

4 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on derivative financial instruments still held at October 31, 2011 was $1,175.

5 Issuances represent upfront cash received on certain derivative financial instruments.

6 Settlements represent periodic contractual cash flows and/or cash flows to terminate certain derivative financial instruments.

A reconciliation of Level 3 investments and derivative financial instruments is presented when the Fund had a significant amount of Level 3 investments and derivative financial instruments at the beginning and/or end of the year in relation to net assets.

See Notes to Financial Statements.

Schedule of Investments October 31, 2011

BlackRock Credit Allocation Income Trust II, Inc. (PSY)
(Percentages shown are based on Net Assets)

Asset-Backed Securities		Par (000)	Value
Atrium CDO Corp., Series 5A, Class A4, 0.69%, 7/20/20 (a)(b)	USD	2,650	$2,053,750
SLM Student Loan Trust, Series 2004-B, Class A2, 0.55%, 6/15/21 (b)		2,170	2,077,112
Total Asset-Backed Securities 0.9%			4,130,862

Corporate Bonds		
Aerospace & Defense 1.9%		
BE Aerospace, Inc., 8.50%, 7/01/18	2,500	2,731,250
Bombardier, Inc., 7.75%, 3/15/20 (a)	3,205	3,525,500
Huntington Ingalls Industries, Inc. (a):		
6.88%, 3/15/18	610	614,575
7.13%, 3/15/21	600	607,500
Kratos Defense & Security Solutions, Inc., 10.00%, 6/01/17	1,014	1,049,490
		8,528,315
Airlines 1.0%		
American Airlines Pass-Through Trust:		
Series 2011-1, Class A, 5.25%, 7/31/22	1,408	1,281,203
Series 2011-2, Class A, 8.63%, 4/15/23	570	570,000
Continental Airlines Pass-Through Certificates, Series 2009-2, Class B, 9.25%, 5/10/17	1,453	1,493,424
Delta Air Lines, Inc., Series 02G1, 6.72%, 7/02/24	1,146	1,131,963
		4,476,590
Auto Components 1.5%		
Daimler Finance North America LLC, 2.63%, 9/15/16 (a)(c)	3,425	3,404,015
Delphi Corp., 6.13%, 5/15/21 (a)	570	581,400
Icahn Enterprises LP:		
7.75%, 1/15/16	880	902,000
8.00%, 1/15/18	2,000	2,035,000
		6,922,415
Beverages 0.5%		
Constellation Brands, Inc., 7.25%, 5/15/17	1,970	2,167,000
Building Products 0.3%		
Building Materials Corp. of America (a):		
7.00%, 2/15/20	375	397,500
6.75%, 5/01/21	1,160	1,203,500
		1,601,000
Capital Markets 5.5%		

Ameriprise Financial, Inc., 5.30%, 3/15/20 (c)	3,250	3,541,723
E*Trade Financial Corp., 12.50%, 11/30/17 (d)	1,865	2,149,412
The Goldman Sachs Group, Inc.:		
5.25%, 7/27/21	2,900	2,927,272
6.25%, 2/01/41 (c)	4,450	4,588,871
Macquarie Bank Ltd., 6.63%, 4/07/21 (a)(c)	1,745	1,709,072
Morgan Stanley (c):		
5.75%, 1/25/21	3,915	3,866,427
5.50%, 7/28/21	1,910	1,865,560
UBS AG:		
2.25%, 1/28/14	1,627	1,621,268
5.88%, 7/15/16 (c)	2,800	2,892,512
		25,162,117
Chemicals 1.0%		
Ashland, Inc., 9.13%, 6/01/17	505	564,338
Celanese US Holdings LLC, 5.88%, 6/15/21	1,545	1,641,562
Lyondell Chemical Co., 11.00%, 5/01/18	1,250	1,392,188
Solutia, Inc., 7.88%, 3/15/20	860	920,200
		4,518,288
Commercial Banks 4.9%		
Amsouth Bank, Series AI, 4.85%, 4/01/13	1,050	1,010,625
Asciano Finance Ltd., 5.00%, 4/07/18 (a)	900	956,833

Corporate Bonds	**Par (000)**	**Value**
Commercial Banks (concluded)		
Associated Banc-Corp, 5.13%, 3/28/16	USD 2,200	$2,269,958
BNP Paribas, 3.60%, 2/23/16 (c)	998	995,203
Branch Banking & Trust Co. (b)(c):		
0.66%, 9/13/16	1,100	1,019,176
0.60%, 5/23/17	675	612,830
CIT Group, Inc.:		
7.00%, 5/01/15	260	260,000
7.00%, 5/02/16 (a)	1,570	1,566,075
7.00%, 5/01/17	1,263	1,263,000
7.00%, 5/02/17 (a)	350	349,125
City National Corp., 5.25%, 9/15/20 (c)	2,350	2,395,733
Discover Bank, 8.70%, 11/18/19	1,200	1,357,248
HSBC Holdings Plc, 5.10%, 4/05/21 (c)	1,625	1,750,235
Regions Financial Corp.:		
4.88%, 4/26/13	2,525	2,461,875
5.75%, 6/15/15	1,800	1,732,500
SVB Financial Group, 5.38%, 9/15/20	2,300	2,373,490
		22,373,906
Commercial Services & Supplies 3.8%		
Aviation Capital Group Corp. (a):		
7.13%, 10/15/20 (c)	9,300	9,001,917
6.75%, 4/06/21	2,325	2,238,766
Casella Waste Systems, Inc., 7.75%, 2/15/19	721	692,160
Clean Harbors, Inc., 7.63%, 8/15/16	1,314	1,389,555
Corrections Corp. of America, 7.75%, 6/01/17	3,375	3,653,438

Iron Mountain, Inc., 7.75%, 10/01/19	390	404,625
Mobile Mini, Inc., 7.88%, 12/01/20	275	275,000
		17,655,461
Communications Equipment 0.9%		
Avaya, Inc., 9.75%, 11/01/15	900	796,500
Brocade Communications Systems, Inc., 6.88%, 1/15/20	2,965	3,105,838
EH Holding Corp., 6.50%, 6/15/19 (a)	420	429,450
		4,331,788
Consumer Finance 4.2%		
American Express Credit Corp., 2.75%, 9/15/15 (c)	5,850	5,922,920
Capital One Bank USA NA, 8.80%, 7/15/19	3,325	3,949,475
Ford Motor Credit Co., LLC, 7.00%, 4/15/15	2,580	2,812,200
Inmarsat Finance Plc, 7.38%, 12/01/17 (a)	1,815	1,942,050
SLM Corp., 6.25%, 1/25/16	4,870	4,870,000
		19,496,645
Containers & Packaging 1.4%		
Ball Corp.:		
7.13%, 9/01/16	1,750	1,894,375
6.75%, 9/15/20	2,210	2,381,275
Crown Americas LLC, 6.25%, 2/01/21 (a)	825	866,250
Graphic Packaging International, Inc., 9.50%, 6/15/17	665	726,512
Rock-Tenn Co., 9.25%, 3/15/16	325	345,313
Sealed Air Corp., 8.38%, 9/15/21 (a)	130	140,725
		6,354,450
Diversified Financial Services 7.8%		
Ally Financial, Inc.:		
4.50%, 2/11/14	1,775	1,735,062
8.30%, 2/12/15	1,230	1,291,500
8.00%, 11/01/31	1,620	1,615,950
Bank of America Corp.:		
5.30%, 3/15/17 (c)	3,640	3,480,892
5.00%, 5/13/21	50	46,946
Citigroup, Inc.:		
6.38%, 8/12/14	1,300	1,403,407
4.59%, 12/15/15 (c)	975	1,018,696
Dolphin Subsidiary II, Inc., 7.25%, 10/15/21 (a)	890	954,525
General Electric Capital Corp., 5.30%, 2/11/21 (c)	4,600	4,895,610
General Motors Financial Co., Inc., 6.75%, 6/01/18 (a)	500	504,576
ING Bank NV, 5.00%, 6/09/21 (a)(c)	2,350	2,412,087

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust II, Inc. (PSY)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Diversified Financial Services (concluded)			
Intesa Sanpaolo SpA (c):			
2.38%, 12/21/12	USD	3,500	$3,408,608
6.50%, 2/24/21 (a)		600	553,624
JPMorgan Chase & Co., 3.15%, 7/05/16 (c)		4,075	4,081,915
Moody s Corp., 6.06%, 9/07/17		6,000	6,342,174
Reynolds Group Issuer, Inc. (a):			
7.13%, 4/15/19		245	249,900
7.88%, 8/15/19		870	909,150
6.88%, 2/15/21		215	217,150
8.25%, 2/15/21		485	444,988
WMG Acquisition Corp., 9.50%, 6/15/16 (a)		205	217,300
			35,784,060
Diversified Telecommunication Services 5.4%			
AT&T, Inc., 6.30%, 1/15/38 (c)		4,000	4,806,916
France Telecom SA, 4.13%, 9/14/21		675	695,404
Level 3 Financing, Inc.:			
8.75%, 2/15/17		675	690,188
8.13%, 7/01/19 (a)		2,489	2,464,110
Qwest Corp., 8.38%, 5/01/16		2,795	3,193,287
Telecom Italia Capital SA, 6.18%, 6/18/14		975	990,404
Telefonica Emisiones SAU, 5.46%, 2/16/21		1,360	1,378,365
Verizon Communications, Inc.:			
1.95%, 3/28/14 (c)		3,650	3,748,189
7.35%, 4/01/39		4,025	5,556,339
Windstream Corp., 7.88%, 11/01/17		1,150	1,242,000
			24,765,202
Electric Utilities 1.1%			
Progress Energy, Inc., 7.00%, 10/30/31 (c)		4,000	5,245,584
Electronic Equipment, Instruments & Components 0.8%			
Jabil Circuit, Inc., 8.25%, 3/15/18		800	928,000
NXP BV, 3.15%, 10/15/13 (b)		2,950	2,891,000
			3,819,000
Energy Equipment & Services 1.2%			
Ensco Plc, 4.70%, 3/15/21 (c)		1,965	2,067,565
Frac Tech Services LLC, 7.63%, 11/15/18 (a)		1,085	1,133,825
Key Energy Services, Inc., 6.75%, 3/01/21		745	761,763
MEG Energy Corp., 6.50%, 3/15/21 (a)		955	995,587
Oil States International, Inc., 6.50%, 6/01/19		505	528,988
SunCoke Energy, Inc., 7.63%, 8/01/19 (a)		190	191,900
			5,679,628
Food & Staples Retailing 2.4%			

CVS Caremark Corp., 6.30%, 6/01/62 (b)	3,650	3,545,062
Wal-Mart Stores, Inc. (c):		
5.25%, 9/01/35	2,500	2,913,065
6.20%, 4/15/38	3,375	4,400,764
		10,858,891
Food Products 1.0%		
Kraft Foods, Inc.:		
6.50%, 8/11/17	1,665	1,990,176
6.13%, 8/23/18	1,660	1,975,415
Smithfield Foods, Inc., 10.00%, 7/15/14	374	434,775
		4,400,366
Gas Utilities 0.1%		
Targa Resources Partners LP, 6.88%, 2/01/21 (a)	495	488,813
Health Care Equipment & Supplies 0.7%		
Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a)	2,250	2,542,500
Teleflex, Inc., 6.88%, 6/01/19	490	507,150
		3,049,650
Health Care Providers & Services 4.3%		
Aetna, Inc., 6.75%, 12/15/37 (c)	1,700	2,163,106
Aviv Healthcare Properties LP, 7.75%, 2/15/19	460	443,900

Corporate Bonds		Par (000)	Value
Health Care Providers & Services (concluded)			
HCA, Inc.:			
8.50%, 4/15/19	USD	240	$264,000
6.50%, 2/15/20		2,380	2,493,050
7.25%, 9/15/20		3,435	3,679,744
7.50%, 2/15/22		2,020	2,060,400
INC Research LLC, 11.50%, 7/15/19 (a)		695	625,500
inVentiv Health, Inc., 10.00%, 8/15/18 (a)		510	489,600
Tenet Healthcare Corp.:			
10.00%, 5/01/18		1,530	1,755,675
8.88%, 7/01/19		1,125	1,271,250
UnitedHealth Group, Inc., 6.88%, 2/15/38		3,400	4,483,430
			19,729,655
Household Durables 0.3%			
Cemex Espana Luxembourg, 9.25%, 5/12/20 (a)		1,462	1,158,635
Independent Power Producers & Energy Traders 1.3%			
AES Corp.:			
9.75%, 4/15/16		985	1,117,975
7.38%, 7/01/21 (a)		325	347,750
Calpine Construction Finance Co. LP, 8.00%, 6/01/16 (a)		535	569,775
Calpine Corp., 7.25%, 10/15/17 (a)		440	457,600
Energy Future Intermediate Holding Co., LLC, 10.00%, 12/01/20		1,745	1,832,250
NRG Energy, Inc., 7.38%, 1/15/17		1,710	1,780,537
			6,105,887
Insurance 8.3%			
Allianz Finance II BV, 5.75%, 7/08/41 (b)	EUR	700	867,169

The Allstate Corp., 7.45%, 5/16/19 (c)	USD 5,600	6,963,757
American International Group, Inc.,		
6.40%, 12/15/20 (c)	1,690	1,770,017
Aon Corp., 5.00%, 9/30/20 (c)	4,600	5,041,016
Fairfax Financial Holdings Ltd., 5.80%, 5/15/21 (a)	2,800	2,638,549
Forethought Financial Group, Inc., 8.63%, 4/15/21 (a)	1,000	1,015,846
Genworth Financial, Inc., 7.63%, 9/24/21	970	876,812
Manulife Financial Corp., 4.90%, 9/17/20 (c)	4,700	4,827,379
MPL 2 Acquisition Canco, Inc., 9.88%, 8/15/18 (a)	430	369,800
Muenchener Rueckversicherungs AG,		
6.00%, 5/26/41 (b)	EUR 300	399,239
Northwestern Mutual Life Insurance,		
6.06%, 3/30/40 (a)	USD 3,800	4,453,520
Principal Financial Group, Inc., 8.88%, 5/15/19	980	1,241,662
Prudential Financial, Inc., 6.63%, 12/01/37 (c)	3,400	4,042,855
XL Group Ltd., 5.75%, 10/01/21 (c)	3,430	3,616,602
		38,124,223
IT Services 0.7%		
Eagle Parent Canada, Inc., 8.63%, 5/01/19 (a)	720	673,200
First Data Corp. (a):		
7.38%, 6/15/19	725	717,750
8.25%, 1/15/21	90	85,500
12.63%, 1/15/21	905	855,225
SunGard Data Systems, Inc., 7.38%, 11/15/18	970	991,825
		3,323,500
Life Sciences Tools & Services 1.9%		
Bio-Rad Laboratories, Inc., 8.00%, 9/15/16	3,825	4,169,250
Life Technologies Corp., 6.00%, 3/01/20 (c)	4,200	4,681,072
		8,850,322
Machinery 1.1%		
Ingersoll-Rand Global Holding Co. Ltd., 9.50%, 4/15/14 (c)	3,400	3,996,829
Navistar International Corp., 8.25%, 11/01/21	931	1,012,463
		5,009,292

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust II, Inc. (PSY)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Media 9.3%			
AMC Networks, Inc., 7.75%, 7/15/21 (a)	USD	395	$428,575
CCH II LLC, 13.50%, 11/30/16		2,317	2,670,342
Cengage Learning Acquisitions, Inc., 10.50%, 1/15/15 (a)		700	553,000
Comcast Corp., 6.30%, 11/15/17 (c)		3,400	4,017,022
Cox Communications, Inc., 8.38%, 3/01/39 (a)		3,400	4,754,193
CSC Holdings LLC:			
8.50%, 4/15/14		680	746,300
8.50%, 6/15/15		1,500	1,627,500
8.63%, 2/15/19		1,200	1,362,000
DIRECTV Holdings LLC, 5.00%, 3/01/21		2,575	2,818,822
DISH DBS Corp., 7.00%, 10/01/13		1,750	1,850,625
Intelsat Luxembourg SA (d):			
11.50%, 2/04/17 (a)		140	140,000
11.50%, 2/04/17		400	400,000
The Interpublic Group of Cos., Inc., 10.00%, 7/15/17		1,175	1,345,375
Kabel BW Erste Beteiligungs GmbH, 7.50%, 3/15/19 (a)		1,040	1,081,600
News America, Inc., 6.15%, 3/01/37 (c)		4,200	4,612,528
Time Warner Cable, Inc., 6.75%, 6/15/39		4,050	4,922,759
Time Warner, Inc., 7.70%, 5/01/32		4,150	5,403,968
Unitymedia Hessen GmbH & Co. KG (FKA UPC Germany GmbH), 8.13%, 12/01/17 (a)		1,030	1,096,950
Virgin Media Secured Finance Plc, 6.50%, 1/15/18		2,675	2,882,312
			42,713,871
Metals & Mining 2.6%			
Alcoa, Inc., 5.40%, 4/15/21 (c)		2,455	2,432,561
Barrick Gold Corp., 2.90%, 5/30/16		1,150	1,194,001
Barrick North America Finance LLC, 5.70%, 5/30/41		1,325	1,539,975
FMG Resources August 2006 Property Ltd. (a):			
6.88%, 2/01/18		235	225,600
8.25%, 11/01/19		190	191,900
Freeport-McMoRan Corp., 7.13%, 11/01/27		2,900	3,369,641
Novelis, Inc., 8.75%, 12/15/20		975	1,062,750
Teck Resources Ltd., 10.75%, 5/15/19 (c)		1,750	2,161,250
			12,177,678
Multi-Utilities 1.6%			
CenterPoint Energy, Inc.:			
5.95%, 2/01/17		3,150	3,547,177
6.50%, 5/01/18		3,350	3,902,881
			7,450,058

Multiline Retail 1.3%		
JC Penney Co., Inc., 5.65%, 6/01/20	6,300	5,937,750
Oil, Gas & Consumable Fuels 13.0%		
Alpha Natural Resources, Inc.:		
6.00%, 6/01/19	255	253,088
6.25%, 6/01/21	705	696,188
Anadarko Petroleum Corp.:		
5.95%, 9/15/16	994	1,142,322
6.38%, 9/15/17	23	27,065
Arch Coal, Inc. (a):		
7.00%, 6/15/19	220	227,700
7.25%, 6/15/21	720	741,600
BP Capital Markets Plc (c):		
3.88%, 3/10/15	1,500	1,605,862
3.20%, 3/11/16	1,875	1,969,978
Buckeye Partners LP, 4.88%, 2/01/21	1,000	1,053,169
Chesapeake Energy Corp., 6.13%, 2/15/21	3,445	3,608,637
Chesapeake Midstream Partners LP, 5.88%, 4/15/21 (a)	595	600,950
Chesapeake Oilfield Operating LLC, 6.63%, 11/15/19 (a)	270	277,425
Consol Energy, Inc., 6.38%, 3/01/21 (a)	450	447,750
Copano Energy LLC, 7.13%, 4/01/21	560	572,600
DCP Midstream LLC, 4.75%, 9/30/21 (a)	1,200	1,252,478
Denbury Resources, Inc., 6.38%, 8/15/21	575	592,250
El Paso Corp., 7.00%, 6/15/17	1,430	1,601,600

Corporate Bonds		**Par (000)**	**Value**
Oil, Gas & Consumable Fuels (concluded)			
El Paso Pipeline Partners Operating Co., LLC,			
5.00%, 10/01/21	USD	525	$538,374
Enbridge Energy Partners LP, 9.88%, 3/01/19		2,100	2,812,517
Energy XXI Gulf Coast, Inc., 7.75%, 6/15/19		1,025	1,035,250
Enterprise Products Operating LLC, 6.65%, 4/15/18		4,200	4,940,636
Forest Oil Corp., 8.50%, 2/15/14		1,240	1,339,200
Hilcorp Energy I LP, 7.75%, 11/01/15 (a)		710	728,389
Kinder Morgan Energy Partners LP, 6.85%, 2/15/20		4,200	5,018,605
Linn Energy LLC, 7.75%, 2/01/21		955	1,019,463
Marathon Petroleum Corp., 3.50%, 3/01/16 (a)		1,375	1,410,545
MarkWest Energy Partners LP, 6.25%, 6/15/22 (e)		530	543,250
Newfield Exploration Co., 5.75%, 1/30/22		495	524,700
Oasis Petroleum, Inc.:			
7.25%, 2/01/19 (a)		340	358,700
6.50%, 11/01/21 (e)		305	306,525
OGX Petroleo e Gas Participacoes SA, 8.50%, 6/01/18 (a)		1,200	1,188,000
ONEOK Partners LP, 8.63%, 3/01/19		3,400	4,396,220
Petrobras International Finance Co., 3.88%, 1/27/16		3,725	3,811,796
Petrohawk Energy Corp.:			
10.50%, 8/01/14		615	689,569
6.25%, 6/01/19		715	807,950
Pioneer Natural Resources Co.:			
6.65%, 3/15/17		650	705,933

6.88%, 5/01/18		490	529,845
Plains Exploration & Production Co.:			
7.75%, 6/15/15		785	814,438
10.00%, 3/01/16		405	449,550
Precision Drilling Corp., 6.50%, 12/15/21 (a)		425	448,375
Premier Oil, 5.00%, 6/09/18		3,400	3,536,000
Range Resources Corp., 6.75%, 8/01/20		855	949,050
SandRidge Energy, Inc., 7.50%, 3/15/21 (a)		720	694,800
SM Energy Co., 6.63%, 2/15/19 (a)		220	222,200
Western Gas Partners LP, 5.38%, 6/01/21		1,525	1,621,746
The Williams Cos., Inc., 8.75%, 3/15/32		1,150	1,565,715
			59,678,003
Paper & Forest Products 2.9%			
Boise Paper Holdings LLC, 8.00%, 4/01/20		645	678,862
Georgia-Pacific LLC, 8.25%, 5/01/16 (a)		3,400	3,770,053
International Paper Co.:			
7.50%, 8/15/21		3,325	4,040,819
7.30%, 11/15/39		3,400	3,964,584
Longview Fibre Paper & Packaging, Inc., 8.00%, 6/01/16 (a)		330	334,950
Verso Paper Holdings LLC, 11.50%, 7/01/14		355	372,750
			13,162,018
Pharmaceuticals 7.5%			
Bristol-Myers Squibb Co., 5.88%, 11/15/36 (c)		2,214	2,812,814
Capsugel Finance Co. SCA, 9.88%, 8/01/19 (a)	EUR	300	423,412
GlaxoSmithKline Capital, Inc., 6.38%, 5/15/38 (c)	USD	7,250	9,799,629
Merck & Co., Inc. (c):			
6.50%, 12/01/33		2,070	2,831,129
6.55%, 9/15/37		4,572	6,364,956
Pfizer, Inc., 7.20%, 3/15/39 (c)		6,250	9,335,337
Valeant Pharmaceuticals International, 6.50%, 7/15/16 (a)		250	250,000
Watson Pharmaceuticals, Inc., 6.13%, 8/15/19		2,075	2,423,930
			34,241,207
Real Estate Investment Trusts (REITs) 2.8%			
AvalonBay Communities, Inc., 6.10%, 3/15/20		3,400	3,857,994
Developers Diversified Realty Corp.:			
4.75%, 4/15/18		645	606,981
7.88%, 9/01/20		775	838,861
ERP Operating LP, 5.75%, 6/15/17 (c)		3,405	3,805,363
HCP, Inc., 5.38%, 2/01/21		1,025	1,052,710
UDR, Inc., 4.25%, 6/01/18		1,475	1,516,731
Ventas Realty LP/Ventas Capital Corp., 4.75%, 6/01/21		1,135	1,111,449
			12,790,089

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust II, Inc. (PSY)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Real Estate Management & Development 0.2%			
Realogy Corp., 7.88%, 2/15/19 (a)	USD	570	$ 513,000
Shea Homes LP, 8.63%, 5/15/19 (a)		480	434,400
			947,400
Road & Rail 1.6%			
Avis Budget Car Rental LLC, 8.25%, 1/15/19		435	433,912
Florida East Coast Railway Corp., 8.13%, 2/01/17		200	200,000
The Hertz Corp., 6.75%, 4/15/19		933	951,660
Norfolk Southern Corp., 6.00%, 3/15/2105 (c)		5,000	5,783,350
			7,368,922
Semiconductors & Semiconductor Equipment 0.6%			
Advanced Micro Devices, Inc., 7.75%, 8/01/20		775	786,625
KLA-Tencor Corp., 6.90%, 5/01/18		1,928	2,194,802
			2,981,427
Specialty Retail 1.2%			
AutoNation, Inc., 6.75%, 4/15/18		1,965	2,038,688
Best Buy Co., Inc., 5.50%, 3/15/21		550	525,727
Limited Brands, Inc., 7.00%, 5/01/20		980	1,043,700
QVC, Inc., 7.38%, 10/15/20 (a)		105	114,450
VF Corp., 5.95%, 11/01/17		1,475	1,746,736
			5,469,301
Tobacco 2.0%			
Altria Group, Inc.:			
9.25%, 8/06/19		485	644,737
10.20%, 2/06/39		3,929	6,069,649
Lorillard Tobacco Co., 3.50%, 8/04/16		2,450	2,459,508
			9,173,894
Wireless Telecommunication Services 3.6%			
America Movil SAB de CV, 2.38%, 9/08/16		2,675	2,670,701
American Tower Corp.:			
4.50%, 1/15/18		1,925	1,979,951
5.90%, 11/01/21		1,295	1,431,287
Cricket Communications, Inc., 7.75%, 5/15/16		670	695,125
Crown Castle International Corp., 9.00%, 1/15/15		890	970,100
Crown Castle Towers LLC (a):			
5.50%, 1/15/37		1,175	1,279,864
6.11%, 1/15/40		1,300	1,436,491
Intelsat Jackson Holdings SA, 7.25%, 4/01/19 (a)		190	190,950
Nextel Communications, Inc., Series E, 6.88%, 10/31/13		840	829,500
SBA Tower Trust, 5.10%, 4/15/42 (a)		4,225	4,603,138
Sprint Capital Corp., 6.88%, 11/15/28		470	343,100
			16,430,207
Total Corporate Bonds 115.5%			530,502,508

Preferred Securities		
Capital Trusts		
Capital Markets 4.0%		
Ameriprise Financial, Inc., 7.52%, 6/01/66 (b)	2,500	2,525,000
State Street Capital Trust III, 5.34% (b)(f)	2,920	2,924,964
State Street Capital Trust IV, 1.35%, 6/01/37 (b)	18,235	12,772,159
		18,222,123
Commercial Banks 5.4%		
Barclays Bank Plc, 7.43% (a)(b)(c)(f)	650	607,750
BNP Paribas, 7.20% (a)(b)(c)(f)	1,500	1,237,500
Credit Agricole SA (a)(b)(c)(f):		
6.64%	1,475	996,363
8.38%	1,475	1,298,000
Dresdner Funding Trust I, 8.15%, 6/30/31 (a)	2,240	1,747,200

Capital Trusts	Par (000)	Value
Commercial Banks (concluded)		
HSBC Capital Funding LP/Jersey Channel Islands,		
10.18% (a)(b)(c)(f)	USD4,835	$6,055,837
M&T Capital Trust II, 8.28%, 6/01/27	3,630	3,666,358
National City Preferred Capital Trust I, 12.00% (b)(f)	1,100	1,141,426
NationsBank Capital Trust III, 0.95%, 1/15/27 (b)	13,470	8,021,708
		24,772,142
Diversified Financial Services 1.7%		
ING Capital Funding Trust III, 3.97% (b)(f)	1,800	1,525,003
JPMorgan Chase Capital XXIII, 1.29%, 5/15/77 (b)(c)	8,775	6,058,365
		7,583,368
Electric Utilities 0.6%		
PPL Capital Funding, 6.70%, 3/30/67 (b)	3,000	2,895,000
Insurance 8.6%		
Ace Capital Trust II, 9.70%, 4/01/30	2,500	3,244,830
The Allstate Corp., 6.50%, 5/15/67 (b)	5,000	4,656,250
American General Capital II, 8.50%, 7/01/30	100	98,000
American International Group, Inc., 8.18%, 5/15/68 (b)	900	868,500
Aon Corp., 8.21%, 1/01/27	2,500	2,911,810
AXA SA, 6.38% (a)(b)(f)	3,000	2,242,500
Bank One Capital III, 8.75%, 9/01/30 (c)	2,000	2,437,998
Chubb Corp., 6.38%, 3/29/67 (b)(c)	2,000	2,010,000
Farmers Exchange Capital, 7.05%, 7/15/28 (a)(c)	2,500	2,710,765
Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b)	2,925	3,553,875
Lincoln National Corp., 7.00%, 5/17/66 (b)(c)	3,350	3,149,000
MetLife, Inc., 6.40%, 12/15/66	3,325	3,266,274
Principal Life Insurance Co., 8.00%, 3/01/44 (a)	2,500	3,136,742
Reinsurance Group of America, 6.75%, 12/15/65 (b)	3,000	2,603,487
Swiss Re Solutions Holding Corp., 7.75%, 6/15/30 (c)	2,000	2,267,248
ZFS Finance (USA), Trust IV, 5.88%, 5/09/32 (a)(b)	379	367,630
		39,524,909
Multi-Utilities 1.5%		

Dominion Resources Capital Trust I, 7.83%, 12/01/27	2,500	2,520,288
Dominion Resources, Inc., 7.50%, 6/30/66 (b)	3,900	4,095,000
		6,615,288
Oil, Gas & Consumable Fuels 1.3%		
Enterprise Products Operating LLC, 8.38%, 8/01/66 (b)	2,000	2,070,000
TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b)	4,000	4,076,696
		6,146,696
Road & Rail 0.8%		
BNSF Funding Trust I, 6.61%, 12/15/55 (b)	3,750	3,810,938
Total Capital Trusts 23.9%		109,570,464

Preferred Stocks	**Shares**	
Auto Components 0.1%		
Dana Holding Corp., 4.00% (a)	4,000	495,000
Commercial Banks 0.2%		
SG Preferred Capital II, 6.30% (a)(b)	1,000	1,004,687
Diversified Financial Services 0.3%		
Ally Financial, Inc., 7.00% (a)	1,880	1,402,069
Thrifts & Mortgage Finance 0.0%		
Fannie Mae, Series S, 8.25% (b)(g)	14,000	27,440
Freddie Mac, Series Z, 8.38% (b)(g)	14,000	29,960
		57,400
Wireless Telecommunication Services 0.6%		
Centaur Funding Corp., 9.08% (a)	2,423	2,800,837
Total Preferred Stocks 1.2%		5,759,993

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust II, Inc. (PSY)
(Percentages shown are based on Net Assets)

Trust Preferreds		**Shares**	**Value**
Diversified Financial Services 0.3%			
GMAC Capital Trust I, Series 2, 8.13%, 2/15/40 (b)		66,410	$ 1,363,099
Total Trust Preferreds 0.3%			1,363,099
Total Preferred Securities 25.4%			116,693,556

Taxable Municipal Bonds		**Par (000)**	
Metropolitan Transportation Authority, RB, Build America Bonds, 6.55%, 11/15/31	USD	3,450	3,895,257
Total Taxable Municipal Bonds 0.8%			3,895,257

US Government Sponsored Agency Securities			
Agency Obligations 0.3%			
Fannie Mae, 4.23%, 10/09/19 (c)(h)		1,670	1,262,477
Total US Government Sponsored Agency Securities 0.3%			1,262,477

US Treasury Obligations			
US Treasury Bonds, 4.75%, 2/15/41 (c)		2,670	3,471,000
US Treasury Notes, 1.00%, 9/30/16 (c)		1,450	1,451,015
Total US Treasury Obligations 1.1%			4,922,015
Total Long-Term Investments (Cost $641,902,640) 144.0%			661,406,675

Short-Term Securities		**Shares**	
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.14% (i)(j)		405,708	405,708
Total Short-Term Securities (Cost $405,708) 0.1%			405,708

Options Purchased		**Notional Amount (000)**	
Over-the-Counter Put Swaptions 0.0%			
Pay a fixed rate of 4.50% and receive a floating rate based on 3-month LIBOR, Expires 9/16/13, Broker Credit Suisse International	EUR	5,300	108,147
Pay a fixed rate of 4.50% and receive a floating rate based on 3-month LIBOR, Expires 10/21/13, Broker Citibank NA		5,000	111,161
			219,308

Total Options Purchased		
(Cost $264,170) 0.0%		219,308
Total Investments Before Options Written		
(Cost $642,572,518*) 144.1%		662,031,691

Options Written	**Notional Amount (000)**	**Value**
Over-the-Counter Call Swaptions (0.2)%		
Pay a fixed rate of 4.03% and receive a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	USD 7,700	$(1,090,952)
Over-the-Counter Put Swaptions (0.0)%		
Receive a fixed rate of 4.03% and pay a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	7,700	(12,325)
Total Options Written		
(Premiums Received $554,400) (0.2)%		(1,103,277)
Total Investments, Net of Options Written 143.9%		660,928,414
Liabilities in Excess of Other Assets (43.9)%		(201,649,692)
Net Assets 100.0%		$459,278,722

* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2011, as computed for federal income tax purposes, were as follows:

Aggregate cost	$642,431,656
Gross unrealized appreciation	$36,903,817
Gross unrealized depreciation	(17,303,782)
Net unrealized appreciation	$19,600,035

(a) Security exempt from registration pursuant to Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(b) Variable rate security. Rate shown is as of report date.

(c) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.

(d) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.

(e) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	**Value**	**Unrealized Appreciation**
Barclays Capital, Inc.	$543,250	$ 13,250
JPMorgan Chase Bank NA	$306,525	$ 1,525

(f) Security is perpetual in nature and has no stated maturity date.

(g) Non-income producing security.

(h) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.

(i) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	**Shares Held at October 31, 2010**	**Net Activity**	**Shares Held at October 31, 2011**	**Income**
BlackRock Liquidity				

Funds, TempFund, Institutional Class	1,483,567	(1,077,859)	405,708	$5,540

(j) Represents the current yield as of report date.

For Fund compliance purposes, the Fund s industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

See Notes to Financial Statements.

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Reverse repurchase agreements outstanding as of October 31, 2011 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date	Net Closing Amount	Face Amount
UBS Securities LLC	0.38%	5/18/11	Open	$12,935,169	$12,912,000
Credit Suisse Securities (USA) LLC	0.40%	5/19/11	Open	4,646,054	4,637,500
UBS Securities LLC	0.38%	5/19/11	Open	2,183,820	2,180,000
Credit Suisse Securities (USA) LLC	0.40%	5/20/11	Open	3,398,407	3,392,188
Barclays Capital Inc.	0.40%	5/31/11	Open	2,048,499	2,045,000
Credit Suisse Securities (USA) LLC	0.35%	6/01/11	Open	6,953,547	6,943,219
UBS Securities LLC	0.35%	6/08/11	Open	4,836,856	4,830,000
UBS Securities LLC	0.38%	6/14/11	Open	6,404,450	6,395,000
UBS Securities LLC	0.38%	6/15/11	Open	9,065,464	9,051,999
BNP Paribas Securities Corp.	0.35%	6/20/11	Open	1,920,339	1,917,840
UBS Securities LLC	0.37%	6/22/11	Open	3,536,166	3,531,375
UBS Securities LLC	0.37%	6/27/11	Open	1,849,286	1,846,875
Credit Suisse Securities (USA) LLC	0.35%	7/05/11	Open	1,612,645	1,610,781
UBS Securities LLC	0.35%	7/11/11	Open	2,408,543	2,405,900
UBS Securities LLC	0.32%	7/12/11	Open	2,247,660	2,245,425
UBS Securities LLC	0.28%	7/13/11	Open	588,508	588,000
Deutsche Bank Securities, Inc.	0.35%	7/20/11	Open	9,139,106	9,129,875
Deutsche Bank Securities, Inc.	0.17%	7/29/11	Open	2,971,708	2,970,375
UBS Securities LLC	0.38%	8/01/11	Open	3,711,633	3,706,000
Deutsche Bank Securities, Inc.	0.35%	8/03/11	Open	3,624,969	3,621,800
BNP Paribas Securities Corp.	0.09%	8/05/11	Open	1,227,720	1,227,450
BNP Paribas Securities Corp.	0.35%	8/16/11	Open	1,863,394	1,862,000
BNP Paribas Securities Corp.	0.39%	8/17/11	Open	1,483,220	1,482,000
Barclays Capital Inc.	0.35%	8/18/11	Open	3,912,851	3,910,000
Barclays Capital Inc.	0.35%	8/26/11	Open	2,401,501	2,399,938
Barclays					

Capital Inc.	0.35%	8/30/11	Open	4,528,272	4,525,500
Barclays Capital Inc.	0.35%	8/31/11	Open	4,777,878	4,775,000
Barclays Capital Inc.	0.35%	9/01/11	Open	17,070,843	17,060,725
BNP Paribas Securities Corp.	0.35%	9/01/11	Open	36,121,583	36,100,174
Credit Suisse Securities (USA) LLC	0.35%	9/09/11	Open	7,104,147	7,100,489
Credit Suisse Securities (USA) LLC	0.35%	9/12/11	Open	2,087,825	2,086,750
Deutsche Bank Securities, Inc.	0.40%	9/12/11	Open	3,980,210	3,978,000
Deutsche Bank Securities, Inc.	0.35%	9/20/11	Open	1,820,743	1,820,000
Barclays Capital Inc.	0.40%	9/23/11	Open	3,160,932	3,159,563
Barclays Capital Inc.	0.40%	9/30/11	Open	3,171,065	3,169,938

Reverse repurchase agreements outstanding as of October 31, 2011 were as follows (concluded):

Counterparty	Interest Rate	Trade Date	Maturity Date	Net Closing Amount	Face Amount
Deutsche Bank Securities, Inc.	0.40 %	10/04/11	Open	$2,957,170	$2,956,250
Credit Suisse Securities (USA) LLC	0.35 %	10/06/11	Open	509,566	509,438
Barclays Capital Inc.	0.35 %	10/12/11	Open	1,991,637	1,991,250
Deutsche Bank Securities, Inc.	0.35 %	10/12/11	Open	4,600,894	4,600,000
Deutsche Bank Securities, Inc.	0.35 %	10/14/11	Open	7,464,694	7,463,388
Deutsche Bank Securities, Inc.	0.38 %	10/20/11	Open	1,042,632	1,042,500
Credit Suisse Securities (USA) LLC	0.35 %	10/27/11	Open	1,618,566	1,618,487
Credit Suisse Securities (USA) LLC	0.40 %	10/27/11	Open	5,838,587	5,838,262
BNP Paribas Securities Corp.	0.39 %	10/27/11	Open	1,529,858	1,529,774
Credit Suisse Securities (USA) LLC	(0.70 %)	10/31/11	Open	1,449,972	1,450,000
UBS Securities LLC	0.38 %	10/31/11	Open	3,415,366	3,415,185
Total				$213,213,955	$213,033,213

[1] Certain agreements have no stated maturity and can be terminated by either party at anytime.

Financial futures contracts sold as of October 31, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value		Unrealized Appreciation (Depreciation)
404	Euro-Schatz	Eurex	December 2011	EUR	44,316,780	$ (36,951)
1	German Euro Bund	Chicago Mercantile	December 2011	EUR	135,470	(306)
890	10-Year US Treasury Note	Chicago Board of Trade	December 2011	USD	114,865,625	205,436
77	Ultra US Treasury Bond	Chicago Board of Trade	December 2011	USD	11,732,875	341,830
Total						$ 510,009

Foreign currency exchange contracts as of October 31, 2011 were as follows:

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Depreciation
USD	1,477,438	EUR	1,074,500	Citibank NA	1/25/12	$ (8,539)
USD	123,988	EUR	90,000	Deutsche Bank AG	1/25/12	(477)
Total						$ (9,016)

See Notes to Financial Statements.

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Credit default swaps on single-name issues buy protection outstanding as of October 31, 2011 were as follows:

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Raytheon Co.	1.00%	Citibank NA	9/20/16	USD 1,100	$ 6,220
Raytheon Co.	1.00%	Deutsche Bank AG	9/20/16	USD 1,150	(902)
General Dynamics Corp.	1.00%	JPMorgan Chase Bank & Co.	9/20/16	USD 2,475	21,317
Computer Sciences Corp.	1.00%	Morgan Stanley & Co., Inc.	9/20/16	USD 1,160	5,463
General Dynamics Corp.	1.00%	Morgan Stanley & Co., Inc.	9/20/16	USD 1,725	5,245
Raytheon Co.	1.00%	Morgan Stanley & Co., Inc.	9/20/16	USD 650	(812)
Dell, Inc.	1.00%	Barclays Bank Plc	12/20/16	USD 2,665	(17,909)
Computer Sciences Corp.	1.00%	Credit Suisse Securities (USA) LLC	12/20/16	USD 1,185	(24,066)
Lockheed Martin Corp.	1.00%	Deutsche Bank AG	12/20/16	USD 3,025	32,089
STMicroelectronics NV	1.00%	Deutsche Bank AG	12/20/16	EUR 1,215	(1,481)
Southwest Airlines Co.	1.00%	Goldman Sachs Capital Markets LP	12/20/16	USD 1,185	(279)
Southwest Airlines Co.	1.00%	Royal Bank of Scotland Plc	12/20/16	USD 1,185	(5,382)
Total					$ 19,503

Credit default swaps on single-name issues sold protection outstanding as of October 31, 2011 were as follows:

Issuer	Receive Fixed Rate	Counterparty	Expiration Date	Issuer Credit Rating[1]	Notional Amount (000) [2]	Unrealized Appreciation (Depreciation)
Aviva USA Corp.	1.00%	Deutsche Bank AG	5/25/12	AA	USD 2,775	$ 5,018
Assured Guaranty Corp.	5.00%	Citibank NA	12/20/14	AA+	USD 180	(1,004)
Assured						

Guaranty Corp.	5.00%	Citibank NA	3/20/15	AA+	USD	770	1,234
MetLife, Inc.	1.00%	Deutsche Bank AG	3/20/18	A+	USD	900	(43,991)
Total							$ (38,743)

[1] Using S&P s rating.

[2] The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of agreement.

Credit default swaps on traded indexes buy protection outstanding as of October 31, 2011 were as follows:

Index	**Pay Fixed Rate**	**Counterparty**	**Expiration Date**	**Notional Amount (000)**	**Unrealized Depreciation**
Dow Jones CDX North America High Yield Index Series 17	5.00%	JPMorgan Chase Bank & Co.	12/20/16	USD 4,450	$ (426,393)

Interest rate swaps outstanding as of October 31, 2011 were as follows:

Fixed Rate	**Floating Rate**	**Counterparty**	**Expiration Date**	**Notional Amount (000)**	**Unrealized Appreciation (Depreciation)**
1.43%(b)	3-month LIBOR	Deutsche Bank AG	9/13/13	EUR 44,900	$ (36,575)
2.72%(b)	3-month LIBOR	Deutsche Bank AG	8/08/21	USD 6,500	242,524
4.35%(a)	3-month LIBOR	Deutsche Bank AG	4/15/41	USD 3,000	(836,056)
3.93%(a)	3-month LIBOR	Citibank NA	7/21/41	USD 6,400	(1,246,530)
3.01%(b)	3-month LIBOR	Deutsche Bank AG	9/13/41	USD 900	8,010
2.63%(b)	3-month LIBOR	Deutsche Bank AG	9/26/41	USD 1,900	(130,552)
2.81%(a)	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/11/41	USD 1,900	62,636
3.00%(a)	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/18/41	USD 1,200	(7,526)
Total					$ (1,944,069)

(a) Pays a fixed interest rate and receives floating rate.

(b) Pays a floating interest rate and receives fixed rate.

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 unadjusted price quotations in active markets/exchanges for identical assets and liabilities

Level 2 other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund s own assumptions used in determining the fair value of investments and derivative financial instruments)

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and does not necessarily correspond to the Fund s perceived risk of investing in those securities. For information about the Fund s policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

See Notes to Financial Statements.

The following tables summarize the inputs used as of October 31, 2011 in determining the fair valuation of the Fund s investments and derivative financial instruments:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Asset-Back Securities		$2,077,112	$2,053,750	$4,130,862
Corporate Bonds		526,966,508	3,536,000	530,502,508
Preferred Securities	$1,420,499	115,273,057		116,693,556
Taxable Municipal Bonds		3,895,257		3,895,257
US Government Sponsored Agency Securities		1,262,477		1,262,477
US Treasury Obligations		4,922,015		4,922,015
Short-Term Securities	405,708			405,708
Total	$1,826,207	$654,396,426	$5,589,750	$661,812,383

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments[1]				
Assets:				
Interest rate contracts	$547,266	$532,478		$1,079,744
Credit contracts		71,568	$5,018	76,586
Liabilities:				
Interest rate contracts	(37,257)	(3,360,516)		(3,397,773)
Foreign currency exchange contracts		(9,016)		(9,016)
Credit contracts		(522,219)		(522,219)
Total	$510,009	$(3,287,705)	$5,018	$(2,772,678)

1 Derivative financial instruments are swaps, financial futures contracts, foreign currency exchange contracts and options. Swaps, financial futures contracts and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Asset-Backed Securities	Corporate Bonds	Total
Assets:			
Balance, as of October 31, 2010		$103,025	$103,025
Accrued discounts/premiums	$20,514		20,514
Net realized gain (loss)		34	34
Net change in unrealized appreciation/depreciation[2]	(233,998)	141,388	(92,610)
Purchases	2,267,234	3,400,000	5,667,234
Sales		(108,447)	(108,447)
Transfers in[3]			
Transfers out[3]			
Balance, as of October 31, 2011	$2,053,750	$3,536,000	$5,589,750

2 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on investments still held at October 31, 2011 was $(97,998).

3 The Fund s policy is to recognize transfers in and transfers out as of the beginning of the period of the event or the change in circumstances that caused the transfer.

The following is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used to determine fair value:

	Credit Contracts
Assets:	
Balance, as of October 31, 2010	
Accrued discounts/premiums	$8,471
Net realized gain (loss)	
Net change in unrealized appreciation/depreciation[4]	5,018
Purchases	
Issuances[5]	14,687
Sales	
Settlements[6]	(23,158)
Transfers in[3]	
Transfers out[3]	
Balance, as of October 31, 2011	$5,018

4 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on derivative financial instruments still held at October 31, 2011 was $5,018.

5 Issuances represent upfront cash received on certain derivative financial instruments.

6 Settlements represent periodic contractual cash flows and/or cash flows to terminate certain derivative financial instruments.

A reconciliation of Level 3 investments and derivative financial instruments is presented when the Fund had a significant amount of Level 3 investments and derivative financial instruments at the beginning and/or end of the year in relation to net assets.

See Notes to Financial Statements.

Schedule of Investments October 31, 2011

BlackRock Credit Allocation Income Trust III (BPP)
(Percentages shown are based on Net Assets)

Asset-Backed Securities		Par (000)	Value
Atrium CDO Corp., Series 5A, Class A4, 0.69%, 7/20/20 (a)(b)	USD	1,300	$1,007,500
Total Asset-Backed Securities 0.5%			1,007,500
Corporate Bonds			
Aerospace & Defense 1.8%			
BE Aerospace, Inc., 8.50%, 7/01/18		1,215	1,327,387
Bombardier, Inc., 7.75%, 3/15/20 (a)		1,405	1,545,500
Huntington Ingalls Industries, Inc. (a):			
6.88%, 3/15/18		290	292,175
7.13%, 3/15/21		300	303,750
Kratos Defense & Security Solutions, Inc., 10.00%, 6/01/17		460	476,100
			3,944,912
Airlines 1.0%			
American Airlines Pass-Through Trust:			
Series 2011-1, Class A, 5.25%, 7/31/22		639	581,539
Series 2011-2, Class A, 8.63%, 4/15/23		265	265,000
Continental Airlines Pass-Through Certificates, Series 2009-2, Class B, 9.25%, 5/10/17		693	712,248
Delta Air Lines, Inc., Series 02G1, 6.72%, 7/02/24		588	580,742
			2,139,529
Auto Components 1.5%			
Daimler Finance North America LLC, 2.63%, 9/15/16 (a)(c)		1,650	1,639,890
Delphi Corp., 6.13%, 5/15/21 (a)		280	285,600
Icahn Enterprises LP:			
7.75%, 1/15/16		420	430,500
8.00%, 1/15/18		1,000	1,017,500
			3,373,490
Beverages 0.5%			
Constellation Brands, Inc., 7.25%, 5/15/17		955	1,050,500
Building Products 0.3%			
Building Materials Corp. of America (a):			
7.00%, 2/15/20		180	190,800
6.75%, 5/01/21		570	591,375
			782,175
Capital Markets 3.9%			
Ameriprise Financial, Inc., 5.30%, 3/15/20 (c)		1,500	1,634,641
E*Trade Financial Corp., 12.50%, 11/30/17 (d)		900	1,037,250

The Goldman Sachs Group, Inc., 6.25%, 2/01/41 (c)	2,150	2,217,095
Macquarie Bank Ltd., 6.63%, 4/07/21 (a)(e)	805	788,426
Morgan Stanley, 5.50%, 7/28/21 (c)(e)	2,400	2,344,159
UBS AG, 2.25%, 1/28/14 (c)	775	772,270
		8,793,841
Chemicals 1.0%		
Ashland, Inc., 9.13%, 6/01/17	245	273,788
Celanese US Holdings LLC, 5.88%, 6/15/21	760	807,500
Lyondell Chemical Co., 11.00%, 5/01/18	595	662,681
Solutia, Inc., 7.88%, 3/15/20	415	444,050
		2,188,019
Commercial Banks 5.4%		
Amsouth Bank, Series AI, 4.85%, 4/01/13	525	505,312
Asciano Finance Ltd., 5.00%, 4/07/18 (a)	425	451,838
Associated Banc-Corp, 5.13%, 3/28/16	1,070	1,104,025
BNP Paribas, 3.60%, 2/23/16 (c)	810	807,730
Branch Banking & Trust Co. (b):		
0.66%, 9/13/16	550	509,588
0.60%, 5/23/17	325	295,066

Corporate Bonds		Par (000)	Value
Commercial Banks (concluded)			
CIT Group, Inc.:			
7.00%, 5/01/15	USD	120	$120,000
7.00%, 5/02/16 (a)		720	718,200
7.00%, 5/01/17		685	685,000
7.00%, 5/02/17 (a)		100	99,750
Discover Bank, 8.70%, 11/18/19		550	622,072
HSBC Holdings Plc, 5.10%, 4/05/21 (c)		2,700	2,908,084
RESPARCS Funding LP I, 8.00% (f)(g)(h)		4,000	1,120,000
Regions Financial Corp.:			
4.88%, 4/26/13		1,225	1,194,375
5.75%, 6/15/15		850	818,125
			11,959,165
Commercial Services & Supplies 3.8%			
Aviation Capital Group Corp. (a):			
7.13%, 10/15/20 (c)		4,500	4,355,766
6.75%, 4/06/21		1,125	1,083,274
Casella Waste Systems, Inc., 7.75%, 2/15/19		336	322,560
Clean Harbors, Inc., 7.63%, 8/15/16		630	666,225
Corrections Corp. of America, 7.75%, 6/01/17		1,600	1,732,000
Iron Mountain, Inc., 7.75%, 10/01/19		190	197,125
Mobile Mini, Inc., 7.88%, 12/01/20		135	135,000
			8,491,950
Communications Equipment 0.9%			
Avaya, Inc., 9.75%, 11/01/15		400	354,000
Brocade Communications Systems, Inc., 6.88%, 1/15/20		1,450	1,518,875
EH Holding Corp., 6.50%, 6/15/19 (a)		210	214,725
			2,087,600
Consumer Finance 4.4%			

American Express Credit Corp., 2.75%, 9/15/15 (c)	2,900	2,936,148
Capital One Bank USA NA, 8.80%, 7/15/19	1,625	1,930,195
Ford Motor Credit Co., LLC, 7.00%, 4/15/15	1,420	1,547,800
Inmarsat Finance Plc, 7.38%, 12/01/17 (a)	870	930,900
SLM Corp., 6.25%, 1/25/16	2,365	2,365,000
		9,710,043
Containers & Packaging 1.4%		
Ball Corp.:		
7.13%, 9/01/16	850	920,125
6.75%, 9/15/20	1,070	1,152,925
Crown Americas LLC, 6.25%, 2/01/21 (a)	400	420,000
Graphic Packaging International, Inc., 9.50%, 6/15/17	325	355,062
Rock-Tenn Co., 9.25%, 3/15/16	150	159,375
Sealed Air Corp., 8.38%, 9/15/21 (a)	65	70,363
		3,077,850
Diversified Financial Services 9.0%		
Ally Financial, Inc.:		
4.50%, 2/11/14	400	391,000
8.30%, 2/12/15	780	819,000
8.00%, 11/01/31	990	987,525
Bank of America Corp. (c):		
5.30%, 3/15/17	2,440	2,333,345
5.00%, 5/13/21	3,625	3,403,556
Citigroup, Inc.:		
6.38%, 8/12/14	625	674,715
4.59%, 12/15/15 (c)	475	496,288
8.50%, 5/22/19	550	680,580
Countrywide Financial Corp., 6.25%, 5/15/16	1,569	1,533,040
Dolphin Subsidiary II, Inc., 7.25%, 10/15/21 (a)	430	461,175
General Electric Capital Corp., 5.30%, 2/11/21 (c)	2,225	2,367,985
General Motors Financial Co., Inc., 6.75%, 6/01/18 (a)	250	252,288
ING Bank NV, 5.00%, 6/09/21 (a)(c)	1,150	1,180,383
Intesa Sanpaolo SpA:		
2.38%, 12/21/12 (c)(e)	1,700	1,655,610
6.50%, 2/24/21 (a)	300	276,812

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust III (BPP)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Diversified Financial Services (concluded)			
Moody s Corp., 6.06%, 9/07/17	USD	1,500	$1,585,543
Reynolds Group Issuer, Inc. (a):			
7.13%, 4/15/19		115	117,300
7.88%, 8/15/19		420	438,900
6.88%, 2/15/21		105	106,050
8.25%, 2/15/21		190	174,325
WMG Acquisition Corp., 9.50%, 6/15/16 (a)		100	106,000
			20,041,420
Diversified Telecommunication Services 5.5%			
AT&T, Inc., 6.30%, 1/15/38 (c)		2,000	2,403,458
France Telecom SA, 4.13%, 9/14/21		325	334,824
Level 3 Financing, Inc.:			
8.75%, 2/15/17		355	362,988
8.13%, 7/01/19 (a)		1,247	1,234,530
Qwest Corp., 8.38%, 5/01/16		1,360	1,553,800
Telecom Italia Capital SA, 6.18%, 6/18/14		500	507,899
Telefonica Emisiones SAU, 5.46%, 2/16/21		660	668,913
Verizon Communications, Inc. (c):			
1.95%, 3/28/14		1,775	1,822,749
7.35%, 4/01/39		1,950	2,691,891
Windstream Corp., 7.88%, 11/01/17		640	691,200
			12,272,252
Electric Utilities 1.8%			
Duke Energy Corp., 3.55%, 9/15/21		825	847,464
Progress Energy, Inc., 7.00%, 10/30/31 (c)		2,000	2,622,792
Southern Co., 1.95%, 9/01/16		475	478,714
			3,948,970
Electronic Equipment, Instruments & Components 0.8%			
Jabil Circuit, Inc., 8.25%, 3/15/18		400	464,000
NXP BV, 3.15%, 10/15/13 (b)		1,450	1,421,000
			1,885,000
Energy Equipment & Services 1.2%			
Ensco Plc, 4.70%, 3/15/21		960	1,010,108
Frac Tech Services LLC, 7.63%, 11/15/18 (a)		525	548,625
Key Energy Services, Inc., 6.75%, 3/01/21		360	368,100
MEG Energy Corp., 6.50%, 3/15/21 (a)		465	484,762
Oil States International, Inc., 6.50%, 6/01/19		245	256,638
SunCoke Energy, Inc., 7.63%, 8/01/19 (a)		90	90,900
			2,759,133
Food & Staples Retailing 2.3%			
CVS Caremark Corp., 6.30%, 6/01/62 (b)		1,650	1,602,562
Wal-Mart Stores, Inc. (c):			

5.25%, 9/01/35		1,850	2,155,668
6.20%, 4/15/38		1,075	1,401,725
			5,159,955
Food Products 1.0%			
Kraft Foods, Inc.:			
6.50%, 8/11/17		800	956,241
6.13%, 8/23/18		800	952,007
Smithfield Foods, Inc., 10.00%, 7/15/14		187	217,388
			2,125,636
Gas Utilities 0.1%			
Targa Resources Partners LP, 6.88%, 2/01/21 (a)		240	237,000
Health Care Equipment & Supplies 0.6%			
Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a)		1,000	1,130,000
Teleflex, Inc., 6.88%, 6/01/19		240	248,400
			1,378,400
Corporate Bonds		**Par (000)**	**Value**
Health Care Providers & Services 4.3%			
Aetna, Inc., 6.75%, 12/15/37 (c)	USD	850	$1,081,553
Aviv Healthcare Properties LP, 7.75%, 2/15/19		220	212,300
HCA, Inc.:			
8.50%, 4/15/19		105	115,500
6.50%, 2/15/20		1,145	1,199,387
7.25%, 9/15/20		1,645	1,762,206
7.50%, 2/15/22		985	1,004,700
INC Research LLC, 11.50%, 7/15/19 (a)		340	306,000
inVentiv Health, Inc., 10.00%, 8/15/18 (a)		250	240,000
Tenet Healthcare Corp.:			
10.00%, 5/01/18		745	854,888
8.88%, 7/01/19		550	621,500
UnitedHealth Group, Inc., 6.88%, 2/15/38 (c)		1,725	2,274,682
			9,672,716
Household Durables 0.3%			
Cemex Espana Luxembourg, 9.25%, 5/12/20 (a)		723	572,978
Independent Power Producers & Energy Traders 1.4%			
AES Corp.:			
9.75%, 4/15/16		480	544,800
7.38%, 7/01/21 (a)		160	171,200
Calpine Construction Finance Co. LP, 8.00%, 6/01/16 (a)		375	399,375
Calpine Corp., 7.25%, 10/15/17 (a)		220	228,800
Energy Future Intermediate Holding Co., LLC,			
10.00%, 12/01/20		850	892,500
NRG Energy, Inc., 7.38%, 1/15/17		825	859,031
			3,095,706
Insurance 5.7%			
American International Group, Inc., 6.40%, 12/15/20 (c)		810	848,351
Aon Corp., 5.00%, 9/30/20		1,500	1,643,810
Fairfax Financial Holdings Ltd., 5.80%, 5/15/21 (a)		1,500	1,413,509
Forethought Financial Group, Inc., 8.63%, 4/15/21 (a)		525	533,319

Genworth Financial, Inc., 7.63%, 9/24/21	480	433,886
Manulife Financial Corp., 4.90%, 9/17/20	1,075	1,104,135
MPL 2 Acquisition Canco, Inc., 9.88%, 8/15/18 (a)	210	180,600
Northwestern Mutual Life Insurance,		
6.06%, 3/30/40 (a)(c)	1,800	2,109,562
Principal Financial Group, Inc., 8.88%, 5/15/19	475	601,826
Prudential Financial, Inc., 6.63%, 12/01/37 (c)	1,725	2,051,154
XL Group Ltd., 5.75%, 10/01/21 (c)	1,740	1,834,661
		12,754,813
IT Services 0.7%		
Eagle Parent Canada, Inc., 8.63%, 5/01/19 (a)	340	317,900
First Data Corp. (a):		
7.38%, 6/15/19	355	351,450
8.25%, 1/15/21	45	42,750
12.63%, 1/15/21	440	415,800
SunGard Data Systems, Inc., 7.38%, 11/15/18	470	480,575
		1,608,475
Life Sciences Tools & Services 1.9%		
Bio-Rad Laboratories, Inc., 8.00%, 9/15/16	1,830	1,994,700
Life Technologies Corp., 6.00%, 3/01/20	2,000	2,229,082
		4,223,782
Machinery 1.3%		
AGY Holding Corp., 11.00%, 11/15/14	390	287,625
Ingersoll-Rand Global Holding Co. Ltd.,		
9.50%, 4/15/14 (c)	1,725	2,027,803
Navistar International Corp., 8.25%, 11/01/21	451	490,463
		2,805,891

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust III (BPP)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Media 10.0%			
AMC Networks, Inc., 7.75%, 7/15/21 (a)	USD	190	$ 206,150
CCH II LLC, 13.50%, 11/30/16		1,128	1,300,020
Comcast Corp., 6.30%, 11/15/17 (c)		1,725	2,038,048
Cox Communications, Inc., 8.38%, 3/01/39 (a)		1,725	2,412,054
CSC Holdings LLC:			
8.50%, 4/15/14		330	362,175
8.50%, 6/15/15		800	868,000
8.63%, 2/15/19		580	658,300
DIRECTV Holdings LLC, 5.00%, 3/01/21 (c)		1,250	1,368,360
DISH DBS Corp., 7.00%, 10/01/13		850	898,875
Intelsat Luxembourg SA (d):			
11.50%, 2/04/17 (a)		60	60,000
11.50%, 2/04/17		190	190,000
The Interpublic Group of Cos., Inc., 10.00%, 7/15/17		575	658,375
Kabel BW Erste Beteiligungs GmbH, 7.50%, 3/15/19 (a)		500	520,000
News America, Inc., 6.15%, 3/01/37 (c)		2,000	2,196,442
The New York Times Co., 6.63%, 12/15/16		1,725	1,725,000
Time Warner Cable, Inc., 6.75%, 6/15/39		1,950	2,370,217
Time Warner, Inc., 7.70%, 5/01/32		2,000	2,604,322
Unitymedia Hessen GmbH & Co. KG (FKA UPC Germany GmbH), 8.13%, 12/01/17 (a)		505	537,825
Virgin Media Secured Finance Plc, 6.50%, 1/15/18		1,300	1,400,750
			22,374,913
Metals & Mining 2.6%			
Alcoa, Inc., 5.40%, 4/15/21		1,190	1,179,124
Barrick Gold Corp., 2.90%, 5/30/16 (c)		550	571,044
Barrick North America Finance LLC, 5.70%, 5/30/41		650	755,459
FMG Resources August 2006 Property Ltd. (a):			
6.88%, 2/01/18		115	110,400
8.25%, 11/01/19		90	90,900
Freeport-McMoRan Corp., 7.13%, 11/01/27		1,400	1,626,723
Novelis, Inc., 8.75%, 12/15/20		470	512,300
Teck Resources Ltd., 10.75%, 5/15/19 (c)		850	1,049,750
			5,895,700
Multi-Utilities 1.6%			
CenterPoint Energy, Inc.:			
5.95%, 2/01/17		1,500	1,689,132
6.50%, 5/01/18		1,600	1,864,062
			3,553,194

Multiline Retail 0.6%		
JC Penney Co., Inc., 5.65%, 6/01/20	1,400	1,319,500
Oil, Gas & Consumable Fuels 12.9%		
Alpha Natural Resources, Inc.:		
6.00%, 6/01/19	120	119,100
6.25%, 6/01/21	340	335,750
Anadarko Petroleum Corp.:		
5.95%, 9/15/16	497	571,161
6.38%, 9/15/17	12	14,121
Arch Coal, Inc. (a):		
7.00%, 6/15/19	115	119,025
7.25%, 6/15/21	350	360,500
BP Capital Markets Plc:		
3.88%, 3/10/15	700	749,402
3.20%, 3/11/16 (c)	925	971,856
Buckeye Partners LP, 4.88%, 2/01/21	475	500,255
Chesapeake Energy Corp., 6.13%, 2/15/21	1,690	1,770,275
Chesapeake Midstream Partners LP, 5.88%, 4/15/21 (a)	285	287,850
Chesapeake Oilfield Operating LLC,		
6.63%, 11/15/19 (a)	130	133,575
Consol Energy, Inc., 6.38%, 3/01/21 (a)	220	218,900
Copano Energy LLC, 7.13%, 4/01/21	270	276,075
DCP Midstream LLC, 4.75%, 9/30/21 (a)	625	652,332
Denbury Resources, Inc., 6.38%, 8/15/21	280	288,400
El Paso Corp., 7.00%, 6/15/17	690	772,800

Corporate Bonds		**Par (000)**	**Value**
Oil, Gas & Consumable Fuels (concluded)			
El Paso Pipeline Partners Operating Co., LLC,			
5.00%, 10/01/21	USD	300	$307,642
Enbridge Energy Partners LP, 9.88%, 3/01/19 (c)		1,000	1,339,294
Energy XXI Gulf Coast, Inc., 7.75%, 6/15/19		500	505,000
Enterprise Products Operating LLC, 6.65%, 4/15/18		2,000	2,352,684
Forest Oil Corp., 8.50%, 2/15/14		600	648,000
Hilcorp Energy I LP, 7.75%, 11/01/15 (a)		345	353,936
Kinder Morgan Energy Partners LP, 6.85%, 2/15/20 (c)		2,000	2,389,812
Linn Energy LLC, 7.75%, 2/01/21		465	496,388
Marathon Petroleum Corp., 3.50%, 3/01/16 (a)		650	666,803
MarkWest Energy Partners LP, 6.25%, 6/15/22 (i)		255	261,375
Newfield Exploration Co., 5.75%, 1/30/22		240	254,400
Oasis Petroleum, Inc.:			
7.25%, 2/01/19 (a)		165	174,075
6.50%, 11/01/21 (i)		145	145,725
OGX Petroleo e Gas Participacoes SA,			
8.50%, 6/01/18 (a)		575	569,250
ONEOK Partners LP, 8.63%, 3/01/19		1,725	2,230,435
Petrobras International Finance Co., 3.88%, 1/27/16		1,800	1,841,942
Petrohawk Energy Corp.:			
10.50%, 8/01/14		300	336,375
6.25%, 6/01/19		345	389,850

Pioneer Natural Resources Co.:		
6.65%, 3/15/17	320	347,536
6.88%, 5/01/18	240	259,516
Plains Exploration & Production Co.:		
7.75%, 6/15/15	385	399,438
10.00%, 3/01/16	200	222,000
Precision Drilling Corp., 6.50%, 12/15/21 (a)	210	221,550
Premier Oil, 5.00%, 6/09/18	1,625	1,690,000
Range Resources Corp., 6.75%, 8/01/20	415	460,650
SandRidge Energy, Inc., 7.50%, 3/15/21 (a)	350	337,750
SM Energy Co., 6.63%, 2/15/19 (a)	110	111,100
Western Gas Partners LP, 5.38%, 6/01/21	725	770,994
The Williams Cos., Inc., 8.75%, 3/15/32	400	544,596
		28,769,493
Paper & Forest Products 3.4%		
Boise Paper Holdings LLC, 8.00%, 4/01/20	310	326,275
Georgia-Pacific LLC, 8.25%, 5/01/16 (a)	1,635	1,812,952
International Paper Co.:		
7.50%, 8/15/21	1,625	1,974,836
8.70%, 6/15/38	900	1,183,981
7.30%, 11/15/39	1,725	2,011,443
Longview Fibre Paper & Packaging, Inc.,		
8.00%, 6/01/16 (a)	160	162,400
Verso Paper Holdings LLC, 11.50%, 7/01/14	170	178,500
		7,650,387
Pharmaceuticals 6.7%		
Bristol-Myers Squibb Co., 5.88%, 11/15/36 (c)	883	1,121,822
GlaxoSmithKline Capital, Inc., 6.38%, 5/15/38 (c)	3,460	4,676,789
Merck & Co., Inc. (c):		
6.50%, 12/01/33	990	1,354,018
6.55%, 9/15/37	1,979	2,755,085
Pfizer, Inc., 7.20%, 3/15/39 (c)	2,500	3,734,135
Valeant Pharmaceuticals International,		
6.50%, 7/15/16 (a)	125	125,000
Watson Pharmaceuticals, Inc., 6.13%, 8/15/19	1,021	1,192,690
		14,959,539
Professional Services 0.0%		
FTI Consulting, Inc., 7.75%, 10/01/16	100	104,250
Real Estate Investment Trusts (REITs) 2.9%		
AvalonBay Communities, Inc., 6.10%, 3/15/20 (c)	1,725	1,957,364
Developers Diversified Realty Corp.:		
4.75%, 4/15/18	315	296,433
7.88%, 9/01/20	375	405,901

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust III (BPP)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Real Estate Investment Trusts (REITs) (concluded)			
ERP Operating LP, 5.75%, 6/15/17	USD	1,715	$ 1,916,651
HCP, Inc., 5.38%, 2/01/21		500	513,517
UDR, Inc., 4.25%, 6/01/18		725	745,512
Ventas Realty LP/Ventas Capital Corp., 4.75%, 6/01/21		550	538,587
			6,373,965
Real Estate Management & Development 0.1%			
Shea Homes LP, 8.63%, 5/15/19 (a)		230	208,150
Road & Rail 1.7%			
Avis Budget Car Rental LLC, 8.25%, 1/15/19		209	208,478
Florida East Coast Railway Corp., 8.13%, 2/01/17		80	80,000
The Hertz Corp., 6.75%, 4/15/19		518	528,360
Norfolk Southern Corp., 6.00%, 3/15/2105 (c)		2,500	2,891,675
			3,708,513
Semiconductors & Semiconductor Equipment 0.7%			
Advanced Micro Devices, Inc., 7.75%, 8/01/20		400	406,000
KLA-Tencor Corp., 6.90%, 5/01/18		918	1,045,036
			1,451,036
Specialty Retail 1.2%			
AutoNation, Inc., 6.75%, 4/15/18		940	975,250
Best Buy Co., Inc., 5.50%, 3/15/21		275	262,864
Limited Brands, Inc., 7.00%, 5/01/20		470	500,550
QVC, Inc., 7.38%, 10/15/20 (a)		50	54,500
VF Corp., 5.95%, 11/01/17		725	858,565
			2,651,729
Tobacco 2.6%			
Altria Group, Inc.:			
9.25%, 8/06/19		240	319,045
10.20%, 2/06/39 (c)		1,919	2,964,534
Lorillard Tobacco Co., 3.50%, 8/04/16		1,175	1,179,560
Philip Morris International, Inc., 2.50%, 5/16/16 (c)		1,225	1,273,596
			5,736,735
Wireless Telecommunication Services 4.4%			
America Movil SAB de CV, 2.38%, 9/08/16 (c)		1,780	1,777,140
American Tower Corp.:			
4.50%, 1/15/18		925	951,405
5.05%, 9/01/20		500	528,216
Cricket Communications, Inc., 7.75%, 5/15/16		325	337,188
Crown Castle International Corp., 9.00%, 1/15/15		430	468,700
Crown Castle Towers LLC (a):			
5.50%, 1/15/37		575	626,316
4.17%, 8/15/37		1,000	1,018,865
6.11%, 1/15/40		625	690,621

Intelsat Jackson Holdings SA, 7.25%, 4/01/19 (a)	150	150,750
Nextel Communications, Inc., Series E, 6.88%, 10/31/13	395	390,062
SBA Tower Trust, 5.10%, 4/15/42 (a)	2,500	2,723,750
Sprint Capital Corp., 6.88%, 11/15/28	230	167,900
		9,830,913
Total Corporate Bonds 115.2%		256,729,218

Preferred Securities

Capital Trusts		
Capital Markets 3.7%		
State Street Capital Trust III, 5.34% (b)(g)	1,385	1,387,355
State Street Capital Trust IV, 1.35%, 6/01/37 (b)	9,675	6,776,563
		8,163,918

Capital Trusts		Par (000)	Value
Commercial Banks 3.3%			
Barclays Bank Plc (a)(b)(g):			
5.93%	USD	1,700	$1,377,000
7.43%		325	303,875
BNP Paribas, 7.20% (a)(b)(g)		700	577,500
Credit Agricole SA (a)(b)(c)(g):			
6.64%		725	489,738
8.38%		725	638,000
Dresdner Funding Trust I, 8.15%, 6/30/31 (a)		1,095	854,100
FCB/NC Capital Trust I, 8.05%, 3/01/28		1,100	1,121,794
NBP Capital Trust III, 7.38% (g)		2,000	1,300,000
National City Preferred Capital Trust I, 12.00% (b)(g)		600	622,596
			7,284,603
Consumer Finance 0.3%			
Capital One Financial Corp. Capital V, 10.25%, 8/15/39		750	776,250
Diversified Financial Services 4.4%			
ING Capital Funding Trust III, 3.97% (b)(g)		850	720,140
JPMorgan Chase Capital XXI, Series U,			
1.21%, 2/02/37 (b)		7,125	4,937,946
JPMorgan Chase Capital XXIII, 1.29%, 5/15/77 (b)		6,190	4,273,650
			9,931,736
Electric Utilities 0.4%			
PPL Capital Funding, 6.70%, 3/30/67 (b)		900	868,500
Insurance 6.5%			
The Allstate Corp., 6.50%, 5/15/67 (b)		900	838,125
American General Capital II, 8.50%, 7/01/30		100	98,000
American International Group, Inc., 8.18%, 5/15/68 (b)		400	386,000
AXA SA, 6.38% (a)(b)(g)		900	672,750
Chubb Corp., 6.38%, 3/29/67 (b)		900	904,500
Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b)		900	1,093,500
Lincoln National Corp., 7.00%, 5/17/66 (b)		900	846,000
MetLife, Inc., 6.40%, 12/15/66		900	884,104
Prudential Plc, 6.50% (g)		6,000	5,475,000

Reinsurance Group of America, 6.75%, 12/15/65 (b)	1,300	1,128,178
Swiss Re Capital I LP, 6.85% (a)(b)(g)	1,000	901,738
ZFS Finance (USA), Trust II, 6.45%, 12/15/65 (a)(b)	1,150	1,104,000
ZFS Finance (USA), Trust IV, 5.88%, 5/09/32 (a)(b)	190	184,300
		14,516,195
Oil, Gas & Consumable Fuels 0.4%		
TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b)	900	917,257
Total Capital Trusts 19.0%		42,458,459
Preferred Stocks	**Shares**	
Commercial Banks 0.5%		
SG Preferred Capital II, 6.30% (a)(b)	1,000	1,004,687
Diversified Financial Services 0.3%		
Ally Financial, Inc., 7.00% (a)	1,020	760,697
Total Preferred Stocks 0.8%		1,765,384
Trust Preferreds		
Diversified Financial Services 0.3%		
GMAC Capital Trust I, Series 2, 8.13%, 2/15/40 (b)	30,290	621,718
Total Trust Preferreds 0.3%		621,718
Total Preferred Securities 20.1%		44,845,561

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust III (BPP)
(Percentages shown are based on Net Assets)

Taxable Municipal Bonds		Par (000)	Value
Metropolitan Transportation Authority, RB, Build America Bonds, 6.55%, 11/15/31	USD	1,675	$1,891,175
Total Taxable Municipal Bonds 0.8%			1,891,175

US Government Sponsored Agency Securities		
Agency Obligations 0.3%		
Fannie Mae, 4.23%, 10/09/19 (c)(j)	805	608,559
Total US Government Sponsored Agency Securities 0.3%		608,559

U.S. Treasury Obligations		
US Treasury Bonds, 4.75%, 2/15/41 (c)	1,295	1,683,500
US Treasury Notes, 2.13%, 8/15/21 (c)	1,902	1,893,688
Total U.S. Treasury Obligations 1.6%		3,577,188

Warrants (k)	Shares	
Media 0.0%		
Cumulus Media, Inc. (Expires 3/26/19)	5,183	14,822
Total Warrants 0.0%		14,822
Total Long-Term Investments (Cost $303,928,660) 138.5%		308,674,023

Short-Term Securities		
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.14% (l)(m)	2,459,914	2,459,914
Total Short-Term Securities (Cost $2,459,914) 1.1%		2,459,914
Total Investments Before Options Written (Cost $306,388,574*) 139.6%		311,133,937

Options Written		Notional Amount (000)	
Over-the-Counter Call Swaptions (0.7)%			
Pay a fixed rate of 4.03% and receive a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	USD	3,700	(524,223)

Pay a fixed rate of 4.75% and receive a floating rate based on 3-month LIBOR, Expires 3/24/14, Broker Citibank NA	5,000	(788,225)
		(1,312,448)

Options Written	**Notional Amount (000)**	**Value**
Over-the-Counter Put Swaptions 0.0%		
Receive a fixed rate of 4.03% and pay a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker UBS AG	USD 3,700	$(5,922)
Receive a fixed rate of 4.75% and pay a floating rate based on 3-month LIBOR, Expires 3/24/14, Broker Citibank NA	5,000	(90,778)
		(96,700)
Total Options Written (Premiums Received $851,400) (0.7)%		(1,409,148)
Total Investments, Net of Options Written 138.9%		309,724,789
Liabilities in Excess of Other Assets (38.9)%		(86,786,122)
Net Assets 100.0%		$222,938,667

* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2011, as computed for federal income tax purposes, were as follows:

Aggregate cost	$	306,130,368
Gross unrealized appreciation	$	16,739,176
Gross unrealized depreciation		(11,735,607)
Net unrealized appreciation	$	5,003,569

(a) Security exempt from registration pursuant to Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
(b) Variable rate security. Rate shown is as of report date.
(c) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
(d) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
(e) All or a portion of security has been pledged as collateral in connection with swaps.
(f) Security is perpetual in nature and has no stated maturity date.
(g) Non-income producing security.
(h) Issuer filed for bankruptcy and/or is in default of interest payments.
(i) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation
Barclays Capital, Inc.	$261,375	$6,375
JPMorgan Chase Bank NA	$145,725	$ 725

(j) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
(k) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.
(l) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at October 31, 2010	Net Activity	Shares Held at October 31, 2011	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	34,466,527	(32,006,613)	2,459,914	$ 7,711

(m) Represents the current yield as of report date.

For Fund compliance purposes, the Fund s industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

See Notes to Financial Statements.

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Reverse repurchase agreements outstanding as of October 31, 2011 were as follows:

Counterparty	**Interest Rate**	**Trade Date**	**Maturity Date[1]**	**Net Closing Amount**	**Face Amount**
Credit Suisse Securities (USA) LLC	0.40%	6/07/11	Open	$2,652,545	$2,648,220
UBS Securities LLC	0.35%	6/09/11	Open	4,472,545	4,466,250
UBS Securities LLC	0.38%	6/10/11	Open	3,459,175	3,453,925
BNP Paribas Securities Corp.	0.35%	6/15/11	Open	2,109,847	2,107,000
UBS Securities LLC	0.38%	6/15/11	Open	1,766,400	1,763,812
UBS Securities LLC	0.37%	6/27/11	Open	558,979	558,250
BNP Paribas Securities Corp.	0.35%	6/28/11	Open	923,355	922,225
Credit Suisse Securities (USA) LLC	0.35%	7/05/11	Open	2,679,471	2,676,375
UBS Securities LLC	0.31%	7/07/11	Open	481,423	480,937
BNP Paribas Securities Corp.	0.35%	7/11/11	Open	849,002	848,070
UBS Securities LLC	0.30%	7/11/11	Open	2,454,509	2,452,200
Deutsche Bank Securities, Inc.	0.35%	7/20/11	Open	6,706,674	6,699,900
Deutsche Bank Securities, Inc.	0.17%	7/29/11	Open	1,441,334	1,440,688
UBS Securities LLC	0.35%	8/01/11	Open	1,881,932	1,880,250
BNP Paribas Securities Corp.	0.03%	8/04/11	Open	588,700	588,656
Credit Suisse Securities (USA) LLC	0.40%	8/05/11	Open	1,244,966	1,243,750
UBS Securities LLC	0.39%	8/05/11	Open	1,046,497	1,045,500
Credit Suisse Securities (USA) LLC	0.35%	8/10/11	Open	2,153,674	2,151,938
BNP Paribas Securities Corp.	0.35%	8/15/11	Open	1,191,603	1,190,700
UBS Securities LLC	0.35%	8/16/11	Open	1,152,012	1,151,150
BNP Paribas Securities Corp.	0.37%	8/17/11	Open	2,013,572	2,012,000
Barclays Capital Inc.	0.35%	8/18/11	Open	1,985,196	1,983,750
UBS Securities LLC	0.35%	8/18/11	Open	1,215,474	1,214,588
Barclays Capital Inc.	0.35%	8/25/11	Open	2,231,474	2,230,000
Barclays					

Capital Inc.	0.35%	8/31/11	Open	2,388,939	2,387,500
Credit Suisse Securities (USA) LLC	0.35%	9/08/11	Open	1,783,295	1,782,359
Deutsche Bank Securities, Inc.	0.38%	9/08/11	Open	1,301,491	1,300,750
UBS Securities LLC	0.37%	9/08/11	Open	1,744,906	1,743,938
UBS Securities LLC	0.40%	9/08/11	Open	1,678,657	1,677,650
UBS Securities LLC	0.38%	9/09/11	Open	4,658,730	4,656,125
UBS Securities LLC	0.40%	9/09/11	Open	1,587,184	1,586,250
Credit Suisse Securities (USA) LLC	0.35%	9/12/11	Open	1,043,882	1,043,375
Deutsche Bank Securities, Inc.	0.40%	9/12/11	Open	2,019,371	2,018,250
Barclays Capital Inc.	0.35%	9/14/11	Open	972,860	972,406
Credit Suisse Securities (USA) LLC	0.40%	9/14/11	Open	4,737,775	4,735,250

Reverse repurchase agreements outstanding as of October 31, 2011 were as follows (concluded):

Counterparty	**Interest Rate**	**Trade Date**	**Maturity Date**	**Net Closing Amount**	**Face Amount**
UBS Securities LLC	0.38%	9/14/11	Open	$7,123,607	$7,120,000
Deutsche Bank Securities, Inc.	0.40%	9/19/11	Open	1,310,626	1,310,000
Deutsche Bank Securities, Inc.	0.35%	9/20/11	Open	273,111	273,000
Barclays Capital Inc.	0.40%	9/23/11	Open	1,552,798	1,552,125
Barclays Capital Inc.	0.40%	9/30/11	Open	2,143,575	2,142,813
Credit Suisse Securities (USA) LLC	0.35%	10/28/11	Open	3,276,221	3,276,093
BNP Paribas Securities Corp.	0.08%	10/31/11	Open	1,897,248	1,897,245
Credit Suisse Securities (USA) LLC	0.35%	10/31/11	Open	1,427,790	1,427,790
UBS Securities LLC	0.38%	10/31/11	Open	2,858,220	2,858,220
Total				$93,040,645	$92,971,273

[1] Certain agreements have no stated maturity and can be terminated by either party at anytime.

Financial futures contracts purchased as of October 31, 2011 were as follows:

Contracts	**Issue**	**Exchange**	**Expiration**	**Notional Value**	**Unrealized Appreciation**
3	2-Year US Treasury Note	Chicago Board of Trade	December 2011	USD 660,844	$ 416

Financial futures contracts sold as of October 31, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
371	10-Year US Treasury Note	Chicago Board of Trade	December 2011	USD 47,882,188	$ 44,207
1	30-Year US Treasury Bond	Chicago Board of Trade	December 2011	USD 139,031	(3,518)
6	Ultra US Treasury Bond	Chicago Board of Trade	December 2011	USD 914,250	28,865
Total					$ 69,554

Credit default swaps on single-name issues buy protection outstanding as of October 31, 2011 were as follows:

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Raytheon Co.	1.00%	Citibank NA	9/20/16	USD 525	$ 2,969
Raytheon Co.	1.00%	Deutsche Bank AG	9/20/16	USD 560	(439)
General Dynamics Corp.	1.00%	JPMorgan Chase Bank & Co.	9/20/16	USD 1,225	10,551
Computer Sciences Corp.	1.00%	Morgan Stanley & Co., Inc.	9/20/16	USD 565	2,661
General Dynamics Corp.	1.00%	Morgan Stanley & Co., Inc.	9/20/16	USD 850	2,607
Raytheon Co.	1.00%	Morgan Stanley & Co., Inc.	9/20/16	USD 325	(406)
Dell, Inc.	1.00%	Barclays Bank Plc	12/20/16	USD 1,290	(8,669)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust III (BPP)

Credit default swaps on single-name issues buy protection outstanding as of October 31, 2011 were as follows (concluded):

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)		Unrealized Appreciation (Depreciation)
The New York Times Co.	1.00%	Barclays Bank Plc	12/20/16	USD	1,725	$ 11,747
Computer Sciences Corp.	1.00%	Credit Suisse Securities (USA) LLC	12/20/16	USD	570	(11,576)
Lockheed Martin Corp.	1.00%	Deutsche Bank AG	12/20/16	USD	1,500	15,912
Southwest Airlines Co.	1.00%	Goldman Sachs Capital Markets LP	12/20/16	USD	570	(134)
Southwest Airlines Co.	1.00%	Royal Bank of Scotland Plc	12/20/16	USD	570	(2,589)
Total						$ 22,634

Credit default swaps on single-name issuer sold protection outstanding as of October 31, 2011 were as follows:

Issuer	Receive Fixed Rate	Counterparty	Expiration	Issuer Credit Rating[1]	Notional Amount (000) [2]		Unrealized Appreciation (Depreciation)
Aviva USA Corp.	1.00%	Deutsche Bank AG	5/25/12	AA-	USD	1,300	$ 2,351
Assured Guaranty Corp.	5.00%	Citibank NA	12/20/14	AA+	USD	85	(474)
Assured Guaranty Corp.	5.00%	Citibank NA	3/20/15	AA+	USD	365	585
MetLife, Inc.	1.00%	Deutsche Bank AG	3/20/18	A+	USD	425	(20,773)
Total							$ (18,311)

1 Using S&P s rating.

2 The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of agreement.

Credit default swaps on traded indexes buy protection outstanding as of October 31, 2011 were as follows:

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Depreciation

Dow Jones CDX North America High Yield Index Series	17	5.00%	JPMorgan Chase Bank & Co.	12/20/16	USD 2,150	$(206,010)

Interest rate swaps outstanding as of October 31, 2011 were as follows:

Fixed Rate	Floating Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
0.63[a]	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/21/13	USD 30,600	$ 40,700
0.64[a]	3-month LIBOR	Deutsche Bank AG	10/21/13	USD 30,600	48,184
0.60[b]	3-month LIBOR	Deutsche Bank AG	11/01/13	USD 61,000	(43,162)
2.32[a]	3-month LIBOR	Citibank NA	3/28/16	USD 2,000	104,016
1.49[b]	3-month LIBOR	Deutsche Bank AG	10/14/16	USD 1,800	(17,574)
2.72[a]	3-month LIBOR	Deutsche Bank AG	8/08/21	USD 5,500	205,212
2.39[a]	3-month LIBOR	Deutsche Bank AG	10/14/21	USD 1,000	5,915
4.38[b]	3-month LIBOR	Goldman Sachs International	4/14/41	USD 200	(56,675)
4.35[b]	3-month LIBOR	Deutsche Bank AG	4/15/41	USD 1,500	(418,028)
3.93[b]	3-month LIBOR	Citibank NA	7/21/41	USD 2,600	(506,403)
2.63[a]	3-month LIBOR	Deutsche Bank AG	9/26/41	USD 900	(61,840)
2.81[b]	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/11/41	USD 900	29,670
3.00[b]	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/18/41	USD 600	(3,763)
Total					$ (673,748)

[a] Fund pays a floating interest rate and receives fixed rate.
[b] Fund pays a fixed interest rate and receives floating rate.

Fair Value Measurements   Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1   unadjusted price quotations in active markets/exchanges for identical assets and liabilities

Level 2   other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund s own assumptions used in determining the fair value of investments and derivative financial instruments)

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and does not necessarily correspond to the Fund s perceived risk of investing in those securities. For information about the Fund s policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

See Notes to Financial Statements.

The following tables summarize the inputs used as of October 31, 2011 in determining the fair valuation of the Fund s investments and derivative financial instruments:

Investments in Securities

Valuation Inputs	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Long-Term Investments:				
Asset-Back Securities			$1,007,500	$1,007,500
Corporate Bonds		$255,039,218	1,690,000	256,729,218
Preferred Securities	$621,718	44,223,843		44,845,561
Taxable Municipal Bonds		1,891,175		1,891,175
US Government Sponsored Agency Securities		608,559		608,559
US Treasury Obligations		3,577,188		3,577,188
Warrants		14,822		14,822
Short-Term Securities	2,459,914			2,459,914
Total	$3,081,632	$305,354,805	$2,697,500	$311,133,937

Valuation Inputs	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative Financial Instruments[1]				
Assets:				
Interest rate contracts	$73,488	$433,697		$507,185
Credit contracts		47,032	$2,351	49,383
Liabilities:				
Interest rate contracts	(3,518)	(2,516,593)	-	(2,520,111)
Credit contracts		(251,070)		(251,070)
Total	$69,970	$(2,286,934)	$2,351	$(2,214,613)

1 Derivative financial instruments are swaps, financial futures contracts, foreign currency exchange contracts and options. Swaps, financial futures contracts and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Asset-Backed Securities	Common Stocks	Corporate Bonds	Preferred Securities	Total
Assets:					
Balance, as of October 31, 2010		$54,708	$180	$270,532	$325,420
Accrued discounts/premiums	$10,064		720		10,784
Net realized gain (loss)		(1,062,064)	3,233	452,316	(606,515)
Net change in unrealized appreciation/depreciation[2]	(114,792)	1,129,549	69,964	(97,813)	986,908
Purchases	1,112,228		1,625,000		2,737,228
Sales		(122,193)	(9,097)	(625,035)	(756,325)
Transfers in[3]					
Transfers out[3]					
Balance, as of October 31, 2011	$1,007,500		$1,690,000		$2,697,500

2 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on investments still held at October 31, 2011 was $(49,792).

3 The Fund s policy is to recognize transfers in and transfers out as of the beginning of the period of the event or the change in circumstances that caused the transfer.

The following is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used to determine fair value:

	Credit Contracts
Assets:	
Balance, as of October 31, 2010	
Accrued discounts/premiums	$3,968
Net realized gain (loss)	
Net change in unrealized appreciation/depreciation[4]	2,351
Purchases	
Issuances[5]	6,880
Sales	
Settlements[6]	(10,848)
Transfers in[3]	
Transfers out[3]	
Balance, as of October 31, 2011	$2,351

4 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on derivative financial instruments still held at October 31, 2011 was $2,351.

5 Issuances represent upfront cash received on certain derivative financial instruments.

6 Settlements represent periodic contractual cash flows and/or cash flows to terminate certain derivative financial instruments.

A reconciliation of Level 3 investments and derivative financial instruments is presented when the Fund had a significant amount of Level 3 investments and derivative financial instruments at the beginning and/or end of the year in relation to net assets.

See Notes to Financial Statements.

Schedule of Investments October 31, 2011

BlackRock Credit Allocation Income Trust IV (BTZ)
(Percentages shown are based on Net Assets)

Asset-Backed Securities	Par (000)	Value
Atrium CDO Corp., Series 5A, Class A4, 0.69%, 7/20/20 (a)(b)	$4,400	$3,410,000
SLM Student Loan Trust, Series 2004-B, Class A2, 0.55%, 6/15/21 (b)	3,995	3,825,176
Total Asset-Backed Securities 1.0%		7,235,176
Corporate Bonds		
Aerospace & Defense 1.7%		
BE Aerospace, Inc., 8.50%, 7/01/18	3,575	3,905,687
Bombardier, Inc., 7.75%, 3/15/20 (a)	4,500	4,950,000
Huntington Ingalls Industries, Inc. (a):		
6.88%, 3/15/18	990	997,425
7.13%, 3/15/21	960	972,000
Kratos Defense & Security Solutions, Inc., 10.00%, 6/01/17	1,662	1,720,170
		12,545,282
Airlines 1.0%		
American Airlines Pass-Through Trust:		
Series 2011-1, Class A, 5.25%, 7/31/22	2,421	2,203,488
Series 2011-2, Class A, 8.63%, 4/15/23	940	940,000
Continental Airlines Pass-Through Certificates, Series 2009-2, Class B, 9.25%, 5/10/17	1,990	2,044,841
Delta Air Lines, Inc., Series 02G1, 6.72%, 7/02/24	2,205	2,177,782
		7,366,111
Auto Components 1.5%		
Daimler Finance North America LLC, 2.63%, 9/15/16 (a)(c)	5,675	5,640,229
Delphi Corp., 6.13%, 5/15/21 (a)	950	969,000
Icahn Enterprises LP:		
7.75%, 1/15/16	1,700	1,742,500
8.00%, 1/15/18	2,500	2,543,750
		10,895,479
Beverages 0.5%		
Constellation Brands, Inc., 7.25%, 5/15/17	3,230	3,553,000
Building Products 0.4%		
Building Materials Corp. of America (a):		
7.00%, 2/15/20	790	837,400
6.75%, 5/01/21	1,930	2,002,375
		2,839,775
Capital Markets 5.4%		

Ameriprise Financial, Inc., 5.30%, 3/15/20 (c)	4,500	4,903,925
E*Trade Financial Corp., 12.50%, 11/30/17 (d)	2,565	2,956,163
The Goldman Sachs Group, Inc. (c):		
7.50%, 2/15/19	6,850	7,738,972
6.25%, 2/01/41	7,350	7,579,371
Macquarie Bank Ltd., 6.63%, 4/07/21 (a)(c)	3,415	3,344,689
Morgan Stanley, 5.50%, 7/28/21 (c)	8,210	8,018,978
UBS AG (c):		
2.25%, 1/28/14	2,678	2,668,565
5.88%, 7/15/16	1,575	1,627,038
		38,837,701
Chemicals 1.0%		
Ashland, Inc., 9.13%, 6/01/17	840	938,700
Celanese US Holdings LLC, 5.88%, 6/15/21	2,560	2,720,000
Lyondell Chemical Co., 11.00%, 5/01/18	2,080	2,316,600
Solutia, Inc., 7.88%, 3/15/20	1,425	1,524,750
		7,500,050
Commercial Banks 4.3%		
Amsouth Bank, Series AI, 4.85%, 4/01/13	1,800	1,732,500
Asciano Finance Ltd., 5.00%, 4/07/18 (a)	1,475	1,568,143
Associated Banc-Corp, 5.13%, 3/28/16	3,645	3,760,907

Corporate Bonds	Par (000)	Value
Commercial Banks (concluded)		
BNP Paribas, 3.60%, 2/23/16 (c)	$2,790	$2,782,180
Branch Banking & Trust Co. (b)(c):		
0.66%, 9/13/16	1,850	1,714,069
0.60%, 5/23/17	1,100	998,686
CIT Group, Inc.:		
7.00%, 5/01/15	420	420,000
7.00%, 5/02/16 (a)	2,590	2,583,525
7.00%, 5/01/17	1,898	1,898,000
7.00%, 5/02/17 (a)	650	648,375
Discover Bank, 8.70%, 11/18/19	1,950	2,205,528
HSBC Holdings Plc, 5.10%, 4/05/21 (c)	3,500	3,769,738
Regions Financial Corp.:		
4.88%, 4/26/13	4,150	4,046,250
5.75%, 6/15/15	3,000	2,887,500
		31,015,401
Commercial Services & Supplies 3.9%		
Aviation Capital Group Corp. (a):		
7.13%, 10/15/20 (c)	15,000	14,519,221
6.75%, 4/06/21	3,850	3,707,204
Casella Waste Systems, Inc., 7.75%, 2/15/19	1,201	1,152,960
Clean Harbors, Inc., 7.63%, 8/15/16	2,250	2,379,375
Corrections Corp. of America, 7.75%, 6/01/17	4,835	5,233,887
Iron Mountain, Inc., 7.75%, 10/01/19	650	674,375
Mobile Mini, Inc., 7.88%, 12/01/20	455	455,000
		28,122,022
Communications Equipment 0.8%		

Avaya, Inc., 9.75%, 11/01/15	1,400	1,239,000
Brocade Communications Systems, Inc., 6.88%, 1/15/20	3,580	3,750,050
EH Holding Corp., 6.50%, 6/15/19 (a)	700	715,750
		5,704,800
Consumer Finance 4.2%		
American Express Credit Corp., 2.75%, 9/15/15 (c)	9,850	9,972,780
Capital One Bank USA NA, 8.80%, 7/15/19	3,950	4,691,858
Ford Motor Credit Co., LLC, 7.00%, 4/15/15	4,730	5,155,700
Inmarsat Finance Plc, 7.38%, 12/01/17 (a)	2,515	2,691,050
SLM Corp., 6.25%, 1/25/16	8,205	8,205,000
		30,716,388
Containers & Packaging 1.3%		
Ball Corp.:		
7.13%, 9/01/16	2,000	2,165,000
6.75%, 9/15/20	3,575	3,852,062
Crown Americas LLC, 6.25%, 2/01/21 (a)	1,350	1,417,500
Graphic Packaging International, Inc., 9.50%, 6/15/17	1,105	1,207,213
Rock-Tenn Co., 9.25%, 3/15/16	800	850,000
Sealed Air Corp., 8.38%, 9/15/21 (a)	220	238,150
		9,729,925
Diversified Financial Services 10.4%		
Ally Financial, Inc.:		
4.50%, 2/11/14	1,500	1,466,250
8.30%, 2/12/15	2,890	3,034,500
8.00%, 11/01/31	2,900	2,892,750
Bank of America Corp. (c):		
5.30%, 3/15/17	6,505	6,220,660
5.00%, 5/13/21	12,100	11,360,835
Citigroup, Inc.:		
6.38%, 8/12/14	2,150	2,321,020
4.59%, 12/15/15 (c)	1,575	1,645,585
Countrywide Financial Corp., 6.25%, 5/15/16	6,500	6,351,026
Dolphin Subsidiary II, Inc., 7.25%, 10/15/21 (a)	1,475	1,581,938
General Electric Capital Corp., 5.30%, 2/11/21 (c)	7,775	8,274,645
General Motors Financial Co., Inc., 6.75%, 6/01/18 (a)	830	837,597
ING Bank NV, 5.00%, 6/09/21 (a)(c)	3,950	4,054,359

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust IV (BTZ)
(Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value
Diversified Financial Services (concluded)		
Intesa Sanpaolo SpA (c):		
2.38%, 12/21/12 (e)	$5,800	$5,648,550
6.50%, 2/24/21 (a)	922	850,735
JPMorgan Chase & Co., 3.15%, 7/05/16 (c)	4,375	4,382,424
Moody's Corp., 6.06%, 9/07/17	10,000	10,570,290
Reynolds Group Issuer, Inc. (a):		
7.13%, 4/15/19	420	428,400
7.88%, 8/15/19	1,470	1,536,150
6.88%, 2/15/21	360	363,600
8.25%, 2/15/21	795	729,413
WMG Acquisition Corp., 9.50%, 6/15/16 (a)	340	360,400
		74,911,127
Diversified Telecommunication Services 5.4%		
AT&T, Inc.:		
2.40%, 8/15/16	1,525	1,558,985
6.30%, 1/15/38 (c)	5,000	6,008,645
France Telecom SA, 4.13%, 9/14/21 (c)	1,125	1,159,007
Level 3 Financing, Inc.:		
8.75%, 2/15/17	1,240	1,267,900
8.13%, 7/01/19 (a)	4,407	4,362,930
Qwest Corp., 8.38%, 5/01/16	3,285	3,753,112
Telecom Italia Capital SA, 6.18%, 6/18/14	1,650	1,676,068
Telefonica Emisiones SAU, 5.46%, 2/16/21 (c)	2,250	2,280,384
Verizon Communications, Inc. (c):		
1.95%, 3/28/14	8,525	8,754,331
7.35%, 4/01/39	4,700	6,488,148
Windstream Corp., 7.88%, 11/01/17	1,580	1,706,400
		39,015,910
Electric Utilities 3.0%		
Dominion Resources, Inc., 8.88%, 1/15/19 (c)	8,000	10,580,224
Duke Energy Corp., 3.55%, 9/15/21 (c)	2,825	2,901,922
Progress Energy, Inc., 7.00%, 10/30/31 (c)	5,000	6,556,980
Southern Co., 1.95%, 9/01/16	1,625	1,637,706
		21,676,832
Electronic Equipment, Instruments & Components 0.9%		
Jabil Circuit, Inc., 8.25%, 3/15/18	1,200	1,392,000
NXP BV, 3.15%, 10/15/13 (b)	4,900	4,802,000
		6,194,000
Energy Equipment & Services 1.3%		
Ensco Plc, 4.70%, 3/15/21	3,255	3,424,898
Frac Tech Services LLC, 7.63%, 11/15/18 (a)	1,795	1,875,775
Key Energy Services, Inc., 6.75%, 3/01/21	1,240	1,267,900

MEG Energy Corp., 6.50%, 3/15/21 (a)	1,580	1,647,150
Oil States International, Inc., 6.50%, 6/01/19	835	874,662
SunCoke Energy, Inc., 7.63%, 8/01/19 (a)	320	323,200
		9,413,585
Food & Staples Retailing 1.8%		
CVS Caremark Corp., 6.30%, 6/01/62 (b)	2,900	2,816,625
Wal-Mart Stores, Inc. (c):		
5.25%, 9/01/35	2,650	3,087,849
6.20%, 4/15/38	5,225	6,813,034
		12,717,508
Food Products 0.8%		
Kraft Foods, Inc.:		
6.50%, 8/11/17	1,985	2,372,672
6.13%, 8/23/18	1,990	2,368,118
Smithfield Foods, Inc., 10.00%, 7/15/14	668	776,550
		5,517,340
Gas Utilities 0.1%		
Targa Resources Partners LP, 6.88%, 2/01/21 (a)	820	809,750
Health Care Equipment & Supplies 0.8%		
Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a)	4,250	4,802,500
Teleflex, Inc., 6.88%, 6/01/19	815	843,525
		5,646,025

Corporate Bonds	Par (000)	Value
Health Care Providers & Services 3.8%		
Aetna, Inc., 6.75%, 12/15/37 (c)	$2,025	$2,576,640
Aviv Healthcare Properties LP, 7.75%, 2/15/19	765	738,225
HCA, Inc.:		
8.50%, 4/15/19	265	291,500
6.50%, 2/15/20	3,780	3,959,550
7.25%, 9/15/20	4,590	4,917,038
7.50%, 2/15/22	3,365	3,432,300
INC Research LLC, 11.50%, 7/15/19 (a)	1,155	1,039,500
inVentiv Health, Inc., 10.00%, 8/15/18 (a)	840	806,400
Tenet Healthcare Corp.:		
10.00%, 5/01/18	2,175	2,495,813
8.88%, 7/01/19	1,825	2,062,250
UnitedHealth Group, Inc., 6.88%, 2/15/38	4,075	5,373,523
		27,692,739
Household Durables 0.5%		
Cemex Espana Luxembourg, 9.25%, 5/12/20 (a)	4,947	3,920,498
Independent Power Producers & Energy Traders 1.5%		
AES Corp.:		
9.75%, 4/15/16	1,620	1,838,700
7.38%, 7/01/21 (a)	535	572,450
Calpine Construction Finance Co. LP, 8.00%, 6/01/16 (a)	1,265	1,347,225
Calpine Corp., 7.25%, 10/15/17 (a)	730	759,200

Energy Future Intermediate Holding Co., LLC,		
10.00%, 12/01/20	2,910	3,055,500
NRG Energy, Inc., 7.38%, 1/15/17	2,820	2,936,325
		10,509,400
Insurance 4.5%		
American International Group, Inc., 6.40%, 12/15/20 (c)	2,800	2,932,572
Fairfax Financial Holdings Ltd., 5.80%, 5/15/21 (a)	4,975	4,688,137
Forethought Financial Group, Inc., 8.63%, 4/15/21 (a)	1,625	1,650,750
Genworth Financial, Inc., 7.63%, 9/24/21	1,615	1,459,847
Manulife Financial Corp., 4.90%, 9/17/20	3,650	3,748,922
MPL 2 Acquisition Canco, Inc., 9.88%, 8/15/18 (a)	715	614,900
Northwestern Mutual Life Insurance, 6.06%, 3/30/40 (a)(c)	5,500	6,445,884
Principal Financial Group, Inc., 8.88%, 5/15/19	1,145	1,450,717
Prudential Financial, Inc., 6.63%, 12/01/37 (c)	4,075	4,845,481
XL Group Ltd., 5.75%, 10/01/21 (c)	4,105	4,328,324
		32,165,534
IT Services 0.8%		
Eagle Parent Canada, Inc., 8.63%, 5/01/19 (a)	1,180	1,103,300
First Data Corp. (a):		
7.38%, 6/15/19	1,205	1,192,950
8.25%, 1/15/21	145	137,750
12.63%, 1/15/21	1,490	1,408,050
SunGard Data Systems, Inc., 7.38%, 11/15/18	1,610	1,646,225
		5,488,275
Life Sciences Tools & Services 1.6%		
Bio-Rad Laboratories, Inc., 8.00%, 9/15/16	5,480	5,973,200
Life Technologies Corp., 6.00%, 3/01/20	4,800	5,349,797
		11,322,997
Machinery 0.9%		
Ingersoll-Rand Global Holding Co. Ltd., 9.50%, 4/15/14 (c)	4,075	4,790,317
Navistar International Corp., 8.25%, 11/01/21	1,439	1,564,913
		6,355,230
Media 7.8%		
AMC Networks, Inc., 7.75%, 7/15/21 (a)	655	710,675
CCH II LLC, 13.50%, 11/30/16	3,851	4,438,277
Cengage Learning Acquisitions, Inc., 10.50%, 1/15/15 (a)	1,165	920,350
Comcast Corp., 6.30%, 11/15/17 (c)	4,075	4,814,519
Cox Communications, Inc., 8.38%, 3/01/39 (a)	4,075	5,698,040
CSC Holdings LLC:		
8.50%, 4/15/14	1,130	1,240,175
8.50%, 6/15/15	2,300	2,495,500
8.63%, 2/15/19	1,950	2,213,250

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust IV (BTZ)
(Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value
Media (concluded)		
DIRECTV Holdings LLC, 5.00%, 3/01/21 (c)	$4,150	$4,542,955
DISH DBS Corp., 7.00%, 10/01/13	1,950	2,062,125
Intelsat Luxembourg SA (d):		
11.50%, 2/04/17 (a)	240	240,000
11.50%, 2/04/17	630	630,000
The Interpublic Group of Cos., Inc., 10.00%, 7/15/17	1,975	2,261,375
Kabel BW Erste Beteiligungs GmbH, 7.50%, 3/15/19 (a)	1,760	1,830,400
News America, Inc., 6.15%, 3/01/37 (c)	4,850	5,326,372
Time Warner Cable, Inc., 6.75%, 6/15/39	4,675	5,682,444
Time Warner, Inc., 7.70%, 5/01/32 (c)	4,900	6,380,589
Unitymedia Hessen GmbH & Co. KG (FKA UPC Germany GmbH), 8.13%, 12/01/17 (a)	1,225	1,304,625
Virgin Media Secured Finance Plc, 6.50%, 1/15/18	3,175	3,421,062
		56,212,733
Metals & Mining 2.4%		
Alcoa, Inc., 5.40%, 4/15/21 (c)	4,090	4,052,618
Barrick Gold Corp., 2.90%, 5/30/16	1,925	1,998,654
Barrick North America Finance LLC, 5.70%, 5/30/41	2,275	2,644,107
FMG Resources August 2006 Property Ltd. (a):		
6.88%, 2/01/18	390	374,400
8.25%, 11/01/19	310	313,100
Freeport-McMoRan Corp., 7.13%, 11/01/27	3,500	4,066,808
Novelis, Inc., 8.75%, 12/15/20	1,610	1,754,900
Teck Resources Ltd., 10.75%, 5/15/19	2,000	2,470,000
		17,674,587
Multi-Utilities 1.2%		
CenterPoint Energy, Inc.:		
5.95%, 2/01/17	3,600	4,053,917
6.50%, 5/01/18	3,950	4,601,904
		8,655,821
Multiline Retail 1.6%		
JC Penney Co., Inc., 5.65%, 6/01/20	12,400	11,687,000
Oil, Gas & Consumable Fuels 12.5%		
Alpha Natural Resources, Inc.:		
6.00%, 6/01/19	415	411,888
6.25%, 6/01/21	1,165	1,150,438
Anadarko Petroleum Corp.:		
5.95%, 9/15/16	1,686	1,937,580
6.38%, 9/15/17	52	61,191
Arch Coal, Inc. (a):		

7.00%, 6/15/19	370	382,950
7.25%, 6/15/21	1,195	1,230,850
BP Capital Markets Plc (c):		
5.25%, 11/07/13	2,100	2,271,032
3.88%, 3/10/15	3,085	3,302,724
Buckeye Partners LP, 4.88%, 2/01/21 (c)	1,650	1,737,729
Chesapeake Energy Corp., 6.13%, 2/15/21	5,745	6,017,887
Chesapeake Midstream Partners LP, 5.88%, 4/15/21 (a)	980	989,800
Chesapeake Oilfield Operating LLC, 6.63%, 11/15/19 (a)	450	462,375
Consol Energy, Inc., 6.38%, 3/01/21 (a)	745	741,275
Copano Energy LLC, 7.13%, 4/01/21	930	950,925
DCP Midstream LLC, 4.75%, 9/30/21 (a)	2,100	2,191,837
Denbury Resources, Inc., 6.38%, 8/15/21	955	983,650
El Paso Corp., 7.00%, 6/15/17	2,390	2,676,800
El Paso Pipeline Partners Operating Co., LLC,		
5.00%, 10/01/21	900	922,927
Enbridge Energy Partners LP, 9.88%, 3/01/19 (c)	2,425	3,247,788
Energy XXI Gulf Coast, Inc., 7.75%, 6/15/19	1,700	1,717,000
Enterprise Products Operating LLC, 6.65%, 4/15/18	4,800	5,646,442
Forest Oil Corp., 8.50%, 2/15/14	2,055	2,219,400
Hilcorp Energy I LP, 7.75%, 11/01/15 (a)	1,175	1,205,432
Kinder Morgan Energy Partners LP, 6.85%, 2/15/20	4,800	5,735,549
Linn Energy LLC, 7.75%, 2/01/21	1,585	1,691,987
Marathon Petroleum Corp., 3.50%, 3/01/16 (a)(c)	2,250	2,308,165
MarkWest Energy Partners LP, 6.25%, 6/15/22 (f)	880	902,000

Corporate Bonds	**Par (000)**	**Value**
Oil, Gas & Consumable Fuels (concluded)		
Newfield Exploration Co., 5.75%, 1/30/22	$820	$869,200
Oasis Petroleum, Inc.:		
7.25%, 2/01/19 (a)	560	590,800
6.50%, 11/01/21 (f)	505	507,525
OGX Petroleo e Gas Participacoes SA, 8.50%, 6/01/18 (a)	1,950	1,930,500
ONEOK Partners LP, 8.63%, 3/01/19 (c)	4,075	5,268,999
Petrobras International Finance Co., 3.88%, 1/27/16	6,150	6,293,301
Petrohawk Energy Corp.:		
10.50%, 8/01/14	1,020	1,143,675
6.25%, 6/01/19	1,180	1,333,400
Pioneer Natural Resources Co.:		
6.65%, 3/15/17	1,080	1,172,934
6.88%, 5/01/18	820	886,680
Plains Exploration & Production Co.:		
7.75%, 6/15/15	1,300	1,348,750
10.00%, 3/01/16	700	777,000
Precision Drilling Corp., 6.50%, 12/15/21 (a)	700	738,500
Premier Oil, 5.00%, 6/09/18	5,650	5,876,000
Range Resources Corp., 6.75%, 8/01/20	1,415	1,570,650
SandRidge Energy, Inc., 7.50%, 3/15/21 (a)	1,200	1,158,000
SM Energy Co., 6.63%, 2/15/19 (a)	365	368,650
Western Gas Partners LP, 5.38%, 6/01/21	2,525	2,685,186

The Williams Cos., Inc., 8.75%, 3/15/32	1,900	2,586,833
		90,204,204
Paper & Forest Products 2.8%		
Boise Paper Holdings LLC, 8.00%, 4/01/20	1,070	1,126,175
Georgia-Pacific LLC, 8.25%, 5/01/16 (a)	3,955	4,385,458
International Paper Co.:		
7.50%, 8/15/21 (c)	3,950	4,800,372
8.70%, 6/15/38	3,100	4,078,155
7.30%, 11/15/39	4,075	4,751,670
Longview Fibre Paper & Packaging, Inc., 8.00%, 6/01/16 (a)	545	553,175
Verso Paper Holdings LLC, 11.50%, 7/01/14	590	619,500
		20,314,505
Pharmaceuticals 7.1%		
Bristol-Myers Squibb Co., 5.88%, 11/15/36 (c)	3,549	4,508,888
GlaxoSmithKline Capital, Inc., 6.38%, 5/15/38 (c)	10,100	13,651,897
Merck & Co., Inc. (c):		
6.50%, 12/01/33	2,885	3,945,800
6.55%, 9/15/37	6,945	9,668,551
Pfizer, Inc., 7.20%, 3/15/39 (c)	10,000	14,936,540
Valeant Pharmaceuticals International,		
6.50%, 7/15/16 (a)	450	450,000
Watson Pharmaceuticals, Inc., 6.13%, 8/15/19	3,495	4,082,716
		51,244,392
Real Estate Investment Trusts (REITs) 2.5%		
AvalonBay Communities, Inc., 6.10%, 3/15/20 (c)	4,075	4,623,919
Developers Diversified Realty Corp.:		
4.75%, 4/15/18	1,025	964,582
7.88%, 9/01/20	1,325	1,434,183
ERP Operating LP, 5.75%, 6/15/17	4,080	4,559,730
HCP, Inc., 5.38%, 2/01/21	1,675	1,720,282
UDR, Inc., 4.25%, 6/01/18	2,675	2,750,681
Ventas Realty LP/Ventas Capital Corp., 4.75%, 6/01/21	1,880	1,840,990
		17,894,367
Real Estate Management & Development 0.2%		
Realogy Corp., 7.88%, 2/15/19 (a)	940	846,000
Shea Homes LP, 8.63%, 5/15/19 (a)	805	728,525
		1,574,525
Road & Rail 1.7%		
Avis Budget Car Rental LLC, 8.25%, 1/15/19	720	718,200
Florida East Coast Railway Corp., 8.13%, 2/01/17	320	320,000
The Hertz Corp., 6.75%, 4/15/19	1,554	1,585,080
Norfolk Southern Corp., 6.00%, 3/15/2105 (c)	8,500	9,831,695
		12,454,975

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust IV (BTZ)
(Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value
Semiconductors & Semiconductor Equipment 0.5%		
Advanced Micro Devices, Inc., 7.75%, 8/01/20	$1,300	$1,319,500
KLA-Tencor Corp., 6.90%, 5/01/18	2,208	2,513,550
		3,833,050
Specialty Retail 1.2%		
AutoNation, Inc., 6.75%, 4/15/18	2,775	2,879,063
Best Buy Co., Inc., 5.50%, 3/15/21	1,050	1,003,661
Limited Brands, Inc., 7.00%, 5/01/20	1,370	1,459,050
QVC, Inc., 7.38%, 10/15/20 (a)	175	190,750
VF Corp., 5.95%, 11/01/17 (c)	2,450	2,901,359
		8,433,883
Tobacco 4.2%		
Altria Group, Inc.:		
9.70%, 11/10/18	4,075	5,476,885
9.25%, 8/06/19	4,780	6,354,312
10.20%, 2/06/39	6,607	10,206,712
Lorillard Tobacco Co., 3.50%, 8/04/16	4,150	4,166,106
Philip Morris International, Inc., 2.50%, 5/16/16 (c)	4,200	4,366,614
		30,570,629
Wireless Telecommunication Services 4.3%		
America Movil SAB de CV, 2.38%, 9/08/16	7,455	7,443,020
American Tower Corp.:		
4.50%, 1/15/18	3,200	3,291,347
5.90%, 11/01/21	2,180	2,409,425
Cricket Communications, Inc., 7.75%, 5/15/16	780	809,250
Crown Castle International Corp., 9.00%, 1/15/15	1,470	1,602,300
Crown Castle Towers LLC (a):		
5.50%, 1/15/37	1,975	2,151,261
4.17%, 8/15/37	2,000	2,037,730
6.11%, 1/15/40	2,330	2,574,634
Intelsat Jackson Holdings SA, 7.25%, 4/01/19 (a)	320	321,600
Nextel Communications, Inc., Series E, 6.88%, 10/31/13	1,040	1,027,000
SBA Tower Trust, 5.10%, 4/15/42 (a)	6,250	6,809,375
Sprint Capital Corp., 6.88%, 11/15/28	780	569,400
		31,046,342
Total Corporate Bonds 114.1%		823,983,697

Preferred Securities		
Capital Trusts		
Capital Markets 3.1%		
Credit Suisse Guernsey Ltd., 5.86% (b)(g)	1,050	908,250

State Street Capital Trust III, 5.34% (b)(g)	1,740	1,742,958
State Street Capital Trust IV, 1.35%, 6/01/37 (b)	28,195	19,748,342
		22,399,550
Commercial Banks 5.8%		
Barclays Bank Plc, 7.43% (a)(b)(g)	1,100	1,028,500
BB&T Capital Trust IV, 6.82%, 6/12/77 (b)	15,300	15,300,000
BNP Paribas, 7.20% (a)(b)(c)(g)	2,500	2,062,500
Credit Agricole SA (a)(b)(c)(g):		
6.64%	2,450	1,654,975
8.38%	2,450	2,156,000
Dresdner Funding Trust I, 8.15%, 6/30/31 (a)	3,715	2,897,700
HSBC Capital Funding LP/Jersey Channel Islands,		
10.18% (a)(b)(c)(g)	7,000	8,767,500
National City Preferred Capital Trust I, 12.00% (b)(g)	3,713	3,852,832
Standard Chartered Plc, 7.01% (a)(b)(g)	5,000	4,477,080
		42,197,087

Capital Trusts	Par (000)	Value
Consumer Finance 0.2%		
Capital One Financial Corp. Capital V,		
10.25%, 8/15/39	$1,275	$1,319,625
Diversified Financial Services 3.6%		
ING Capital Funding Trust III, 3.97% (b)(g)	2,950	2,499,311
JPMorgan Chase Capital XXI, Series U, 1.21%, 2/02/37 (b)	12,875	8,922,954
JPMorgan Chase Capital XXIII, 1.29%, 5/15/77 (b)	20,695	14,288,076
		25,710,341
Electric Utilities 0.5%		
PPL Capital Funding, 6.70%, 3/30/67 (b)	3,900	3,763,500
Insurance 6.9%		
Ace Capital Trust II, 9.70%, 4/01/30	4,000	5,191,728
The Allstate Corp., 6.50%, 5/15/67 (b)	4,000	3,725,000
American General Capital II, 8.50%, 7/01/30	300	294,000
American International Group, Inc., 8.18%, 5/15/68 (b)	1,300	1,254,500
Aon Corp., 8.21%, 1/01/27	4,000	4,658,896
AXA SA, 6.38% (a)(b)(g)	6,000	4,245,000
Chubb Corp., 6.38%, 3/29/67 (b)(c)	4,000	4,020,000
Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b)	4,000	4,860,000
Lincoln National Corp., 7.00%, 5/17/66 (b)	4,255	3,999,700
MetLife, Inc., 6.40%, 12/15/66	4,550	4,469,638
Reinsurance Group of America, 6.75%, 12/15/65 (b)(c)	7,000	6,074,803
Swiss Re Capital I LP, 6.85% (a)(b)(g)	3,000	2,705,214
ZFS Finance (USA), Trust II, 6.45%, 12/15/65 (a)(b)	3,850	3,696,000
ZFS Finance (USA), Trust IV, 5.88%, 5/09/32 (a)(b)	599	581,030
		49,775,509
Oil, Gas & Consumable Fuels 1.2%		
Enterprise Products Operating LLC, 8.38%, 8/01/66 (b)	4,500	4,657,500
TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b)	4,000	4,076,696
		8,734,196
Total Capital Trusts 21.3%		153,899,808

Preferred Stocks	Shares	
Auto Components 0.1%		
Dana Holding Corp., 4.00% (a)	7,000	866,250
Commercial Banks 0.3%		
SG Preferred Capital II, 6.30% (a)(b)	2,000	2,009,375
Diversified Financial Services 0.3%		
Ally Financial, Inc., 7.00% (a)	3,130	2,334,296
Real Estate Investment Trusts (REITs) 1.1%		
Sovereign Real Estate Investment Trust, 12.00% (a)	7,000	7,540,960
Thrifts & Mortgage Finance 0.0%		
Fannie Mae, Series S, 8.25% (b)(h)	23,000	45,080
Freddie Mac, Series Z, 8.38% (b)(h)	23,000	49,220
		94,300
Wireless Telecommunication Services 1.6%		
Centaur Funding Corp., 9.08% (a)	10,000	11,559,375
Total Preferred Stocks 3.4%		24,404,556

Trust Preferreds		
Diversified Financial Services 0.3%		
GMAC Capital Trust I, Series 2, 8.13%, 2/15/40 (b)	101,420	2,081,700
Total Trust Preferreds 0.3%		2,081,700
Total Preferred Securities 25.0%		180,386,064

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust IV (BTZ)
(Percentages shown are based on Net Assets)

Taxable Municipal Bonds	Par (000)	Value
City of Chicago Illinois, RB, 6.85%, 1/01/38	$5,000	$ 5,433,750
Metropolitan Transportation Authority, RB, Build America Bonds, 6.55%, 11/15/31	4,075	4,600,919
Total Taxable Municipal Bonds 1.4%		10,034,669
US Government Sponsored Agency Securities		
Agency Obligations 0.3%		
Fannie Mae, 4.23%, 10/09/19 (c)(i)	2,765	2,090,268
Total US Government Sponsored Agency Securities 0.3%		2,090,268
US Treasury Obligations		
US Treasury Bonds, 4.75%, 2/15/41 (c)	4,505	5,856,500
US Treasury Notes, 2.13%, 8/15/21 (c)	5,047	5,024,945
Total US Treasury Obligations 1.5%		10,881,445
Total Long-Term Investments (Cost $1,018,748,047) 143.3%		1,034,611,319

Short-Term Securities	Shares	
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.14% (j)(k)	3,823,108	3,823,108
Total Short-Term Securities (Cost $3,823,108) 0.5%		3,823,108
Total Investments Before Options Written (Cost $1,022,571,155*) 143.8%		1,038,434,427

Options Written	Notional Amount (000)	
Over-the-Counter Call Swaptions (0.6)%		
Pay a fixed rate of 4.06% and receive a floating rate based on 3-month LIBOR, Expires 4/16/12, Broker Deutsche Bank AG	$13,000	(1,875,818)
Pay a fixed rate of 4.75% and receive a floating rate based on 3-month LIBOR, Expires 3/24/14, Broker Citibank NA	17,000	(2,679,963)
		(4,555,781)
Over-the-Counter Put Swaptions (0.1)%		
Receive a fixed rate of 4.06% and pay a floating rate		

based on the 3-month LIBOR, Expires 4/16/12, Broker Deutsche Bank AG	13,000	(19,481)
Receive a fixed rate of 4.75% and pay a floating rate based on 3-month LIBOR, Expires 3/24/14, Broker Citibank NA	17,000	(308,645)
		(328,126)
Total Options Written (Premiums Received $2,923,700) (0.7)%		(4,883,907)
Total Investments, Net of Options Written 143.1%		1,033,550,520
Liabilities in Excess of Other Assets (43.1)%		(311,213,345)
Net Assets 100.0%		$ 722,337,175

* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2011, as computed for federal income tax purposes, were as follows:

Aggregate cost	$1,021,961,207
Gross unrealized appreciation	$51,500,873
Gross unrealized depreciation	(35,027,653)
Net unrealized appreciation	$16,473,220

(a) Security exempt from registration pursuant to Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
(b) Variable rate security. Rate shown is as of report date.
(c) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
(d) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
(e) All or a portion of security has been pledged as collateral in connection with swaps.
(f) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation
Barclays Capital, Inc.	$902,000	$ 22,000
JPMorgan Chase Bank NA	$507,525	$ 2,525

(g) Security is perpetual in nature and has no stated maturity date.
(h) Non-income producing security.
(i) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
(j) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at October 31, 2010	Net Activity	Shares Held at October 31, 2011	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	26,924,664	(23,101,556)	3,823,108	$23,892

(k) Represents the current yield as of report date.

For Fund compliance purposes, the Fund s industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Reverse repurchase agreements outstanding as of October 31, 2011 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date[1]	Net Closing Amount	Face Amount

UBS Securities LLC	0.38%	5/10/11	Open	$12,530,805	$12,507,700
UBS Securities LLC	0.38%	5/18/11	Open	5,649,942	5,640,000
UBS Securities LLC	0.38%	5/19/11	Open	3,001,250	2,996,000
UBS Securities LLC	0.38%	5/31/11	Open	12,319,993	12,300,000
UBS Securities LLC	0.35%	6/9/11	Open	14,908,486	14,887,500
UBS Securities LLC	0.38%	6/10/11	Open	11,466,678	11,449,275
UBS Securities LLC	0.38%	6/14/11	Open	7,188,107	7,177,500
UBS Securities LLC	0.38%	6/15/11	Open	15,070,924	15,048,844
UBS Securities LLC	0.37%	6/22/11	Open	8,259,128	8,247,938
UBS Securities LLC	0.37%	6/27/11	Open	5,206,787	5,200,000
Credit Suisse Securities (USA) LLC	0.38%	6/29/11	Open	6,571,159	6,562,500
UBS Securities LLC	0.31%	6/30/11	Open	4,158,497	4,154,062
BNP Paribas Securities Corp.	0.35%	7/01/11	Open	4,585,777	4,580,300
Credit Suisse Securities (USA) LLC	0.35%	7/05/11	Open	8,856,485	8,846,250
UBS Securities LLC	0.35%	7/11/11	Open	4,012,603	4,008,200
BNP Paribas Securities Corp.	0.35%	7/12/11	Open	4,557,332	4,552,375
UBS Securities LLC	0.32%	7/12/11	Open	3,777,982	3,774,225

See Notes to Financial Statements.

Reverse repurchase agreements outstanding as of October 31, 2011 were as follows (continued):

Counterparty	Interest Rate	Trade Date	Maturity Date[1]	Net Closing Amount	Face Amount
Deutsche Bank Securities, Inc.	0.35%	7/19/11	Open	$13,843,993	$13,829,875
UBS Securities LLC	0.35%	8/01/11	Open	8,146,030	8,138,750
BNP Paribas Securities Corp.	0.03%	8/04/11	Open	2,022,056	2,021,906
Credit Suisse Securities (USA) LLC	0.40%	8/05/11	Open	2,290,738	2,288,500
Credit Suisse Securities (USA) LLC	0.35%	8/11/11	Open	904,280	903,560
BNP Paribas Securities Corp.	0.35%	8/15/11	Open	6,541,557	6,536,600
BNP Paribas Securities Corp.	0.37%	8/17/11	Open	4,882,911	4,879,100
Barclays Capital Inc.	0.35%	8/18/11	Open	5,655,340	5,651,219
UBS Securities LLC	0.35%	8/18/11	Open	4,167,336	4,164,300
UBS Securities LLC	0.38%	8/22/11	Open	2,801,223	2,799,125
UBS Securities LLC	0.35%	8/26/11	Open	4,617,944	4,614,938
Barclays Capital Inc.	0.35%	8/26/11	Open	2,657,230	2,655,500
Barclays Capital Inc.	0.35%	8/31/11	Open	5,972,348	5,968,750
Barclays Capital Inc.	0.35%	9/08/11	Open	6,103,703	6,100,500
Credit Suisse Securities (USA) LLC	0.35%	9/08/11	Open	9,267,377	9,262,514
Deutsche Bank Securities, Inc.	0.35%	9/08/11	Open	4,444,082	4,441,750
UBS Securities LLC	0.38%	9/08/11	Open	6,312,784	6,309,188
BNP Paribas Securities Corp.	0.39%	9/09/11	Open	3,284,325	3,282,440
Credit Suisse Securities (USA) LLC	0.35%	9/09/11	Open	3,339,883	3,338,163
Credit Suisse Securities (USA) LLC	0.40%	9/09/11	Open	6,211,781	6,208,125
BNP Paribas Securities Corp.	0.39%	9/09/11	Open	1,657,551	1,656,600
UBS Securities LLC	0.38%	9/09/11	Open	12,480,478	12,473,500

Credit Suisse Securities (USA) LLC	0.35%	9/09/11	Open	2,486,969	2,485,688
Deutsche Bank Securities, Inc.	0.40%	9/12/11	Open	4,770,399	4,767,750
Barclays Capital Inc.	0.35%	9/14/11	Open	3,287,596	3,286,063
Barclays Capital Inc.	0.40%	9/14/11	Open	7,318,995	7,315,094
Credit Suisse Securities (USA) LLC	0.35%	9/14/11	Open	9,706,778	9,702,250
Credit Suisse Securities (USA) LLC	0.40%	9/14/11	Open	6,637,663	6,634,125
Deutsche Bank Securities, Inc.	0.35%	9/14/11	Open	1,654,522	1,653,750
Deutsche Bank Securities, Inc.	0.40%	9/19/11	Open	3,178,268	3,176,750

Reverse repurchase agreements outstanding as of October 31, 2011 were as follows (concluded):

Counterparty	**Interest Rate**	**Trade Date**	**Maturity Date[1]**	**Net Closing Amount**	**Face Amount**
Deutsche Bank Securities, Inc.	0.35%	9/20/11	Open	$2,731,115	$2,730,000
Barclays Capital Inc.	0.40%	9/23/11	Open	5,237,457	5,235,188
Barclays Capital Inc.	0.40%	9/30/11	Open	3,795,812	3,794,462
Credit Suisse Securities (USA) LLC	0.40%	10/04/11	Open	1,076,116	1,075,780
UBS Securities LLC	0.35%	10/13/11	Open	4,426,443	4,425,624
Deutsche Bank Securities, Inc.	0.35%	10/14/11	Open	2,070,362	2,070,000
Deutsche Bank Securities, Inc.	0.38%	10/14/11	Open	1,113,422	1,113,210
Deutsche Bank Securities, Inc.	0.08%	10/25/11	Open	5,856,591	5,856,500
UBS Securities LLC	0.38%	10/27/11	Open	10,890,575	10,890,000
BNP Paribas Securities Corp.	0.08%	10/31/11	Open	5,034,394	5,034,382
Credit Suisse Securities (USA) LLC	0.35%	10/31/11	Open	5,915,058	5,915,000
UBS Securities LLC	0.38%	10/31/11	Open	2,684,008	2,683,980
Total				$339,599,428	$339,303,168

[1] Certain agreements have no stated maturity and can be terminated by either party at anytime.

Financial futures contracts purchased as of October 31, 2011 were as follows:

Contracts	**Issue**	**Exchange**	**Expiration**	**Notional Value**	**Unrealized Appreciation**
13	2-Year US	Chicago Board	December		

	Treasury Note	of Trade	2011	$2,863,656	$ 1,803

Financial futures contracts sold as of October 31, 2011 were as follows:

Contracts	**Issue**	**Exchange**	**Expiration**	**Notional Value**	**Unrealized Appreciation**
1,230	10-Year US Treasury Note	Chicago Board of Trade	December 2011	$158,746,875	$ 128,820
5	Ultra US Treasury Bond	Chicago Board of Trade	December 2011	$761,875	24,054
Total					152,874

See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust IV (BTZ)

Credit default swaps on single-name issues buy protection outstanding as of October 31, 2011 were as follows:

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Raytheon Co.	1.00%	Citibank NA	9/20/16	$1,800	$ 10,179
Raytheon Co.	1.00%	Deutsche Bank AG	9/20/16	$1,910	(1,498)
General Dynamics Corp.	1.00%	JPMorgan Chase Bank & Co.	9/20/16	$4,125	35,529
Dell, Inc.	1.00%	Barclays Bank Plc	12/20/16	$4,415	(29,673)
Computer Sciences Corp.	1.00%	Credit Suisse Securities (USA) LLC	12/20/16	$1,965	(39,906)
Lockheed Martin Corp.	1.00%	Deutsche Bank AG	12/20/16	$5,025	53,305
Northrop Grumman Corp.	1.00%	Deutsche Bank AG	12/20/16	$2,140	(6,083)
Southwest Airlines Co.	1.00%	Goldman Sachs Capital Markets LP	12/20/16	$1,965	(463)
Southwest Airlines Co.	1.00%	Royal Bank of Scotland Plc	12/20/16	$1,965	(8,924)
Total					$ 12,466

Credit default swaps on single-name issues sold protection outstanding as of October 31, 2011 were as follows:

Issuer	Receive Fixed Rate	Counterparty	Expiration Date	Issuer Credit Rating[1]	Notional Amount (000)[2]	Unrealized Appreciation (Depreciation)
Aviva USA Corp.	1.00%	Deutsche Bank AG	5/25/12	AA-	$4,525	$8,182
Assured Guaranty Corp.	5.00%	Citibank NA	12/20/14	AA+	$ 300	(1,673)
Assured Guaranty Corp.	5.00%	Citibank NA	3/20/15	AA+	$1,275	2,043
MetLife, Inc.	1.00%	Deutsche Bank AG	3/20/18	A+	$1,500	(73,318)
Total						$(64,766)

1 Using S&P s rating.

2 The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of agreement.

Credit default swaps on traded indexes buy protection outstanding as of October 31, 2011 were as follows:

Index	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Depreciation

Dow Jones CDX North America High Yield Index Series 17	5.00%	JPMorgan Chase Bank & Co.	12/20/16	$7,350	$ (704,267)

Interest rate swaps outstanding as of October 31, 2011 were as follows:

Fixed Rate	Floating Rate	Counter-party	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
0.63[a]	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/21/13	$106,800	$ 142,050
0.64[a]	3-month LIBOR	Deutsche Bank AG	10/21/13	$102,000	160,612
0.60[b]	3-month LIBOR	Deutsche Bank AG	11/01/13	$209,200	(148,024)
2.32[a]	3-month LIBOR	Citibank NA	3/28/16	$6,900	358,857
1.49[b]	3-month LIBOR	Deutsche Bank AG	10/14/16	$6,200	(60,532)
2.72[a]	3-month LIBOR	Deutsche Bank AG	8/08/21	$19,400	723,840
2.39[a]	3-month LIBOR	Deutsche Bank AG	10/14/21	$3,300	19,519
4.35[b]	3-month LIBOR	Deutsche Bank AG	4/15/41	$5,000	(1,393,426)
3.93[b]	3-month LIBOR	Citibank NA	7/21/41	$9,200	(1,791,887)
2.63[a]	3-month LIBOR	Deutsche Bank AG	9/26/41	$3,200	(219,877)
2.81[b]	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/11/41	$3,200	105,492
3.00[b]	3-month LIBOR	Credit Suisse Securities (USA) LLC	10/18/41	$2,100	(13,171)
Total					$ (2,116,547)

[a] Pays a fixed interest rate and receives floating rate.
[b] Pays floating interest rate and receives fixed rate.

Fair Value Measurements   Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1   unadjusted price quotations in active markets/exchanges for identical assets and liabilities

Level 2   other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3   unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and does not necessarily correspond to the Fund's perceived risk of investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

See Notes to Financial Statements.

The following tables summarize the inputs used as of October 31, 2011 in determining the fair valuation of the Fund s investments and derivative financial instruments:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities		$3,825,176	$3,410,000	$7,235,176
Corporate Bonds		818,107,697	5,876,000	823,983,697
Preferred Securities	$2,176,000	178,210,064		180,386,064
Taxable Municipal Bonds		10,034,669		10,034,669
US Government Sponsored Agency Securities		2,090,268		2,090,268
US Treasury Obligations .		10,881,445		10,881,445
Short-Term Securities	3,823,108			3,823,108
Total	$5,999,108	$1,023,149,319	$9,286,000	$1,038,434,427

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments[1]				
Assets:				
Interest rate contracts	$154,677	$1,510,370		$1,665,047
Credit contracts		101,056	$8,182	109,238
Liabilities:				
Interest rate contracts		(8,510,824)		(8,510,824)
Credit contracts		(865,805)		(865,805)
Total	$ 154,677	$(7,765,203)	$8,182	$(7,602,344)

1 Derivative financial instruments are swaps, financial futures contracts, foreign currency exchange contracts and options. Swaps, financial futures contracts and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Asset-Backed Securities	Corporate Bonds	Total
Assets:			
Balance, as of October 31, 2010		$ 280,170	$ 280,170
Accrued discounts/premiums	$ 34,142	(559)	33,583
Net realized gain			
Net change in unrealized appreciation/depreciation[2]	(388,606)	229,389	(159,217)
Purchases	3,764,464	5,650,000	9,414,464
Sales		(283,000)	(283,000)
Transfers in[3]			
Transfers out[3]			
Balance, as of October 31, 2011	$ 3,410,000	$ 5,876,000	$ 9,286,000

2 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on investments still held at October 31, 2011 was $(162,606).

3 The Fund s policy is to recognize transfers in and transfers out as of the beginning of the period of the event or the change in circumstances that caused the transfer.

The following table is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used to determine fair value:

	Credit Contracts
Assets:	
Balance, as of October 31, 2010	
Accrued discounts/premiums	$ 13,812
Net realized gain	
Net change in unrealized appreciation/depreciation[4]	8,182
Purchases	
Issuances[5]	23,949
Sales	
Settlements[6]	(37,761)
Transfers in[3]	
Transfers out[3]	
Balance, as of October 31, 2011	$ 8,182

4 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on derivative financial instruments still held at October 31, 2011 was $8,182.

5 Issuances represent upfront cash received on certain derivative financial instruments.

6 Settlements represent periodic contractual cash flows and/or cash flows to terminate certain derivative financial instruments.

A reconciliation of Level 3 investments and derivative financial instruments is presented when the Fund had a significant amount of Level 3 investments and derivative financial instruments at the beginning and/or end of the year in relation to net assets.

See Notes to Financial Statements.

Schedule of Investments October 31, 2011

BlackRock Floating Rate Income Trust (BGT)
(Percentages shown are based on Net Assets)

Asset-Backed Securities		Par (000)	Value
ARES CLO Funds, Series 2005-10A, Class B, 0.74%, 9/18/17 (a)(b)	USD	1,000	$888,450
Ballyrock CDO Ltd., Series 2006-1A, Class B, 0.67%, 8/28/19 (a)(b)		1,000	780,000
Canaras Summit CLO Ltd., Series 2007-1A, Class B, 0.83%, 6/19/21 (a)(b)		930	735,435
Chatham Light CLO Ltd., Series 2005-2A, Class A2, 0.66%, 8/03/19 (a)(b)		1,000	840,000
Flagship CLO, Series 2006-1A, Class B, 0.70%, 9/20/19 (a)(b)		1,196	879,060
Franklin CLO Ltd., Series 6A, Class B, 0.72%, 8/09/19 (a)(b)		1,180	944,000
Gannett Peak CLO Ltd., Series 2006-1X, Class A2, 0.78%, 10/27/20 (b)		715	529,100
Greyrock CDO Ltd., Series 2005-1X, Class A2L, 0.71%, 11/15/17 (b)		1,495	1,200,635
Landmark CDO Ltd., Series 2006-8A, Class B, 0.77%, 10/19/20 (a)(b)		1,335	1,044,824
MAPS CLO Fund LLC, Series 2005-1A, Class C, 1.30%, 12/21/17 (a)(b)		705	600,590
Portola CLO Ltd., Series 2007-1X, Class B1, 1.74%, 11/15/21 (b)		950	787,835
T2 Income Fund CLO Ltd., Series 2007-1A, Class B, 1.00%, 7/15/19 (a)(b)		815	730,207
Total Asset-Backed Securities 3.0%			9,960,136

Common Stocks (c)	Shares	
Construction & Engineering 0.0%		
USI United Subcontractors Common	7,645	61,156
Hotels, Restaurants & Leisure 0.1%		
BLB Worldwide Holdings, Inc.	50,832	304,992
Metals & Mining 0.1%		
Euramax International	1,135	340,560
Paper & Forest Products 0.1%		
Ainsworth Lumber Co. Ltd.	55,255	84,261
Ainsworth Lumber Co. Ltd. (a)	62,685	95,592
		179,853
Software 0.0%		
Bankruptcy Management Solutions, Inc.	2,947	30
HMH Holdings/EduMedia	115,632	173,448
		173,478

Total Common Stocks 0.3%		1,060,039

Corporate Bonds		**Par (000)**	
Airlines 0.3%			
Air Canada, 9.25%, 8/01/15 (a)	USD	590	564,925
American Airlines Pass-Through Trust, Series 2011-2, Class A, 8.63%, 4/15/23		345	345,000
			909,925
Auto Components 1.0%			
Icahn Enterprises LP, 7.75%, 1/15/16		3,175	3,254,375
Beverages 0.7%			
Central European Distribution Corp., 3.32%, 5/15/14	EUR	1,500	1,701,951
Refresco Group BV, 5.54%, 5/15/18 (a)(b)		500	671,095
			2,373,046
Building Products 0.3%			
Grohe Holding GmbH, 5.53%, 9/15/17 (a)(b)		700	891,171

Corporate Bonds		**Par (000)**	**Value**
Capital Markets 0.1%			
E*Trade Financial Corp., 3.35%, 8/31/19 (a)(d)(e)	USD	439	$460,401
Chemicals 0.2%			
Lyondell Chemical Co., 11.00%, 5/01/18		700	779,625
Commercial Banks 3.2%			
CIT Group, Inc.:			
7.00%, 5/01/15		450	450,000
7.00%, 5/01/17		2,542	2,542,000
7.00%, 5/02/17 (a)		400	399,000
VTB Capital SA:			
6.47%, 3/04/15		3,000	3,120,000
6.88%, 5/29/18		3,940	4,122,225
			10,633,225
Commercial Services & Supplies 0.3%			
AWAS Aviation Capital Ltd., 7.00%, 10/15/16 (a)		817	813,130
Containers & Packaging 1.0%			
Ardagh Packaging Finance Plc, 7.38%, 10/15/17 (a)	EUR	400	550,713
Ball Corp., 5.75%, 5/15/21	USD	625	645,312
GCL Holdings SCA, 9.38%, 4/15/18 (a)	EUR	329	409,713
Graphic Packaging International, Inc., 9.50%, 6/15/17	USD	270	294,975
Smurfit Kappa Acquisitions (a):			
7.25%, 11/15/17	EUR	655	928,982
7.75%, 11/15/19		416	592,888
			3,422,583
Diversified Financial Services 1.1%			
Ally Financial, Inc., 2.53%, 12/01/14 (b)	USD	1,850	1,619,099
FCE Bank Plc, 4.75%, 1/19/15	EUR	450	619,552
Reynolds Group Issuer, Inc. (a):			
7.13%, 4/15/19	USD	655	668,100
7.88%, 8/15/19		300	313,500

6.88%, 2/15/21	490	494,900
		3,715,151
Diversified Telecommunication Services 0.2%		
ITC Deltacom, Inc., 10.50%, 4/01/16	530	535,300
Energy Equipment & Services 0.0%		
Compagnie Generale de Geophysique Veritas,		
7.75%, 5/15/17	45	46,631
Health Care Providers & Services 1.3%		
HCA, Inc.:		
6.50%, 2/15/20	1,445	1,513,637
7.25%, 9/15/20	1,230	1,317,637
7.50%, 2/15/22	515	525,300
Omnicare, Inc., 7.75%, 6/01/20	685	738,088
Tenet Healthcare Corp., 9.00%, 5/01/15	95	100,938
		4,195,600
Hotels, Restaurants & Leisure 0.6%		
MGM Resorts International:		
10.38%, 5/15/14	705	786,075
11.13%, 11/15/17	1,050	1,191,750
		1,977,825
Household Durables 0.5%		
Beazer Homes USA, Inc., 12.00%, 10/15/17	1,500	1,606,875
Berkline/Benchcraft LLC, 4.50%, 11/03/12 (c)(f)	400	
		1,606,875
Independent Power Producers & Energy Traders 2.1%		
Calpine Corp., 7.25%, 10/15/17 (a)	3,200	3,328,000
Energy Future Holdings Corp., 10.00%, 1/15/20	1,000	1,045,000
Energy Future Intermediate Holding Co. LLC,		
10.00%, 12/01/20	2,350	2,467,500
		6,840,500
IT Services 0.3%		
First Data Corp., 7.38%, 6/15/19 (a)	940	930,600

See Notes to Financial Statements.

Corporate Bonds		Par (000)	Value
Machinery 1.0%			
KION Finance SA, 5.82%, 4/15/18 (a)(b)	EUR	3,000	$3,320,880
Media 4.2%			
CCH II LLC, 13.50%, 11/30/16	USD	224	257,652
Clear Channel Worldwide Holdings, Inc.:			
9.25%, 12/15/17		501	541,080
Series B, 9.25%, 12/15/17		1,704	1,848,840
Kabel BW Erste Beteiligungs GmbH, 5.78%, 3/15/18 (a)(b)	EUR	2,000	2,739,726
Odeon & UCI Finco Plc, 9.00%, 8/01/18 (a)	GBP	914	1,432,880
Unitymedia Hessen GmbH & Co. KG (FKA UPC Germany GmbH):			
8.13%, 12/01/17 (a)	USD	2,500	2,662,500
8.13%, 12/01/17	EUR	500	719,524
Virgin Media Secured Finance Plc, 7.00%, 1/15/18	GBP	1,197	2,073,818
Ziggo Finance BV, 6.13%, 11/15/17 (a)	EUR	1,005	1,411,478
			13,687,498
Metals & Mining 0.1%			
New World Resources NV, 7.88%, 5/01/18		285	368,721
Oil, Gas & Consumable Fuels 4.1%			
Alpha Natural Resources, Inc., 6.00%, 6/01/19	USD	460	456,550
Coffeyville Resources LLC, 9.00%, 4/01/15 (a)		342	368,505
Gazprom OAO Via RBS AG, 9.63%, 3/01/13		7,230	7,873,470
KazmunaiGaz Finance Sub BV, 8.38%, 7/02/13		1,500	1,597,500
Petroleos de Venezuela SA, 5.25%, 4/12/17		4,000	2,465,000
Plains Exploration & Production Co., 7.00%, 3/15/17		580	601,750
			13,362,775
Paper & Forest Products 0.3%			
Ainsworth Lumber Co. Ltd., 11.00%, 7/29/15 (a)(g)		532	351,075
Longview Fibre Paper & Packaging, Inc., 8.00%, 6/01/16 (a)		420	426,300
Verso Paper Holdings LLC, Series B, 4.00%, 8/01/14 (b)		450	333,000
			1,110,375
Pharmaceuticals 0.3%			
Valeant Pharmaceuticals International, 6.50%, 7/15/16 (a)		1,045	1,045,000
Specialty Retail 0.1%			
House of Fraser Plc, 8.88%, 8/15/18 (a)	GBP	349	479,812
Transportation Infrastructure 0.4%			
Aguila 3 SA, 7.88%, 1/31/18 (a)	CHF	1,100	1,215,539
Wireless Telecommunication Services 0.9%			
Cricket Communications, Inc., 7.75%, 5/15/16	USD	1,950	2,023,125
iPCS, Inc., 2.38%, 5/01/13 (b)		1,155	1,045,275
			3,068,400
Total Corporate Bonds 24.6%			81,044,963

Floating Rate Loan Interests (b)			
Aerospace & Defense 1.3%			
DynCorp International, Term Loan, 6.25% 6.75%, 7/05/16		550	537,349
Hawker Beechcraft Acquisition Co., LLC, Facility Deposit, 2.37%, 3/26/14		49	35,921
SI Organization, Inc., Term Loan B, 4.50%, 11/22/16		1,086	1,020,502
TransDigm, Inc., Term Loan (First Lien), 4.00%, 2/14/17		1,985	1,976,723
Wesco Aircraft Hardware Corp., Term Loan B, 4.25%, 4/07/17		833	835,423
			4,405,918
Airlines 0.6%			
Delta Air Lines, Inc., Term Loan B, 5.50%, 4/20/17		2,020	1,962,713

Floating Rate Loan Interests (b)		Par (000)	Value
Auto Components 2.1%			
Allison Transmission, Inc., Term Loan, 2.75%, 8/07/14	USD	3,564	$3,441,415
Autoparts Holdings Ltd., Term Loan (First Lien), 6.50%, 7/28/17		1,650	1,654,125
Federal-Mogul Corp.:			
Term Loan B, 2.18% 2.19%, 12/29/14		724	682,026
Term Loan C, 2.18% 2.19%, 12/28/15		369	347,972
GPX International Tire Corp. (c)(f):			
12.00%, 3/30/12		4	
8.37%, 3/31/12		274	
UCI International, Inc., Term Loan, 5.50%, 7/26/17		943	942,875
			7,068,413
Beverages 0.0%			
Le-Nature's, Inc, Tranche B Term Loan, 9.50%, 3/01/11 (c)(f)		1,000	100
Biotechnology 0.2%			
Grifols SA, Term Loan B, 6.00%, 6/01/17		803	803,325
Building Products 2.6%			
Armstrong World Industries, Inc., Term Loan B, 4.00%, 3/09/18		1,393	1,371,409
CPG International I, Inc., Term Loan B, 6.00%, 2/18/17		2,134	2,005,842
Goodman Global, Inc., Initial Term Loan (First Lien), 5.75%, 10/28/16		3,714	3,702,948
Momentive Performance Materials (Blitz 06-103 GmbH):			
Tranche B-1 Term Loan, 3.75%, 5/05/15		356	334,342
Tranche B-2B Term Loan, 4.87%, 5/05/15	EUR	814	1,020,658
United Subcontractors, Inc., Term Loan (First Lien), 4.37%, 6/30/15	USD	181	153,947
			8,589,146
Capital Markets 1.6%			
American Capital Ltd., Term Loan B, 7.50%, 12/31/13		624	620,799
HarbourVest Partners, Term Loan (First Lien), 6.25%, 12/14/16		2,205	2,205,418
Marsico Parent Co., LLC, Term Loan, 5.25% 5.44%,			

12/14/14		117	51,358
Nuveen Investments, Inc. (First Lien):			
Extended Term Loan, 5.81% 5.92%, 5/12/17		1,773	1,698,833
Non-Extended Term Loan, 3.37% 3.42%, 11/13/14		750	724,544
			5,300,952
Chemicals 5.6%			
American Rock Salt Co., LLC, Term Loan, 5.50%, 4/25/17		1,468	1,430,934
Arizona Chemical, Inc., Term Loan, 4.75%, 11/21/16		8	7,808
Ashland, Inc., Term Loan B, 3.75%, 8/23/18		950	951,834
Chemtura Corp., Term Facility, 5.50%, 8/27/16		1,800	1,795,500
Gentek, Inc., Term Loan B, 1.00%, 10/06/15		1,562	1,543,678
MacDermid, Inc., Tranche C Term Loan,			
3.56%, 4/11/14	EUR	1,424	1,915,843
Nexeo Solutions LLC, Term Loan B, 5.00%, 9/08/17	USD	1,393	1,345,401
PQ Corp., Original Term Loan (First Lien),			
3.50% 3.68%, 7/30/14		1,342	1,266,358
Styron Sarl, Term Loan, 6.00%, 8/02/17		2,251	2,053,393
Tronox Worldwide LLC, Exit Term Loan, 7.00%, 10/15/15		3,176	3,152,180
Univar, Inc., Term Loan B, 5.00%, 6/30/17		2,978	2,904,551
			18,367,480
Commercial Services & Supplies 3.1%			
Altegrity, Inc. (FKA US Investigations Services, Inc.),			
Tranche D Term Loan, 7.75%, 2/20/15		1,998	1,973,455
AWAS Finance Luxembourg Sarl, Term Loan,			
5.25%, 6/10/16		1,240	1,240,272
Delos Aircraft, Inc., Term Loan 2, 7.00%, 3/17/16		2,175	2,188,594
KAR Auction Services, Inc., Term Loan B,			
5.00%, 5/19/17		2,195	2,181,465
Synagro Technologies, Inc., Term Loan (First Lien),			
2.25%, 4/02/14		1,737	1,514,104
Volume Services America, Inc. (Centerplate),			
Term Loan B, 10.50% 10.75%, 9/16/16		1,213	1,192,533
			10,290,423

See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock Floating Rate Income Trust (BGT)
(Percentages shown are based on Net Assets)

Floating Rate Loan Interests (b)		**Par (000)**	**Value**
Communications Equipment 0.8%			
Avaya, Inc., Term Loan B, 3.06%, 10/24/14	USD	778	$739,323
CommScope, Inc., Term Loan B, 5.00%, 1/14/18		1,989	1,973,099
			2,712,422
Construction & Engineering 1.0%			
BakerCorp International, Inc., Term Loan B, 5.00%, 6/01/18		683	673,038
Brand Energy & Infrastructure Services, Inc. (FR Brand Acqui-sition Corp.), Synthetic Letter of Credit, 2.63%, 2/07/14		500	403,335
Safway Services LLC, First Out Tranche Loan, 9.00%, 12/16/17		2,100	2,100,000
			3,176,373
Consumer Finance 1.6%			
Springleaf Financial Funding Co. (FKA AGFS Funding Co.), Term Loan, 5.50%, 5/10/17		5,920	5,404,131
Containers & Packaging 0.9%			
Sealed Air Corp., Term Loan B, 4.75%, 10/03/18		1,631	1,641,790
Smurfit Kappa Acquisitions (JSG):			
Term B1, 4.48% 4.71%, 12/01/14	EUR	458	627,051
Term Loan Facility C1, 4.73% 4.96%, 12/31/14		453	623,003
			2,891,844
Diversified Consumer Services 3.0%			
Coinmach Service Corp.:			
Delayed Draw Term Loan, 3.23% 3.32%, 11/20/14	USD	487	427,144
Term Loan, 3.30% 3.32%, 11/20/14		2,229	1,953,460
Laureate Education, Series A, Extended Term Loan, 5.25%, 8/15/18		4,661	4,342,181
ServiceMaster Co.:			
Closing Date Term Loan, 2.74% 2.83%, 7/24/14		2,936	2,803,916
Delayed Draw Term Loan, 2.75%, 7/24/14		292	279,228
			9,805,929
Diversified Financial Services 2.1%			
Reynolds Group Holdings, Inc., Term Loan B, 6.75%, 2/09/18	EUR	4,975	6,772,044
Diversified Telecommunication Services 4.2%			
Hawaiian Telcom Communications, Inc., Term Loan, 9.00%, 11/01/15	USD	1,814	1,814,824
Integra Telecom Holdings, Inc., Term Loan, 9.25%, 4/15/15		2,000	1,852,710
Level 3 Financing, Inc.:			

Add on Term Loan, 11.50%, 3/13/14	1,450	1,506,796
Term Loan B2, 5.75%, 9/03/18	4,600	4,513,750
Tranche A Incremental Term Loan, 2.65%, 3/13/14	2,550	2,471,919
US Telepacific Corp., Term Loan B, 5.75%, 2/23/17	1,916	1,819,112
		13,979,111
Electronic Equipment, Instruments & Components 1.5%		
Aeroflex, Inc., Term Loan B, 4.25%, 5/09/18	1,296	1,270,890
CDW LLC, Term Loan, 3.74%, 10/10/14	1,612	1,560,835
Sensata Technologies Finance Company LLC,		
Term Loan, 4.00%, 5/11/18	2,195	2,181,245
		5,012,970
Energy Equipment & Services 3.0%		
CCS Corp., Term Loan B, 3.37%, 11/14/14	1,806	1,644,017
Dynegy Holdings, Inc.:		
CoalCo Term Loan, 9.25%, 8/04/16	795	781,087
GasCo Term Loan, 9.25%, 8/04/16	1,455	1,449,806
MEG Energy Corp., Term Loan B, 4.00%, 3/16/18	6,100	6,069,500
		9,944,410
Food & Staples Retailing 2.4%		
AB Acquisitions UK Topco 2 Ltd., Facility B1,		
3.63% 3.64%, 7/09/15	GBP 4,525	6,589,138
US Foodservice, Inc., Term Loan B,		
2.74% 2.75%, 7/03/14	USD 1,461	1,349,047
		7,938,185

Floating Rate Loan Interests (b)	Par (000)	Value
Food Products 5.1%		
Advance Pierre Foods, Term Loan:		
(First Lien), 7.00% 7.50%, 9/30/16	USD 2,148	$2,130,576
(Second Lien), 11.25%, 9/29/17	1,400	1,388,338
Birds Eye Iglo Group Ltd. (Liberator Midco Ltd.),		
Term Loan B, 5.87%, 4/30/16	EUR 3,000	4,137,277
Del Monte Corp., Term Loan B, 4.50%, 3/08/18	USD 5,844	5,668,850
Michaels Foods Group, Inc., Term Loan B,		
4.25%, 2/23/18	323	318,488
Pinnacle Foods Finance LLC, Tranche D Term Loan,		
6.00%, 4/02/14	1,468	1,479,052
Solvest Ltd. (Dole):		
Tranche B-1 Term Loan, 5.00% 6.00%, 7/06/18	583	581,062
Tranche C-1 Term Loan, 5.00% 6.00%, 7/06/18	1,083	1,079,116
		16,782,759
Health Care Equipment & Supplies 1.8%		
Biomet, Inc.:		
Term Loan, 4.49%, 3/25/15	EUR 985	1,318,071
Term Loan B, 3.24% 3.36%, 3/25/15	USD 484	474,975
Capsugel Healthcare Ltd., Term Loan, 5.25%, 8/01/18	1,500	1,499,070
DJO Finance LLC, Term Loan, 3.25%, 5/20/14	1,013	974,565
Immucor, Inc., Term Loan B, 7.25%, 8/17/18	1,760	1,766,600
		6,033,281

Health Care Providers & Services 4.5%		
CHS/Community Health Systems, Inc.:		
Extended Term Loan B, 3.82%, 1/25/17	214	207,877
Non-Extended Delayed Draw Term Loan, 2.57%, 7/25/14	83	80,390
Non-Extended Term Loan, 2.57%, 7/25/14	1,614	1,564,075
ConvaTec, Inc., Term Loan, 5.75%, 12/22/16	1,216	1,188,457
DaVita, Inc., Tranche B Term Loan, 4.50%, 10/20/16	1,886	1,874,982
Emergency Medical Services, Term Loan, 5.25% 6.00%, 5/25/18	2,079	2,030,843
Harden Healthcare, Inc.:		
Tranche A Additional Term Loan, 7.75%, 3/02/15	1,399	1,371,070
Tranche A Term Loan, 8.50%, 3/02/15	844	827,175
inVentiv Health, Inc.:		
Incremental Term Loan B3, 6.75%, 5/15/18	748	738,773
Term Loan B, 6.50%, 8/04/16	1,951	1,900,871
Medpace, Inc., Term Loan, 6.50% 7.25%, 6/16/17	1,496	1,421,437
Renal Advantage Holdings, Inc., Tranche B Term Loan, 5.75%, 12/16/16	1,489	1,486,264
		14,692,214
Health Care Technology 1.3%		
IMS Health, Inc., Term Loan B, 4.50%, 8/25/17	1,496	1,485,444
Kinetic Concepts, Inc., Term Loan B, 7.00%, 11/02/18	1,755	1,761,143
MedAssets, Inc., Term Loan B, 5.25%, 11/16/16	975	965,109
		4,211,696
Hotels, Restaurants & Leisure 5.4%		
Ameristar Casinos, Inc., Term Loan B, 4.00%, 4/13/18	1,566	1,563,120
Caesars Entertainment Operating Co., Inc. (FKA Harrah's Operating Co., Inc.):		
Term Loan B-2, 3.24% 3.42%, 1/28/15	667	586,573
Term Loan B-3, 3.32% 3.42%, 1/28/15	4,886	4,295,989
Term Loan B-4, 9.50%, 10/31/16	1,385	1,394,358
Dunkin' Brands, Inc., Term Loan B, 4.00%, 11/23/17	1,783	1,775,443
OSI Restaurant Partners LLC, Pre-Funded RC Loan, 2.69% 2.75%, 6/14/13	32	30,645
Seaworld Parks & Entertainment, Inc. (FKA SW Acquisitions Co., Inc.), Term Loan B, 4.00%, 8/17/17	1,432	1,421,594
Six Flags Theme Parks, Inc., Tranche B Term Loan (First Lien), 5.25%, 6/30/16	1,260	1,262,127
Twin River Worldwide Holdings, Inc., Term Loan, 7.75%, 11/05/15	1,282	1,264,923

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Floating Rate Income Trust (BGT)
(Percentages shown are based on Net Assets)

Floating Rate Loan Interests (b)		Par (000)		Value
Hotels, Restaurants & Leisure (concluded)				
VML US Finance LLC:				
Term B Delayed Draw Project Loan, 4.75%, 5/25/12	USD	1,608	$	1,601,519
Term B Funded Project Loan, 4.75%, 5/27/13		2,783		2,772,649
				17,968,940
Household Durables 0.0%				
Berkline/Benchcraft LLC, Term Loan B, 14.00%, 11/03/13 (c)(f)		148		7,397
Independent Power Producers & Energy Traders 2.5%				
AES Corp., Term Loan B, 4.25%, 6/01/18		1,940		1,934,856
Calpine Corp., Term Loan B, 4.50%, 4/02/18		2,569		2,535,510
Texas Competitive Electric Holdings Co., LLC (TXU), Extended Term Loan, 4.74% 4.77%, 10/10/17		5,511		3,735,729
				8,206,095
Industrial Conglomerates 1.0%				
Sequa Corp.:				
Incremental Term Loan, 3.50% 7.50%, 12/03/14		675		675,000
Term Loan, 3.50% 3.63%, 12/03/14		2,822		2,719,934
				3,394,934
Insurance 0.5%				
CNO Financial Group, Inc., Term Loan B, 6.25%, 9/30/16		1,706		1,701,450
Internet Software & Services 0.3%				
Web.com Group, Inc., Term Loan B, 7.00%, 10/27/17		1,050		937,125
IT Services 3.8%				
Ceridian Corp., US Term Loan, 3.25%, 11/10/14		1,708		1,564,621
First Data Corp.:				
Initial Tranche B-1 Term Loan, 2.99%, 9/24/14		426		394,098
Initial Tranche B-2 Term Loan, 4.24%, 3/23/18		6,558		5,644,782
Initial Tranche B-3 Term Loan, 2.99%, 9/24/14		281		259,627
infoGROUP, Inc., Term Loan, 5.75%, 5/22/18		442		424,915
Trans Union LLC, Term Loan B, 4.75%, 2/12/18		2,845		2,822,287
Travelex Plc:				
Tranche B5, 2.70%, 10/31/13		637		631,270
Tranche C5, 3.20%, 10/31/14		632		629,031
				12,370,631
Machinery 1.5%				
Navistar Financial Corp., Term Loan B, 4.50%, 12/16/12		1,015		1,007,036
Tomkins Plc, Term Loan B, 4.25%, 9/21/16		2,010		2,003,886
Terex Corp.:				
Term Loan, 6.03%, 4/28/17	EUR	355		475,249
Term Loan B, 5.50%, 4/28/17	USD	1,300		1,296,204
				4,782,375
Media 20.2%				
Acosta, Inc., Term Loan, 4.75% 5.50%, 3/01/18		1,664		1,632,044

Affinion Group, Inc., Tranche B Term Loan, 5.00%, 10/10/16	2,090	1,918,513
AMC Networks, Inc., Term Loan B, 4.00%, 12/31/18	1,796	1,779,035
Atlantic Broadband Finance LLC, Term Loan B, 4.00%, 3/08/16	914	894,005
Bresnan Telecommunications Co., LLC, Term Loan, 4.50% 5.25%, 12/14/17	1,558	1,539,389
Catalina Marketing Corp., Term Loan, 3.00%, 10/01/14	289	276,912
Cengage Learning Acquisitions, Inc. (Thomson Learning):		
Term Loan, 2.50%, 7/03/14	626	540,631
Tranche 1 Incremental Term Loan, 7.50%, 7/03/14	1,121	1,070,676
Charter Communications Operating LLC:		
Term Loan B, 7.25%, 3/06/14	36	35,629
Term Loan C, 3.62%, 9/06/16	628	621,778
Clarke American Corp., Term Loan B, 2.75% 2.87%, 6/30/14	324	272,218
Clear Channel Communications, Inc., Term Loan B, 3.90%, 1/28/16	2,385	1,864,927

Floating Rate Loan Interests (b)		Par (000)	Value
Media (concluded)			
Cumulus Media, Inc., Term Loan, 5.75%, 9/17/18	USD	1,500	$1,481,250
Gray Television, Inc., Term Loan B, 3.74%, 12/31/14		1,478	1,440,994
HMH Publishing Co. Ltd., Tranche A Term Loan, 6.24%, 6/12/14		1,870	1,327,611
Hubbard Radio LLC, Term Loan (Second Lien), 5.25%, 4/28/17		1,097	1,087,649
Intelsat Jackson Holdings SA (FKA Intelsat Jackson Holdings Ltd.), Tranche B Term Loan, 5.25%, 4/02/18		10,199	10,109,511
Interactive Data Corp., Term Loan B, 4.50%, 2/12/18		3,607	3,578,309
Kabel Deutschland GmbH:			
Term Loan A, 3.74%, 3/31/14	EUR	3,043	4,115,623
Term Loan D, 5.37%, 12/13/16		1,000	1,360,717
Term Loan E, 4.62%, 6/15/18	EUR	4,000	5,371,081
Knology, Inc., Term Loan B, 4.00%, 8/18/17	USD	418	407,219
Lavena Holding 3 GmbH (Prosiebensat.1 Media AG):			
Facility B1, 4.20%, 3/06/15	EUR	304	356,746
Facility C1, 4.45%, 3/04/16		608	717,697
Liberty Cablevision of Puerto Rico Ltd., Initial Term Facility, 2.35%, 6/13/14	USD	1,436	1,371,619
Mediacom Illinois LLC, Tranche D Term Loan, 5.50%, 3/31/17		2,212	2,179,219
Newsday LLC:			
Fixed Rate Term Loan, 10.50%, 8/01/13		1,500	1,548,750
Floating Rate Term Loan, 6.65%, 8/01/13		1,250	1,264,587
Nielsen Finance LLC, Class B Term Loan, 3.99%, 5/02/16		1,714	1,705,201
Serpering Investments BV (Casema NV), Term Loan B, 4.37%, 3/31/17	EUR	619	847,310
Sinclair Television Group, Inc., Term Loan B, 4.00%, 10/28/16	USD	839	838,232

Sunshine Acquisition Ltd., Term Facility, 5.51%, 6/01/12		1,955	1,921,641
Telesat Canada:			
Delayed Draw Term Loan, 3.25%, 10/31/14		373	365,313
Term Loan B, 3.25%, 10/31/14		4,345	4,252,834
Univision Communications, Inc., Extended Term Loan (First Lien), 4.50%, 3/31/17		1,797	1,629,868
UPC Broadband Holding BV:			
Term Loan AB, 4.75%, 12/31/17		90	89,550
Term Loan U, 5.37%, 12/31/17	EUR	1,552	2,064,234
Weather Channel, Term Loan B, 4.25%, 2/13/17	USD	2,606	2,605,518
			66,484,040
Metals & Mining 2.3%			
Novelis, Inc., Term Loan, 3.75%, 3/10/17		3,304	3,274,076
SunCoke Energy, Inc., Term Loan B, 4.00% 5.25%, 7/26/18		848	845,755
Walter Energy, Inc., Term Loan B, 4.00%, 4/02/18		3,636	3,619,147
			7,738,978
Multi-Utilities 0.0%			
Mach Gen LLC, Synthetic Letter of Credit Loan (First Lien), 2.37%, 2/22/13		69	62,432
Multiline Retail 1.6%			
Hema Holding BV:			
Facility B, 3.35%, 7/06/15	EUR	169	213,626
Facility C, 4.10%, 7/05/16		169	214,797
Facility D, 6.35%, 1/05/17		3,800	4,416,770
The Neiman Marcus Group, Inc., Term Loan, 4.75%, 5/16/18	USD	465	452,650
			5,297,843
Oil, Gas & Consumable Fuels 2.0%			
EquiPower Resources Holdings LLC, Term Loan B, 5.75%, 1/26/18		1,903	1,888,946
Gibson Energy, Term Loan B, 5.75%, 6/14/18		2,195	2,168,451
Obsidian Natural Gas Trust, Term Loan, 7.00%, 11/02/15		2,380	2,380,313
			6,437,710
Paper & Forest Products 0.2%			
NewPage Corp., Term Loan, 8.00%, 3/07/13		550	551,831
Verso Paper Finance Holdings LLC, Term Loan, 6.51% 7.26%, 2/01/13 (g)		412	205,898
			757,729

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Floating Rate Income Trust (BGT)
(Percentages shown are based on Net Assets)

Floating Rate Loan Interests (b)		**Par (000)**	**Value**
Pharmaceuticals 2.3%			
Aptalis Pharma, Inc., Term Loan B, 5.50%, 2/10/17	USD	2,680	$2,580,948
Endo Pharmaceuticals Holdings, Inc., Term Loan B, 4.00%, 6/18/18		1,046	1,046,036
Quinteles Transnational Corp., Term Loan B, 5.00%, 6/08/18		1,317	1,296,950
RPI Finance Trust, Term Loan Tranche 2, 4.00%, 5/09/18		1,097	1,092,674
Warner Chilcott Corp.:			
Term Loan B-1, 4.25%, 3/15/18		773	766,731
Term Loan B-2, 4.25%, 3/15/18		387	383,365
Term Loan B-3, 4.25%, 3/15/18		532	527,127
			7,693,831
Professional Services 1.0%			
Emdeon Business Services LLC, Term Loan B, 6.75%, 10/15/18		1,800	1,805,202
Fifth Third Processing Solutions LLC, Term Loan B (First Lien), 4.50%, 11/03/16		1,602	1,593,707
			3,398,909
Real Estate Investment Trusts (REITs) 0.8%			
iStar Financial, Inc., Term Loan A, 5.00%, 6/28/13		2,493	2,469,545
Real Estate Management & Development 1.5%			
Pivotal Promontory LLC, Term Loan (Second Lien), 12.00%, 8/31/11 (c)(f)		750	1
Realogy Corp.:			
Delayed Draw Term Loan, 3.27%, 10/10/13		1,976	1,844,989
Extended Synthetic Letter of Credit Loan, 4.44%, 10/10/16		177	153,645
Extended Term Loan, 4.52%, 10/10/16		2,575	2,232,217
Synthetic Letter of Credit, 3.19%, 10/10/13		81	76,039
Term Loan, 3.44%, 10/10/13		647	603,703
			4,910,594
Road & Rail 1.0%			
Avis Budget Car Rental LLC, Incremental Term Loan, 6.25%, 9/21/18		1,000	1,003,750
RAC Ltd., Term Loan B, 5.66%, 7/30/18	GBP	1,500	2,240,006
			3,243,756
Semiconductors & Semiconductor Equipment 0.6%			
Freescale Semiconductor, Inc., Extended Maturity Term Loan, 4.49%, 12/01/16	USD	561	538,116
Microsemi Corp., Term Loan B, 5.75%, 11/02/17		1,471	1,471,019
			2,009,135
Software 0.6%			
Bankruptcy Management Solutions, Inc.:			

Term Loan (First Lien), 7.50%, 8/20/14		719	145,683
Term Loan (Second Lien), 8.30%, 8/20/15		258	9,471
Blackboard, Inc., Term Loan B, 7.50%, 10/04/18		450	433,548
Rovi Corp., Term Loan B, 4.00%, 2/07/18		995	996,244
Vertafore, Inc., Term Loan B, 5.25%, 7/29/16		341	332,070
			1,917,016
Specialty Retail 3.9%			
Academy Ltd., Term Loan, 6.00%, 8/03/18		1,900	1,876,250
Burlington Coat Factory Warehouse Corp., Term Loan B, 6.25%, 2/23/17		1,062	1,037,380
General Nutrition Centers, Inc., Term Loan B, 4.25%, 3/02/18		1,990	1,976,727
J. Crew Group, Inc., Term Loan B, 4.75%, 3/07/18		1,015	952,169
Jo-Ann Stores, Inc., Term Loan B, 4.75%, 3/16/18		606	577,934
Michaels Stores, Inc.:			
Term Loan B-1, 2.63% 2.69%, 10/31/13		820	800,744
Term Loan B-2, 4.88% 4.94%, 7/31/16		920	900,882
Petco Animal Supplies, Inc., Term Loan B, 4.50%, 11/24/17		2,382	2,346,664
Toys R Us Delaware, Inc.:			
Term Loan, 6.00%, 9/01/16		2,105	2,069,290
Term Loan B, 5.25%, 5/25/18		499	486,531
			13,024,571

Floating Rate Loan Interests (b)		Par (000)	Value
Textiles, Apparel & Luxury Goods 0.9%			
Phillips-Van Heusen Corp., Term Loan B, 4.31% 4.50%, 5/06/16	EUR	2,096	$2,834,434
Wireless Telecommunication Services 1.8%			
Digicel International Finance Ltd., US Term Loan (Non-Rollover), 2.88%, 3/30/12	USD	1,522	1,514,788
MetroPCS Wireless, Inc., Term Loan B, 4.00%, 3/16/18		1,062	1,045,873
Vodafone Americas Finance 2, Inc. (g):			
PIK Term Loan, 6.88%, 8/11/15		2,408	2,408,234
PIK Term Loan B, 6.25%, 7/11/16		800	804,000
			5,772,895
Total Floating Rate Loan Interests 106.0%			349,568,204
Foreign Agency Obligations			
Argentina Bonos:			
0.44%, 8/03/12 (b)		1,250	1,195,620
7.00%, 10/03/15		2,000	1,766,334
Colombia Government International Bond, 3.90%, 3/17/13 (b)		540	545,400
Uruguay Government International Bond, 6.88%, 1/19/16	EUR	950	1,422,305
Total Foreign Agency Obligations 1.5%			4,929,659

Other Interests (h)	Beneficial Interest (000)		
Auto Components 0.8%			
Delphi Debtor-in-Possession Holding Co., LLP, Class B Membership Interests (c)	USD	(i)	2,687,136
Lear Corp. Escrow (c)		500	5,000
			2,692,136
Diversified Financial Services 0.4%			
BGT JGW SPV, LLC (JG Wentworth LLC Preferred Equity Interests) (c)(j)		1	1,269,904
Health Care Providers & Services 0.0%			
Critical Care Systems International, Inc. (c)		1	96
Hotels, Restaurants & Leisure 0.0%			
Wembley Contigent (c)		2	6,000
Household Durables 0.0%			
Berkline Benchcraft Equity LLC (c)		6	
Total Other Interests 1.2%			3,968,136

Warrants (k)	Shares	
Chemicals 0.0%		
British Vita Holdings Co. (Non-Expiring)	166	
Media 0.0%		
New Vision Holdings LLC:		
(Expires 9/30/14)	19,023	190
(Expires 9/30/14)	3,424	34
		224
Software 0.0%		
Bankruptcy Management Solutions, Inc. (Expires 9/29/17)	251	3
HMH Holdings/EduMedia (Expires 3/09/17)	21,894	
		3
Total Warrants 0.0%		227
Total Long-Term Investments (Cost $463,999,793) 136.6%		450,531,364

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Floating Rate Income Trust (BGT)
(Percentages shown are based on Net Assets)

Short-Term Securities	Shares	Value	
BlackRock Liquidity Funds, TempFund, Institutional Class 0.14% (l)(m)	1,071,567	$	1,071,567
Total Short-Term Securities (Cost $1,071,567) 0.3%			1,071,567

Options Purchased	Contracts			
Over-the-Counter Call Options 0.0%				
Marsico Parent Superholdco LLC, Strike Price USD 942.86, Expires 12/21/19, Broker Goldman Sachs Bank USA	26			
Total Options Purchased (Cost $25,422) 0.0%				
Total Investments (Cost $465,096,782*) 136.9%			451,602,931	
Liabilities in Excess of Other Assets (36.9)%			(121,772,326	)
Net Assets 100.0%		$	329,830,605	

* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2011, as computed for federal income tax purposes, were as follows:

Aggregate cost	$	462,508,581	
Gross unrealized appreciation	$	8,056,994	
Gross unrealized depreciation		(18,962,644	)
Net unrealized depreciation	$	(10,905,650	)

(a) Security exempt from registration pursuant to Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
(b) Variable rate security. Rate shown is as of report date.
(c) Non-income producing security.
(d) Convertible security.
(e) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
(f) Issuer filed for bankruptcy and/or is in default of interest payments.
(g) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
(h) Other interests represent beneficial interest in liquidation trusts and other reorganization or private entities.
(i) Amount is less than $500.
(j) The investment is held by a wholly owned subsidiary.
(k) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.
(l) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at October 31, 2010	Net Activity	Shares Held at October 31, 2011	Income
BlackRock Liquidity				

Funds, TempFund, Institutional Class	8,770,511	(7,698,944) 1,071,567	$4,488

(m) Represents the current yield as of report date.

For Fund compliance purposes, the Fund s and industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Foreign currency exchange contracts as of October 31, 2011 were as follows:

Currency Purchased		**Currency Sold**		**Counterparty**	**Settlement Date**	**Unrealized Appreciation (Depreciation)**
CAD	179,000	USD	172,140	Citibank NA	1/18/12	$ 7,137
GBP	605,000	USD	947,939	Citibank NA	1/18/12	24,024
USD	1,179,725	CHF	1,055,000	UBS AG	1/18/12	(23,932)
USD	12,660,475	GBP	8,123,500	Citibank NA	1/18/12	(390,339)
USD	55,389,402	EUR	40,275,000	Citibank NA	1/25/12	(307,702)
Total						$ (690,812)

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 unadjusted price quotations in active markets/exchanges for identical assets and liabilities

Level 2 other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and does not necessarily correspond to the Fund's perceived risk of investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the inputs used as of October 31, 2011 in determining the fair valuation of the Fund s investments and derivative financial instruments:

Valuation Inputs	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Investments:				
Long Term Investments:				
Asset-Backed Securities		$3,398,916	$6,561,220	$9,960,136
Common Stocks	$84,261	741,144	234,634	1,060,039

Corporate Bonds		81,044,963		81,044,963
Floating Rate Loan Interests		317,101,379	32,466,825	349,568,204
Foreign Agency Obligations		1,967,705	2,961,954	4,929,659
Other Interests		2,687,136	1,281,000	3,968,136
Warrants			227	227
Short-Term Securities	1,071,567			1,071,567
Total	$1,155,828	$406,941,243	$43,505,860	$451,602,931

See Notes to Financial Statements.

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments[1]				
Assets:				
Foreign currency exchange contracts		$31,161		$31,161
Liabilities:				
Foreign currency exchange contracts		(721,973)		(721,973)
Total		$(690,812)		$(690,812)

1 Derivative financial instruments are foreign currency exchange contracts and options. Foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

	Asset-Backed Securities	Common Stocks	Corporate Bonds	Floating Rate Loan Interests	Foreign Agency Obligations	Other Interests	Preferred Securities	Unfunded Loan Commitm Assets
Assets/Liabilities:								
Balance, as of October 31, 2010		$595,520	$61,912	$64,699,477	$4,228,067	$5,533,239	$85,828	$160,394
Accrued discounts/ premiums	$85,168		101,941	258,256	197,954			
Realized gain (loss)		(348,191)	(1,019,809)	(5,061,690)	70,260		136,990	
Net change in unrealized appreciation/ depreciation[1]	(694,398)	(132,121)	947,258	4,872,207	(284,327)	117,404	(31,032)	(160,394
Purchases	6,613,650		38,466	27,438,429		26,311		
Sales		(38,760)	(129,768)	(49,981,028)	(1,250,000)		(191,786)	
Transfers in[2]	556,800	158,186		2,149,987				
Transfers out[2]				(11,908,813)		(4,395,954)		
Balance, as of October 31, 2011	$6,561,220	$234,634		$32,466,825	$2,961,954	$1,281,000		

1 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on investments still held at October 31, 2011 was $(1,698,378).

2 The Fund s policy is to recognize transfers in and transfers out as of the beginning of the period of the event or the change in circumstances that caused the transfer.

The following table is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used to determine fair value:

	Credit Contracts
Assets:	
Balance, as of October 31, 2010	$ 19,172
Accrued discounts/premiums	
Net realized gain (loss)	
Net change in unrealized appreciation/depreciation[3]	(19,172)
Purchases	
Issuances[4]	
Sales	
Settlements[5]	
Transfers in[2]	
Transfers out[2]	
Balance, as of October 31, 2011	

3 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on derivative financial instruments still held at October 31, 2011 was $0.

4 Issuances represent upfront cash received on certain derivative financial instruments.

5 Settlements represent periodic contractual cash flows and/or cash flows to terminate certain derivative financial instruments.

A reconciliation of Level 3 investments and derivative financial instruments is presented when the Fund had a significant amount of Level 3 investments and derivative financial instruments at the beginning and/or end of the year in relation to net assets.

See Notes to Financial Statements.

Statements of Assets and Liabilities

October 31, 2011	BlackRock Credit Allocation Income Trust I, Inc. (PSW)	BlackRock Credit Allocation Income Trust II, Inc. (PSY)	BlackRock Credit Allocation Income Trust III (BPP)	BlackRock Credit Allocation Income Trust IV (BTZ)	BlackRock Floating Rate Income Trust (BGT)
Assets					
Investments at value unaffiliated[1]	$157,339,860	$661,625,983	$308,674,023	$1,034,611,319	$450,531,364
Investments at value affiliated[2]	1,362,932	405,708	2,459,914	3,823,108	1,071,567
Unrealized appreciation on swaps	85,804	389,756	483,080	1,619,608	
Unrealized appreciation on foreign currency exchange contracts					31,161
Cash	41,703	168,875	70,000	652,836	
Cash pledged as collateral for financial futures contracts	517,000	2,246,000	805,000	2,389,940	
Cash pledged as collateral for reverse repurchase agreements				690,000	
Cash pledged as collateral for swaps	600,000	1,270,000		5,350,000	
Interest receivable	2,359,673	10,314,414	4,562,840	16,006,139	1,613,341
Investments sold receivable	715,259	1,727,818	1,361,222	4,672,842	8,010,494
Reverse repurchase agreements receivable	372,450	960,076	2,207,010	8,598,980	
Swaps premiums paid	247,862	1,050,104	605,709	1,557,261	
Swaps receivable	13,608	62,192	61,081	213,170	
Foreign currency at value[3]	10,294	39,404	497	47	
Dividends receivable	2,000	336	225	517	418
Prepaid expenses	6,616	15,844	22,905	61,431	54,023
Other assets	456	89,507	51,943	138,860	106,808
Total assets	163,675,517	680,366,017	321,365,449	1,080,386,058	461,419,176
Liabilities					
Reverse repurchase agreements	53,267,631	213,033,213	92,971,273	339,303,168	
Loan payable					122,000,000
Options written at value[4]	257,909	1,103,277	1,409,148	4,883,907	
Unrealized depreciation on swaps	639,459	2,779,458	1,358,515	4,492,722	
Unrealized depreciation on foreign currency exchange contracts	2,106	9,016			721,973
Cash received as collateral for reverse repurchase agreements			325,000	848,000	
Cash received as collateral for swaps				700,000	
Investments purchased payable	362,501	1,529,078	1,192,636	4,078,480	7,845,710
Margin variation payable	287,296	1,253,555	383,266	1,208,177	
Investment advisory fees payable	80,372	335,809	168,017	567,361	278,383
Swaps premiums received	98,903	418,708	201,767	641,936	
Interest expense payable	32,175	143,436	69,913	361,942	98,390
Swaps payable	32,658	135,503	72,862	240,074	
Income dividends payable	27,362	124,515	36,737	226,785	47,461
Officer's and Directors' fees payable	538	90,328	58,445	153,605	109,199

Bank overdraft on foreign currency at value[3]					67,411
Other accrued expenses payable	57,470	131,399	179,203	342,726	420,044
Total liabilities	55,146,380	221,087,295	98,426,782	358,048,883	131,588,571
Net Assets	$108,529,137	$459,278,722	$222,938,667	$722,337,175	$329,830,605
Net Assets Consist of					
Paid-in capital[5,6,7]	$235,477,660	$937,350,272	$422,218,171	$1,123,084,063	$428,621,718
Undistributed net investment income	810,163	2,350,278	787,825	1,025,075	5,628,436
Accumulated net realized loss	(133,350,575)	(497,436,803)	(203,449,517)	(412,956,597)	(90,227,574)
Net unrealized appreciation/depreciation	5,591,889	17,014,975	3,382,188	11,184,634	(14,191,975)
Net Assets	$108,529,137	$459,278,722	$222,938,667	$722,337,175	$329,830,605
Net asset value	$10.52	$11.25	$12.07	$13.94	$13.97
[1] Investments at cost unaffiliated	$151,184,693	$642,166,810	$303,928,660	$1,018,748,047	$464,025,215
[2] Investments at cost affiliated	$1,362,932	$405,708	$2,459,914	$3,823,108	$1,071,567
[3] Foreign currency at cost	$12,054	$46,155	$459	$43	$(69,028)
[4] Premiums received	$129,600	$554,400	$851,400	$2,923,700	
[5] Common shares par value per share	$0.100	$0.100	$0.001	$0.001	$0.001
[6] Common shares outstanding	10,311,941	40,807,418	18,467,785	51,828,157	23,616,745
[7] Common shares authorized	199,994,540	199,978,000	unlimited	unlimited	unlimited

See Notes to Financial Statements.

Statements of Operations

Year Ended October 31, 2011	BlackRock Credit Allocation Income Trust I, Inc. (PSW)	BlackRock Credit Allocation Income Trust II, Inc. (PSY)	BlackRock Credit Allocation Income Trust III (BPP)	BlackRock Credit Allocation Income Trust IV (BTZ)	BlackRock Floating Rate Income Trust (BGT)
Investment Income					
Interest	$8,059,109	$34,533,976	$15,284,006	$51,582,916	$28,901,520
Dividends unaffiliated	306,005	332,756	72,951	1,829,954	
Income affiliated	824	9,358	9,838	31,528	13,587
Facility and other fees					111,972
Total income	8,365,938	34,876,090	15,366,795	53,444,398	29,027,079
Expenses					
Investment advisory	884,816	3,796,125	1,838,844	6,192,077	3,491,061
Professional	60,097	461,461	80,727	389,219	317,644
Accounting services	42,295	89,744	56,942	130,008	57,689
Printing	10,042	44,563	64,686	158,254	62,789
Custodian	20,124	40,640	29,681	60,001	161,912
Officer and Directors	12,398	55,147	28,648	92,024	43,471
Transfer agent	35,562	88,349	11,780	17,606	22,799
Commissions for Preferred Shares	5,877	46,069	10,120	57,686	8,234
Registration	9,372	14,227	9,372	18,070	9,481
Borrowing costs[1]					378,407
Miscellaneous	31,665	54,068	43,785	85,353	74,392
Total expenses excluding interest expense	1,112,248	4,690,393	2,174,585	7,200,298	4,627,879
Interest expense	130,498	498,474	184,655	739,372	1,245,385
Total expenses	1,242,746	5,188,867	2,359,240	7,939,670	5,873,264
Less fees waived by advisor	(896)	(3,835)	(3,273)	(10,610)	(431,176)
Less fees paid indirectly	(21)	(75)	(23)	(136)	
Total expenses after fees waived and paid indirectly	1,241,829	5,184,957	2,355,944	7,928,924	5,442,088
Net investment income	7,124,109	29,691,133	13,010,851	45,515,474	23,584,991
Realized and Unrealized Gain (Loss)					
Net realized gain (loss) from:					
Investments	1,266,758	2,608,897	1,593,588	4,505,460	1,935,296
Financial futures contracts	(3,130,213)	(13,357,266)	(3,586,041)	(11,928,642)	
Foreign currency transactions	11,537	31,217		(25)	(5,403,756)
Options written	(40,906)	(172,975)	(53,664)	(154,409)	
Swaps	(452,769)	(1,816,534)	(1,008,740)	(3,406,631)	1,581
	(2,345,593)	(12,706,661)	(3,054,857)	(10,984,247)	(3,466,879)
Net change in unrealized appreciation/depreciation on:					
Investments	(124,729)	(893,116)	(2,431,629)	(12,180,752)	(11,698,167)

Financial futures contracts	119,839	575,672	109,368	(73,058)	
Foreign currency transactions	(3,925)	(15,599)	(3)		5,277,129
Options written	(128,309)	(548,877)	(557,748)	(1,960,207)	
Swaps	(553,655)	(2,389,702)	(875,435)	(2,873,114)	(19,172)
Unfunded loan commitments					(117,687)
	(690,779)	(3,271,622)	(3,755,447)	(17,087,131)	(6,557,897)
Total realized and unrealized loss	(3,036,372)	(15,978,283)	(6,810,304)	(28,071,378)	(10,024,776)
Dividends to Preferred Shareholders From					
Net investment income	(61,138)	(506,078)	(23,469)	(646,135)	(90,614)
Net Increase in Net Assets Resulting from Operations	$4,026,599	$13,206,772	$6,177,078	$16,797,961	$13,469,601

[1] See Note 6 of the Notes to the Financial Statements for details of short-term borrowings.
See Notes to Financial Statements.

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Statements of Changes in Net Assets

	BlackRock Credit Allocation Income Trust I, Inc. (PSW) Year Ended October 31,		BlackRock Credit Allocation Income Trust II, Inc. (PSY) Year Ended October 31,	
Increase (Decrease) in Net Assets Applicable to Common Shareholders:	**2011**	**2010**	**2011**	**2010**
Operations				
Net investment income	$7,124,109	$6,504,548	$29,691,133	$29,526,710
Net realized loss	(2,345,593)	(3,995,338)	(12,706,661)	(33,383,348)
Net change in unrealized appreciation/depreciation	(690,779)	20,132,597	(3,271,622)	104,507,204
Dividends to Preferred Shareholders from net investment income	(61,138)	(611,907)	(506,078)	(2,578,803)
Net increase in net assets applicable to Common Shareholders resulting from operations	4,026,599	22,029,900	13,206,772	98,071,763
Dividends and Distributions to Common Shareholders From				
Net investment income	(6,305,752)	(6,360,087)	(26,912,492)	(29,029,600)
Tax return of capital		(909,831)		(5,350,650)
Decrease in net assets resulting from dividends and distributions to Common Shareholders	(6,305,752)	(7,269,918)	(26,912,492)	(34,380,250)
Net Assets Applicable to Common Shareholders				
Total increase (decrease) in net assets applicable to Common Shareholders	(2,279,153)	14,759,982	(13,705,720)	63,691,513
Beginning of year	110,808,290	96,048,308	472,984,442	409,292,929
End of year	$108,529,137	$110,808,290	$459,278,722	$472,984,442
Undistributed net investment income	$810,163	$114,857	$2,350,278	$324,705

See Notes to Financial Statements.

Statements of Changes in Net Assets (continued)

	BlackRock Credit Allocation Income Trust III (BPP) Year Ended October 31,		BlackRock Credit Allocation Income Trust IV (BTZ) Year Ended October 31,	
Increase (Decrease) in Net Assets Applicable to Common Shareholders:	**2011**	**2010**	**2011**	**2010**
Operations				
Net investment income	$13,010,851	$13,514,214	$45,515,474	$44,282,613
Net realized gain (loss)	(3,054,857)	(12,773,618)	(10,984,247)	712,631
Net change in unrealized appreciation/depreciation	(3,755,447)	39,939,765	(17,087,131)	109,629,309
Dividends to Preferred Shareholders from net investment income	(23,469)	(202,609)	(646,135)	(3,511,929)
Net increase in net assets applicable to Common Shareholders resulting from operations	6,177,078	40,477,752	16,797,961	151,112,624
Dividends and Distributions to Common Shareholders From				
Net investment income	(12,336,480)	(14,081,286)	(43,820,706)	(41,824,719)
Tax return of capital		(1,431,653)		(14,927,112)
Decrease in net assets resulting from dividends and distributions to Common Shareholders	(12,336,480)	(15,512,939)	(43,820,706)	(56,751,831)
Net Assets Applicable to Common Shareholders				
Total increase (decrease) in net assets applicable to Common Shareholders	(6,159,402)	24,964,813	(27,022,745)	94,360,793
Beginning of year	229,098,069	204,133,256	749,359,920	654,999,127
End of year	$222,938,667	$229,098,069	$722,337,175	$749,359,920
Undistributed net investment income	$787,825	$328,304	$1,025,075	$525,038

See Notes to Financial Statements.

Statements of Changes in Net Assets (concluded)

	BlackRock Floating Rate Income Trust (BGT)	
	Year Ended October 31,	
Increase (Decrease) in Net Assets Applicable to Common Shareholders:	**2011**	**2010**
Operations		
Net investment income	$23,584,991	$22,931,750
Net realized loss	(3,466,879)	(7,990,225)
Net change in unrealized appreciation/depreciation	(6,557,897)	33,559,226
Dividends to Preferred Shareholders from net investment income	(90,614)	(893,902)
Net increase in net assets applicable to Common Shareholders resulting from operations	13,469,601	47,606,849
Dividends and Distributions to Common Shareholders From		
Net investment income	(25,653,072)	(19,496,826)
Capital Share Transactions		
Reinvestment of common dividends	577,941	453,913
Net Assets Applicable to Common Shareholders		
Total increase (decrease) in net assets applicable to Common Shareholders	(11,605,530)	28,563,936
Beginning of year	341,436,135	312,872,199
End of year	$329,830,605	$341,436,135
Undistributed net investment income	$5,628,436	$10,644,933

See Notes to Financial Statements.

Statements of Cash Flows

Year Ended October 31, 2011	BlackRock Credit Allocation Income Trust I, Inc. (PSW)	BlackRock Credit Allocation Income Trust II, Inc. (PSY)	BlackRock Credit Allocation Income Trust III (BPP)	BlackRock Credit Allocation Income Trust IV (BTZ)	BlackRock Floating Rate Income Trust (BGT)
Cash Provided by (Used for) Operating Activities					
Net increase in net assets resulting from operations, excluding dividends to Preferred Shareholders	$4,087,737	$13,712,850	$6,200,547	$17,444,096	$13,560,215
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used for) operating activities:					
(Increase) decrease in interest receivable	(249,203)	(1,102,309)	(846,444)	(2,134,979)	1,627,555
(Increase) decrease in swap receivable	(13,608)	(62,192)	(61,081)	(213,170)	6,730
(Increase) decrease in other assets	166,547	1,256,816	2,461	(6,890)	240,290
Decrease in prepaid expenses	9,470	30,165	11,727	38,547	76,586
Decrease in commitment fees receivable					9,782
(Increase) decrease in dividends receivable	(2,000)	(336)	(225)	706,335	1,272
Decrease in margin variation receivable	8,063	14,375	8,625	166,094	
Decrease in dividends receivable affiliated		283	208		
Decrease in cash pledged as collateral for reverse repurchase agreements			325,000	158,000	
Increase in cash pledged as collateral for financial futures contracts	(467,000)	(2,186,000)	(765,000)	(1,759,940)	
(Increase) decrease in cash pledged as collateral for swaps	(600,000)	(1,270,000)		(4,650,000)	100,000
Increase in investment advisory fees payable	676	1,213	4,332	11,705	42,578
Increase in interest expense and fees payable	31,064	143,409	69,913	361,942	34,189
Decrease in other affiliates payable	(968)	(4,048)	(1,856)	(6,636)	(2,636)
Decrease in other liabilities					(196,354)
Increase in other accrued expenses payable	22,782	76,660	81,167	164,430	98,421
Increase in margin variation payable	287,296	1,253,555	383,266	1,208,177	
Increase in swaps payable	32,658	135,503	72,862	240,074	
	278	4,081	2,362	20,059	3,941

Increase (decrease) in Officer s and Directors fees payable					
Net periodic and termination payments of swaps	(148,959)	(631,396)	(403,942)	(915,325)	
Net realized and unrealized (gain) loss on investments	(415,306)	1,411,073	2,324,892	12,666,726	4,801,747
Amortization of premium and accretion of discount on investments	275,999	1,470,810	646,032	2,068,898	(3,041,192)
Paid-in-kind income					3,982
Premiums received from options written	255,600	1,087,200	1,141,085	3,937,635	
Proceeds from sales of long-term investments	76,845,818	312,213,871	133,081,838	506,046,675	424,548,661
Purchases of long-term investments	(84,611,768)	(341,244,282)	(181,824,016)	(611,946,163)	(449,027,119)
Net proceeds from sales of short-term securities	4,521,166	1,077,859	32,006,613	23,101,556	7,698,944
Premiums paid on closing options written	(166,906)	(705,775)	(343,350)	(1,168,344)	
Cash provided by (used for) operating activities	(130,564)	(13,316,615)	(7,882,984)	(54,460,498)	587,592
Cash Provided by (Used for) Financing Activities					
Cash receipts from borrowings	64,934,501	303,838,198	126,218,237	451,862,673	380,000,000
Cash payments on borrowings	(18,121,820)	(93,770,061)	(35,453,974)	(121,158,485)	(296,000,000)
Cash payments on redemption of Preferred Shares	(40,250,000)	(169,025,000)	(70,425,000)	(231,000,000)	(58,800,000)
Cash dividends paid to Common Shareholders	(6,309,486)	(26,938,952)	(12,360,466)	(43,957,502)	(25,027,670)
Cash dividends paid to Preferred Shareholders	(70,242)	(572,540)	(25,813)	(691,245)	(102,862)
Increase (decrease) in bank overdraft					(657,169)
Cash provided by (used for) financing activities	182,953	13,531,645	7,952,984	55,055,441	(587,701)
Cash Impact from Foreign Exchange Fluctuations					
Cash impact from foreign exchange fluctuations	(1,793)	(6,751)	(3)	1	109
Cash and Foreign Currency					
Net increase (decrease) in cash and foreign currency	50,596	208,279	69,997	594,944	
Cash and foreign currency at beginning of year	1,401		500	57,939	
Cash and foreign currency at end of year	$51,997	$208,279	$70,497	$652,883	
Cash Flow Information					
Cash paid during the year for interest and fees	$99,434	$355,065	$114,742	$377,430	$1,211,196
Noncash Financing Activities					

Capital shares issued in reinvestment of dividends paid to Common Shareholders	$577,941

A Statement of Cash Flows is presented when a Fund had a significant amount of borrowing during the period, based on the average borrowing outstanding in relation to average total assets.

See Notes to Financial Statements.

Financial Highlights — **BlackRock Credit Allocation Income Trust I, Inc. (PSW)**

	Year Ended October 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Per Share Operating Performance					
Net asset value, beginning of year	$10.75	$9.31	$7.43	$19.54	$22.25
Net investment income[1]	0.69	0.63	0.86	1.70	2.01
Net realized and unrealized gain (loss)	(0.30)	1.58	2.06	(12.06)	(2.41)
Dividends to Preferred Shareholders from net investment income	(0.01)	(0.06)	(0.08)	(0.48)	(0.71)
Net increase (decrease) from investment operations	0.38	2.15	2.84	(10.84)	(1.11)
Dividends and distributions to Common Shareholders from:					
Net investment income	(0.61)	(0.62)	(0.83)	(1.22)	(1.18)
Tax return of capital		(0.09)	(0.13)	(0.05)	(0.42)
Total dividends and distributions	(0.61)	(0.71)	(0.96)	(1.27)	(1.60)
Net asset value, end of year	$10.52	$10.75	$9.31	$7.43	$19.54
Market price, end of year	$9.25	$9.67	$8.24	$7.00	$17.29
Total Investment Return Applicable to Common Shareholders[2]					
Based on net asset value	4.55 %	24.77 %[3]	46.46 %	(58.09)%	(5.03)%
Based on market price	2.20 %	26.81 %	37.59 %	(55.38)%	(12.05)%
Ratios to Average Net Assets Applicable to Common Shareholders					
Total expenses[4]	1.14 %	1.16 %	1.61 %	2.00 %	1.32 %
Total expenses after fees waived and paid indirectly[4]	1.14 %	1.14 %	1.59 %	2.00 %	1.32 %
Total expenses after fees waived and paid indirectly and excluding interest expense[4]	1.02 %	1.13 %	1.44 %	1.48 %	1.29 %
Net investment income[4]	6.56 %	6.28 %	12.45 %	10.79 %	9.38 %
Dividends to Preferred Shareholders	0.06 %	0.59 %	1.09 %	3.03 %	3.29 %
Net investment income to Common Shareholders	6.50 %	5.69 %	11.36 %	7.76 %	6.09 %
Supplemental Data					
Net assets applicable to Common Shareholders, end of year (000)	$108,529	$110,808	$96,048	$76,430	$201,155
Preferred Shares outstanding at $25,000 liquidation preference, end of year (000)		$40,250	$40,250	$68,250	$136,500
Borrowings outstanding, end of year (000)	$53,268	$6,083	$4,972	$4,024	$590
Average borrowings outstanding during the year (000)	$34,952	$5,269	$5,321	$25,692	$2,690
Portfolio turnover	53 %	66 %	36 %	119 %	88 %
Asset coverage per Preferred Share at $25,000 liquidation preference, end of year		$93,831	$84,663	$53,009	$61,846
Asset coverage, end of period per $1,000	$3,037				

1 Based on average shares outstanding.
2

Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

[3] Includes proceeds from a settlement of litigation which impacted the Fund. Not including these proceeds the Fund s total return would have been 24.54%.

[4] Do not reflect the effect of dividends to Preferred Shareholders.

See Notes to Financial Statements.

Financial Highlights **BlackRock Credit Allocation Income Trust II, Inc. (PSY)**

	Year Ended October 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Per Share Operating Performance					
Net asset value, beginning of year	$11.59	$10.03	$7.96	$19.93	$22.36
Net investment income[1]	0.73	0.72	1.11	1.73	2.02
Net realized and unrealized gain (loss)	(0.40)	1.74	2.17	(11.84)	(2.35)
Dividends to Preferred Shareholders from net investment income	(0.01)	(0.06)	(0.09)	(0.49)	(0.73)
Net increase (decrease) from investment operations	0.32	2.40	3.19	(10.60)	(1.06)
Dividends and distributions to Common Shareholders from:					
Net investment income	(0.66)	(0.71)	(1.12)	(1.15)	(1.16)
Tax return of capital		(0.13)	(0.00)[2]	(0.22)	(0.21)
Total dividends and distributions	(0.66)	(0.84)	(1.12)	(1.37)	(1.37)
Net asset value, end of year	$11.25	$11.59	$10.03	$7.96	$19.93
Market price, end of year	$9.74	$10.39	$8.90	$8.10	$16.94
Total Investment Return Applicable to Common Shareholders[3]					
Based on net asset value	3.71%	25.70%[4]	48.36%	(55.71)%	(4.35)%
Based on market price	0.16%	26.99%	29.37%	(46.97)%	(9.65)%
Ratios to Average Net Assets Applicable to Common Shareholders					
Total expenses[5]	1.12%	1.04%	1.41%	1.90%	1.27%
Total expenses after fees waived and paid indirectly[5]	1.12%	1.03%	1.41%	1.90%	1.27%
Total expenses after fees waived and paid indirectly and excluding interest expense[5]	1.01%	1.02%	1.33%	1.40%	1.23%
Net investment income[5]	6.42%	6.66%	15.05%	10.71%	9.29%
Dividends to Preferred Shareholders	0.11%	0.58%	1.19%	3.04%	3.34%
Net investment income to Common Shareholders	6.31%	6.08%	13.86%	7.67%	5.95%
Supplemental Data					
Net assets applicable to Common Shareholders, end of year (000)	$459,279	$472,984	$409,293	$323,132	$809,411
Preferred Shares outstanding at $25,000 liquidation preference, end of year (000)		$169,025	$169,025	$275,000	$550,000
Borrowings outstanding, end of year (000)	$213,033	$4,020	$9,511	$54,369	
Average borrowings outstanding during the year (000)	$137,824	$13,407	$15,842	$94,908	$14,375
Portfolio turnover	50%	73%	16%	120%	81%
Asset coverage per Preferred Share at $25,000 liquidation preference, end of year		$94,968	$85,547	$54,408	$61,817
Asset coverage, end of year per $1,000	$3,156				

1 Based on average shares outstanding.
2 Amount is less than $(0.01) per share.
3 Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.
4 Includes proceeds from a settlement of litigation which impacted the Fund. Not including these proceeds the Fund s total return would have been 25.37%.
5 Do not reflect the effect of dividends to Preferred Shareholders.

See Notes to Financial Statements.

Financial Highlights **BlackRock Credit Allocation Income Trust III (BPP)**

	Year Ended October 31,			Period January 1, 2008 to October 31,	Year Ended December 31,	
	2011	2010	2009	2008	2007	2006
Per Share Operating Performance						
Net asset value, beginning of year	$12.41	$11.05	$8.77	$19.47	$24.52	$24.43
Net investment income	0.70 [1]	0.73 [1]	1.09 [1]	1.48 [1]	2.05	2.05
Net realized and unrealized gain (loss)	(0.37)	1.48	2.40	(10.74)	(4.72)	0.62
Dividends and distributions to Preferred Shareholders from:						
Net investment income	(0.00)[2]	(0.01)	(0.03)	(0.31)	(0.62)	(0.46)
Net realized gain						(0.12)
Net increase (decrease) from investment operations	0.33	2.20	3.46	(9.57)	(3.29)	2.09
Dividends and distributions to Common Shareholders from:						
Net investment income	(0.67)	(0.76)	(0.95)	(0.83)	(1.59)	(1.58)
Net realized gain					(0.02)	(0.42)
Tax return of capital		(0.08)	(0.23)	(0.30)	(0.15)	
Total dividends and distributions	(0.67)	(0.84)	(1.18)	(1.13)	(1.76)	(2.00)
Net asset value, end of year	$12.07	$12.41	$11.05	$8.77	$19.47	$24.52
Market price, end of year	$10.53	$11.23	$9.94	$8.51	$17.31	$26.31
Total Investment Return Applicable to Common Shareholders[3]						
Based on net asset value	3.56%	21.52%	47.16%	(51.22)%[4]	(13.86)%	8.89%
Based on market price	(0.16)%	22.25%	36.42%	(46.76)%[4]	(28.62)%	17.98%
Ratios to Average Net Assets Applicable to Common Shareholders						
Total expenses[5]	1.05%	1.09%	1.66%	1.96%[6]	1.46%	1.62%
Total expenses after fees waived and paid indirectly[5]	1.05%	1.08%	1.64%	1.96%[6]	1.45%	1.62%
Total expenses after fees waived and paid indirectly and excluding interest expense[5]	0.96%	1.07%	1.39%	1.39%[6]	1.24%	1.25%
Net investment income[5]	5.78%	6.31%	13.08%	10.53%[6]	8.90%	8.46%
Dividends to Preferred Shareholders	0.01%	0.10%	0.38%	2.19%[6]	2.70%	1.89%
Net investment income to Common Shareholders	5.77%	6.21%	12.70%	8.34%[6]	6.20%	6.58%
Supplemental Data						
Net assets applicable to Common Shareholders, end of year (000)	$222,939	$229,098	$204,133	$161,311	$358,017	$449,995
Preferred Shares outstanding at $25,000 liquidation preference, end of year (000)		$70,425	$70,425	$110,400	$220,800	$220,800

Borrowings outstanding, end of year (000)	$92,971		$13,235	$44,281		
Average borrowings outstanding during the year (000)	$51,264	$2,121	$16,330	$51,995	$903	1,303
Portfolio turnover	48 %	67 %	16 %	121 %	97 %	91 %
Asset coverage per Preferred Share at $25,000 liquidation preference, end of year		$106,328	$97,465	$61,540	$65,554	$75,965
Asset coverage, end of year per $1,000	$3,398					

1 Based on average shares outstanding.
2 Amount is less than $(0.01) per share.
3 Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.
4 Aggregate total investment return.
5 Do not reflect the effect of dividends to Preferred Shareholders.
6 Annualized.
See Notes to Financial Statements.

	Year Ended October 31,				Period December 27, 2006[1] to October 31,
	2011	2010	2009	2008	2007
Per Share Operating Performance					
Net asset value, beginning of year	$14.46	$12.64	$10.59	$21.39	$23.88 [2]
Net investment income	0.88 [3]	0.85 [3]	0.99 [3]	1.33 [3]	1.25
Net realized and unrealized gain (loss)	(0.54)	2.14	2.54	(10.06)	(1.86)
Dividends to Preferred Shareholders from net investment income	(0.01)	(0.07)	(0.07)	(0.33)	(0.31)
Net increase (decrease) from investment operations	0.33	2.92	3.46	(9.06)	(0.92)
Dividends and distributions to Common Shareholders from:					
Net investment income	(0.85)	(0.81)	(0.93)	(0.90)	(0.93)
Tax return of capital		(0.29)	(0.48)	(0.84)	(0.47)
Total dividends and distributions	(0.85)	(1.10)	(1.41)	(1.74)	(1.40)
Capital charge with respect to issuance of:					
Common Shares					(0.04)
Preferred Shares					(0.13)
Total capital charges					(0.17)
Net asset value, end of year	$13.94	$14.46	$12.64	$10.59	$21.39
Market price, end of year	$12.08	$13.02	$10.96	$9.36	$18.65
Total Investment Return Applicable to Common Shareholders[4]					
Based on net asset value	3.28%	25.16%	41.06%	(44.27)%	(4.42)%[5]
Based on market price	(0.60)%	29.98%	38.38%	(43.51)%	(20.34)%[5]
Ratios to Average Net Assets Applicable to Common Shareholders					
Total expenses[6]	1.09%	1.12%	1.60%	1.65%	1.90%[7]
Total expenses after fees waived and paid indirectly[6]	1.09%	1.11%	1.58%	1.65%	1.88%[7]
Total expenses after fees waived and paid indirectly and excluding interest expense[6]	0.99%	1.07%	1.24%	1.21%	1.04%[7]
Net investment income[6]	6.25%	6.33%	9.93%	7.63%	6.50%[7]
Dividends to Preferred Shareholders	0.09%	0.50%	0.74%	1.89%	1.64%[7]
Net investment income to Common Shareholders	6.16%	5.83%	9.19%	5.74%	4.86%[7]
Supplemental Data					
Net assets applicable to Common Shareholders, end of year (000)	$722,337	$749,360	$654,999	$548,612	$1,108,534
Preferred Shares outstanding at $25,000 liquidation preference, end of year (000)		$231,000	$231,000	$231,000	$462,000
Borrowings outstanding, end of year (000)	$339,303		$61,576	$223,512	$88,291
	$182,843	$63,660	$76,521	$107,377	$96,468

Average borrowings outstanding during the year (000)					
Portfolio turnover	54 %	64 %	30 %	126 %	35 %
Asset coverage per Preferred Share at $25,000 liquidation preference, end of year		$106,104	$95,892	$84,384	$89,737
Asset coverage, end of year per $1,000	$3,129				

1 Commencement of operations.

2 Net asset value, beginning of period, reflects a deduction of $1.12 per share sales charge from initial offering price of $25.00 per share.

3 Based on average shares outstanding.

4 Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

5 Aggregate total investment return.

6 Do not reflect the effect of dividends to Preferred Shareholders.

7 Annualized.

See Notes to Financial Statements.

Financial Highlights

BlackRock Floating Rate Income Trust (BGT)

	Year Ended October 31,			Period January 1, 2008 to October 31,	Year Ended December 31,	
	2011	2010	2009	2008	2007	2006
Per Share Operating Performance						
Net asset value, beginning of year	$14.48	$13.29	$11.24	$17.71	$19.11	$19.13
Net investment income	1.00 [1]	0.97 [1]	0.98 [1]	1.42 [1]	2.03	1.99
Net realized and unrealized gain (loss)	(0.42)	1.09	2.72	(6.62)	(1.39)	(0.06)
Dividends and distributions to Preferred Shareholders from:						
Net investment income	(0.00) [2]	(0.04)	(0.04)	(0.24)	(0.54)	(0.48)
Net realized gain						(0.01)
Net increase (decrease) from investment operations	0.58	2.02	3.66	(5.44)	0.10	1.44
Dividends and distributions to Common Shareholders from:						
Net investment income	(1.09)	(0.83)	(1.19)	(1.03)	(1.14)	(1.44)
Net realized gain						(0.02)
Tax return of capital			(0.42)		(0.36)	
Total dividends and distributions	(1.09)	(0.83)	(1.61)	(1.03)	(1.50)	(1.46)
Net asset value, end of year	$13.97	$14.48	$13.29	$11.24	$17.71	$19.11
Market price, end of year	$13.00	$14.52	$12.58	$9.63	$15.78	$19.27
Total Investment Return Applicable to Common Shareholders[3]						
Based on net asset value	4.03%	15.55%	39.51%	(31.62)% [4]	0.98%	7.93%
Based on market price	(3.46)%	22.41%	54.14%	(34.24)% [4]	(10.92)%	21.31%
Ratios to Average Net Assets Applicable to Common Shareholders						
Total expenses[5]	1.73%	1.43%	1.96%	2.22% [6]	1.67%	1.75%
Total expenses after fees waived and paid indirectly[5]	1.60%	1.25%	1.68%	1.89% [6]	1.33%	1.43%
Total expenses after fees waived and paid indirectly and excluding interest expense[5]	1.24%	1.15%	1.24%	1.21% [6]	1.16%	1.19%
Net investment income[5]	6.95%	7.01%	8.92%	10.56% [6]	10.83%	10.38%
Dividends to Preferred Shareholders	0.03%	0.27%	0.38%	1.75% [6]	2.88%	2.51%
Net investment income to Common Shareholders	6.92%	6.74%	8.54%	8.81% [6]	7.95%	7.87%
Supplemental Data						
Net assets applicable to Common Shareholders, end of year (000)	$329,831	$341,436	$312,872	$264,590	$417,086	$449,065
Preferred Shares outstanding at $25,000 liquidation preference, end of year (000)		$58,800	$58,800	$58,800	$243,450	$243,450

Borrowings outstanding, end of year (000)	$122,000	$38,000	$14,000	$123,150		$26,108
Average borrowings outstanding during the year (000)	$120,334	$24,321	$53,156	$71,780	$10,524	$19,562
Portfolio turnover	89 %	87 %	42 %	25 %	41 %	50 %
Asset coverage per Preferred Share at $25,000 liquidation preference, end of year		$170,174	$158,029	$137,505	$67,849	$73,810
Asset coverage, end of year per $1,000	$3,704					

1 Based on average shares outstanding.
2 Amount is less than $(0.01) per share.
3 Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.
4 Aggregate total investment return.
5 Do not reflect the effect of dividends to Preferred Shareholders.
6 Annualized.
See Notes to Financial Statements.

Notes to Financial Statements

1. Organization and Significant Accounting Policies:

BlackRock Credit Allocation Income Trust I, Inc. (PSW) and BlackRock Credit Allocation Income Trust II, Inc. (PSY) are registered as diversified, closed-end management investment companies under the Investment Company Act of 1940, as amended (the 1940 Act). BlackRock Credit Allocation Income Trust III (BPP), BlackRock Credit Allocation Income Trust IV (BTZ) and BlackRock Floating Rate Income Trust (BGT) are registered as non-diversified, closed-end management investment companies under the 1940 Act. PSW and PSY are organized as Maryland corporations. BPP, BTZ and BGT are organized as Delaware statutory trusts. PSW, PSY, BPP, BTZ and BGT are collectively referred to as the Funds or individually as the Fund . The Funds financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), which may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The Board of Directors and Board of Trustees of the Funds, as applicable, are referred to throughout this report as the Board of Directors or the Board and the directors, thereof are collectively referred to throughout this report as Directors. The Funds determine, and make available for publication the NAVs of their Common Shares on a daily basis.

The following is a summary of significant accounting policies followed by the Funds:

Valuation: US GAAP defines fair value as the price the Funds would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Funds fair value their financial instruments at market value using independent dealers or pricing services under policies approved by the Board. The Funds value their bond investments on the basis of last available bid prices or current market quotations provided by dealers or pricing services. Floating rate loan interests are valued at the mean of the bid prices from one or more brokers or dealers as obtained from a pricing service. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures. Financial futures contracts traded on exchanges are valued at their last sale price. Swap agreements are valued utilizing quotes received daily by the Funds pricing service or through brokers, which are derived using daily swap curves and models that incorporate a number of market data factors, such as discounted cash flows, trades and values of the underlying reference instruments. Investments in open-end registered investment companies are valued at NAV each business day. Short-term securities with remaining maturities of 60 days or less may be valued at amortized cost, which approximates fair value.

Municipal investments (including commitments to purchase such investments on a when-issued basis) are valued on the basis of prices provided by dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments and information with respect to various relationships between investments.

Equity investments traded on a recognized securities exchange or the NASDAQ Global Market System (NASDAQ) are valued at the last reported sale price that day or the NASDAQ official closing price, if applicable. For equity investments traded on more than one exchange, the last reported sale price on the exchange where the stock is primarily traded is used. Equity investments traded on a recognized exchange for which there were no sales on that day are valued at the last available bid (long positions) or ask (short positions) price. If no bid or ask price is available, the prior day s price will be used, unless it is determined that such prior day s price no longer reflects the fair value of the security.

Securities and other assets and liabilities denominated in foreign currencies are translated into US dollars using exchange rates determined as of the close of business on the New York Stock Exchange (NYSE). Foreign currency exchange contracts are valued at the mean between the bid and ask prices and are determined as of the close of business on the NYSE. Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available.

Exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade. An exchange-traded option for which there is no mean price is valued at the last bid (long positions) or ask (short positions) price. If no bid or ask price is available, the prior day s price will be used, unless it is determined that the prior day s price no longer reflects the fair value of the option. Over-the-counter (OTC) options and swaptions are valued by an independent pricing service using a mathematical model which incorporates a number of market data factors, such as the trades and prices of the underlying instruments.

In the event that application of these methods of valuation results in a price for an investment which is deemed not to be representative of the market value of such investment or if a price is not available, the investment will be valued in accordance with a policy approved by the Board as reflecting fair value (Fair Value Assets). When determining the price for Fair Value Assets, the investment advisor and/or the sub-advisor seeks to determine the price that each Fund might reasonably expect to receive from the current sale of that asset in an arm s-length transaction. Fair value determinations shall be based upon all available factors that the investment advisor and/or sub-advisor deems relevant. The pricing of all Fair Value Assets is subsequently reported to the Board or a committee thereof.

Generally, trading in foreign instruments is substantially completed each day at various times prior to the close of business on the NYSE. Occasionally, events affecting the values of such instruments may occur between the foreign market close and the close of business on the NYSE that may not be reflected in the computation of each Fund s net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such instruments, those instruments may be Fair Value Assets and be valued at their fair value, as determined in good faith by the investment advisor using a pricing service and/or policies approved by the Board. Each business day, the Funds use a pricing service to assist with the valuation of certain foreign exchange-traded equity securities and

Notes to Financial Statements (continued)

foreign exchange-traded and OTC options (the Systematic Fair Value Price). Using current market factors, the Systematic Fair Value Price is designed to value such foreign securities and foreign options at fair value as of the close of business on the NYSE, which follows the close of the local markets.

Foreign Currency Transactions: The Funds books and records are maintained in US dollars. Purchases and sales of investment securities are recorded at the rates of exchange prevailing on the respective date of such transactions. Generally, when the US dollar rises in value against a foreign currency, the Funds investments denominated in that currency will lose value because its currency is worth fewer US dollars; the opposite effect occurs if the US dollar falls in relative value.

The Funds do not isolate the portion of the results of operations arising as a result of changes in the foreign exchange rates from the changes in the market prices of investments held or sold for financial reporting purposes. Accordingly, the effects of changes in foreign currency exchange rates on investments are segregated on the Statements of Operations from the effects of changes in market prices of those investments but are included as a component of net realized and unrealized gain (loss) from investments. The Funds report realized currency gains (losses) on foreign currency related transactions as components of net realized gain (loss) for financial reporting purposes, whereas such components are treated as ordinary income for federal income tax purposes.

Asset-Backed 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 Fund has 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.

Collateralized Debt Obligations: 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.

Zero-Coupon Bonds: 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.

Capital Trusts: 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.

Preferred Stock: 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.

Floating Rate Loan Interests: The Funds may invest in floating rate loan interests. The floating rate loan interests the Funds hold are typically issued to companies (the borrower) by banks, other financial institutions, and privately and publicly offered corporations (the lender). Floating rate loan interests are generally non-investment grade, often involve borrowers whose financial condition is troubled or uncertain and companies that are highly

Notes to Financial Statements (continued)

leveraged. The Funds may invest in obligations of borrowers who are in bankruptcy proceedings. Floating rate loan interests may include fully funded term loans or revolving lines of credit. Floating rate loan interests are typically senior in the corporate capital structure of the borrower. Floating rate loan interests generally pay interest at rates that are periodically determined by reference to a base lending rate plus a premium. The base lending rates are generally the lending rate offered by one or more European banks, such as LIBOR (London Interbank Offered Rate), the prime rate offered by one or more US banks or the certificate of deposit rate. Floating rate loan interests may involve foreign borrowers, and investments may be denominated in foreign currencies. The Funds consider these investments to be investments in debt securities for purposes of their investment policies.

When a Fund purchases a floating rate loan interest it may receive a facility fee and when it sells a floating rate loan interest it may pay a facility fee. On an ongoing basis, the Funds may receive a commitment fee based on the undrawn portion of the underlying line of credit amount of a floating rate loan interest. Facility and commitment fees are typically amortized to income over the term of the loan or term of the commitment, respectively. Consent and amendment fees are recorded to income as earned. Prepayment penalty fees, which may be received by the Funds upon the prepayment of a floating rate loan interest by a borrower, are recorded as realized gains. The Funds may invest in multiple series or tranches of a loan. A different series or tranche may have varying terms and carry different associated risks.

Floating rate loan interests are usually freely callable at the borrower s option. The Funds may invest in such loans in the form of participations in loans (Participations) or assignments (Assignments) of all or a portion of loans from third parties. Participations typically will result in the Funds having a contractual relationship only with the lender, not with the borrower. The Funds will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the Participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing Participations, the Funds generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of offset against the borrower, and the Funds may not benefit directly from any collateral supporting the loan in which it has purchased the Participation. As a result, the Funds will assume the credit risk of both the borrower and the lender that is selling the Participation. The Funds investment in loan participation interests involves the risk of insolvency of the financial intermediaries who are parties to the transactions. In the event of the insolvency of the lender selling the Participation, the Funds may be treated as general creditors of the lender and may not benefit from any offset between the lender and the borrower. Assignments typically result in the Funds having a direct contractual relationship with the borrower, and the Funds may enforce compliance by the borrower with the terms of the loan agreement.

Reverse Repurchase Agreements: The Funds may enter into reverse repurchase agreements with qualified third party broker-dealers. In a reverse repurchase agreement, the Funds sell securities to a bank or broker-dealer and agrees to repurchase the same securities at a mutually agreed upon date and price. Certain agreements have no stated maturity and can be terminated by either party at any time. Interest on the value of the reverse repurchase agreements issued and outstanding is based upon competitive market rates determined at the time of issuance. The Funds 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. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities that the Funds are obligated to repurchase under the agreement may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Funds use of the proceeds of the agreement may be restricted while the other party, or its trustee or receiver, determines whether or not to enforce the Funds obligation to repurchase the securities.

Segregation and Collateralization: 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.

Investment Transactions and Investment Income: For financial reporting purposes, investment transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on investment transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Funds are informed of the ex-dividend date. Under the applicable foreign tax laws, a withholding tax at various rates may be imposed on capital gains, dividends and interest. Upon notification from issuers, some of the dividend income received from a real estate investment trust may be redesignated as a reduction of cost of the related investment and/or realized gain. Interest income, including amortization and accretion of premiums and discounts on debt securities, is recognized on the accrual basis.

Dividends and Distributions: Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. If the total dividends and distributions made in any tax year exceeds net investment income and accumulated realized capital gains, a portion of the total distribution may be treated as a tax return of capital. The amount and timing of dividends and distributions are determined in accordance with federal income tax regulations, which may differ

Notes to Financial Statements (continued)

from US GAAP. Dividends and distributions to Preferred Shareholders are accrued and determined as described in Note 6.

Income Taxes: It is each Fund s policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

BGT has a wholly owned taxable subsidiary organized as a limited liability company (the Taxable Subsidiary) which is listed in the Schedule of Investments. The Taxable Subsidiary enables the Fund to hold an investment that is organized as an operating partnership while still satisfying Regulated Investment Company tax requirements. Income earned on the investment held by the Taxable Subsidiary is taxable to such subsidiary. An income tax provision for all income, including realized and unrealized gains, if any, of the Taxable Subsidiary is reflected as a reduction in the value of the Taxable Subsidiary.

Each Fund files US federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on each Fund s US federal tax returns remains open for each of the four years ended October 31, 2011. The statutes of limitations on each Fund s state and local tax returns may remain open for an additional year depending upon the jurisdiction. Management does not believe there are any uncertain tax positions that require recognition of a tax liability.

Recent Accounting Standard: In May 2011, the Financial Accounting Standards Board issued amended guidance to improve disclosure about fair value measurements which will require the following disclosures for fair value measurements categorized as Level 3: quantitative information about unobservable inputs and assumptions used in the fair value measurement, a description of the valuation policies and procedures and a narrative description of sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, the amounts and reasons for all transfers in and out of Level 1 and Level 2 will be required to be disclosed. The amended guidance is effective for financial statements for fiscal years beginning after December 15, 2011, and interim periods within those fiscal years. Management is evaluating the impact of this guidance on the Funds financial statements and disclosures.

Deferred Compensation and BlackRock Closed-End Share Equivalent Investment Plan: Under the deferred compensation plan approved by each Fund s Board, independent Directors (Independent Directors) may defer a portion of their annual complex-wide compensation. Deferred amounts earn an approximate return as though equivalent dollar amounts had been invested in common shares of certain other BlackRock Closed-End Funds selected by the Independent Directors. This has approximately the same economic effect for the Independent Directors as if the Independent Directors had invested the deferred amounts directly in certain other BlackRock Closed-End Funds.

The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of each Fund. Each Fund may, however, elect to invest in common shares of certain other BlackRock Closed-End Funds selected by the Independent Directors in order to match its deferred compensation obligations. Investments to cover each Fund s deferred compensation liability, if any, are included in other assets in the Statements of Assets and Liabilities. Dividends and distributions from the BlackRock Closed-End Fund investments under the plan are included in income affiliated in the Statements of Operations.

Other: Expenses directly related to the Funds are charged to that Fund. Other operating expenses shared by several funds are pro rated among those funds on the basis of relative net assets or other appropriate methods.

The Funds have an arrangement with the custodian whereby fees may be reduced by credits earned on uninvested cash balances, which, if applicable, are shown as fees paid indirectly in the Statements of Operations. The custodian imposes fees on overdrawn cash balances, which can be offset by accumulated credits earned or may result in additional custody charges.

2. Derivative Financial Instruments:

The Funds engage in various portfolio investment strategies using derivative contracts both to increase the returns of the Funds and to economically hedge, or protect, their exposure to certain risks such as credit risk, equity risk, interest rate risk, foreign currency exchange rate risk or other risk (commodity price risk and inflation risk). These contracts may be transacted on an exchange or OTC.

Losses may arise if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument or if the counterparty does not perform under the contract. 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 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,

Notes to Financial Statements (continued)

the Funds bear the risk of loss from counterparty non-performance. See Note 1 Segregation and Collateralization for information with respect to collateral practices. In addition, 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 the Funds net assets decline by a stated percentage or the Funds fails to meet the terms of its ISDA Master Agreements, which would cause the Funds to accelerate payment of any net liability owed to the counterparty.

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 the Funds and the 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, 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 Funds agree 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 margin variation and are recorded by the Funds as unrealized appreciation or depreciation. When the contract is closed, the Funds record 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 the Funds, help to manage the overall exposure to the currencies, in which some of the investments held by the Funds are denominated. The contract is marked-to-market daily and the change in market value is recorded by the Funds 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 the Funds purchase (writes) an option, an amount equal to the premium paid (received) by the Funds 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 Funds enter into a closing transaction), the Funds 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 the Funds write a call option, such option is covered, meaning that the Funds hold the underlying instrument subject to being called by the option counterparty. When the Funds write 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 the Funds may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written option could result in the Funds 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. 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). 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

Notes to Financial Statements (continued)

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.

Derivative Financial Instruments Categorized by Risk Exposure:

Fair Values of Derivative Financial Instruments as of October 31, 2011

		Asset Derivatives				
		PSW	**PSY**	**BPP**	**BTZ**	**BGT**
	Statements of Assets and Liabilities Location	**Value**				
Foreign currency exchange contracts	Unrealized appreciation on foreign currency contracts					$31,161
Interest rate contracts	Net unrealized appreciation/ depreciation**; Investments at value-unaffiliated	$254,209	$1,079,744	$507,185	$1,665,047	
Credit contracts	Unrealized appreciation on swaps; Investments at value unaffiliated	18,602	76,586	49,383	109,238	
Total		$272,811	$1,156,330	$556,568	$1,774,285	$31,161

		Liability Derivatives				
		PSW	**PSY**	**BPP**	**BTZ**	**BGT**
		Value				

	Statements of Assets and Liabilities Location					
Foreign currency exchange contracts	Unrealized depreciation on foreign currency contracts	$2,106	$9,016			$721,973
Interest rate contracts	Net unrealized appreciation/ depreciation*; Unrealized depreciation on swaps; Options written at value	783,749	3,397,773	$2,520,111	$8,510,824	
Credit contracts	Unrealized depreciation on swaps; Options written at value	122,614	522,219	251,070	865,805	
Total		$908,469	$3,929,008	$2,771,181	$9,376,629	$721,973

* Includes cumulative appreciation/depreciation on financial futures contracts as reported in the Schedule of Investments. Only the current day s margin variation is reported within the Statements of Assets and Liabilities.

** Options purchased are included in the net realized gain (loss) from investments and net change in unrealized appreciation/depreciation on investments.

Notes to Financial Statements (continued)

The Effect of Derivative Financial Instruments in the Statements of Operations
Year Ended October 31, 2011

	Net Realized Gain (Loss) From				
	PSW	**PSY**	**BPP**	**BTZ**	**BGT**
Interest rate contracts:					
Financial futures contracts	$(3,130,213)	$(13,357,266)	$(3,586,041)	$(11,928,642)	
Options*	29,340	125,260	13,467	75,286	
Swaps	(658,879)	(2,692,039)	(1,285,792)	(4,482,282)	
Foreign currency exchange contracts:					
Foreign currency exchange contracts	1,118	3,998			$(4,259,489)
Credit contracts:					
Options*	(40,906)	(172,975)	(84,150)	(286,344)	
Swaps	206,110	875,505	277,052	1,075,651	1,581
Equity contracts:					
Options*	147,167	622,653	302,395	1,030,167	
Total	$(3,446,263)	$(14,594,864)	$(4,363,069)	$(14,516,164)	$(4,257,908)

	Net Change in Unrealized Appreciation/Depreciation on				
	PSW	**PSY**	**BPP**	**BTZ**	**BGT**
Interest rate contracts:					
Financial futures contracts	$119,767	$575,373	$109,369	$(73,057)	
Options*	(139,502)	(593,738)	(557,748)	(1,960,207)	
Swaps	(449,649)	(1,944,096)	(673,748)	(2,116,546)	
Foreign currency exchange contracts:					
Foreign currency exchange contracts	(2,106)	(9,016)			$5,237,155
Credit contracts:					
Swaps	(104,010)	(445,635)	(201,689)	(756,568)	(19,172)
Total	$(575,500)	$(2,417,112)	$(1,323,816)	$(4,906,378)	$5,217,983

* Options purchased are included in the net realized gain (loss) from investments and net change in unrealized appreciation/depreciation on investments.

For the year ended October 31, 2011, the average quarterly balances of outstanding derivative financial instruments were as follows:

	PSW	**PSY**	**BPP**	**BTZ**	**BGT**
Financial futures contracts:					
Average number of contracts purchased	48	128	84	277	
Average number of contracts sold	230	987	264	886	
Average notional value of contracts purchased	$10,488,551	$27,997,805	$17,857,086	$59,211,028	
Average notional value of contracts sold	$29,416,965	$126,250,641	$33,116,865	$111,058,326	
Foreign currency exchange contracts:					
Average number of contracts US dollars purchased	1	1			6
Average number of contracts US dollars sold	1	1			2
Average US dollar amounts purchased	$128,636	$677,250			$78,101,399
Average US dollar amounts sold	$34,856	$102,772			$724,617

Options:					
Average number of option contracts purchased	14	59	5,675,029	19,325,098	26
Average number of option contracts written					
Average notional value of option contracts purchased	$1,750,000	$7,375,000	$9,300,000	$31,575,000	$24,514
Average notional value of option contracts written					
Average number of swaption contracts purchased	1	1	1	1	
Average number of swaption contracts written	2	2	1	4	
Average notional value of swaption contracts purchased	$650,000	$2,575,000	$925,000	$3,150,000	
Average notional value of swaption contracts written	$20,200,000	$85,550,000	$49,050,000	$167,500,000	
Credit default swaps:					
Average number of contracts buy protection	5	5	6	4	
Average number of contracts sell protection	3	3	3	3	
Average notional value buy protection	$2,836,250	$12,026,250	$7,437,500	$18,515,000	
Average notional value sell protection	$1,928,547	$8,274,333	$2,531,250	$8,700,000	
Interest rate swaps:					
Average number of contracts pays fixed rate	4	4	5	5	
Average number of contracts received fixed rate	1	1	2	2	
Average notional value pays fixed rate	$12,450,000	$52,825,000	$41,850,000	$141,175,000	
Average notional value received fixed rate	$3,350,000	$14,375,000	$18,525,000	$65,200,000	

Notes to Financial Statements (continued)

3. Investment Advisory Agreement and Other Transactions with Affiliates:

The PNC Financial Services Group, Inc. (PNC) and Barclays Bank PLC (Barclays) are the largest stockholders of BlackRock, Inc. (BlackRock). Due to the ownership structure, PNC is an affiliate for 1940 Act purposes, but Barclays is not.

Each Fund entered into an Investment Advisory Agreement with BlackRock Advisors, LLC (the Manager), the Funds investment advisor, an indirect, wholly owned subsidiary of BlackRock, to provide investment advisory and administration services. The Manager is responsible for the management of each Fund s portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of each Fund. For such services, each Fund pays the Manager a monthly fee at the following annual rates of each Fund s average daily (weekly for BPP, BTZ and BGT) net assets (including any assets attributable to borrowings or to the proceeds from the issuance of Preferred Shares) as follows:

PSW	0.60%
PSY	0.60%
BPP	0.65%
BTZ	0.65%
BGT	0.75%

The Manager voluntarily agreed to waive a portion of the investment advisory fees or other expenses on BGT as a percentage of its average weekly net assets (including any assets attributable to borrowings or to the proceeds from the issuance of Preferred Shares) minus the sum of liabilities (other than borrowings representing financial leverage) as follows: 0.10% for the period September 1, 2010 to August 31, 2011 and 0.05% for the period September 1, 2011 to August 31, 2012. For the year ended October 31, 2011, the Manager waived $428,722, which is included in fees waived by advisor in the Statements of Operations.

The Manager voluntarily agreed to waive its investment advisory fees by the amount of investment advisory fees each Fund pays to the Manager indirectly through its investment in affiliated money market funds, however, the Manager does not waive its investment advisory fees by the amount of investment advisory fees paid through each Fund s investment in other affiliated investment companies, if any. These amounts are included in fees waived by advisor in the Statements of Operations. For the year ended October 31, 2011, the amounts waived were as follows:

PSW	$896
PSY	$3,835
BPP	$3,273
BTZ	$10,610
BGT	$2,454

The Manager entered into a sub-advisory agreement with BlackRock Financial Management, Inc. (BFM), an affiliate of the Manager. The Manager pays BFM for services it provides, a monthly fee that is a percentage of the investment advisory fees paid by each Fund to the Manager.

For the period November 1, 2010 through December 31, 2010, the Funds reimbursed the Manager for certain accounting services, which are included in accounting services in the Statements of Operations. The reimbursements were as follows:

PSW	$228
PSY	$1,017
BPP	$2,822
BTZ	$1,330
BGT	$751

Effective January 1, 2011, the Funds no longer reimburse the Manager for accounting services.

Certain officers and/or Directors of the Funds are officers and/or directors of BlackRock or its affiliates. The Funds reimburse the Manager for compensation paid to the Funds Chief Compliance Officer.

4. Investments:

Purchases and sales of investments including paydowns and payups, excluding short-term securities and US government securities for the year ended October 31, 2011, were as follows:

	Purchases	**Sales**
PSW	$80,551,829	$53,549,617
PSY	$325,153,755	$205,749,646
BPP	$173,332,985	$105,716,939
BTZ	$575,172,504	$339,856,385
BGT	$423,513,718	$422,533,406

Purchases and sales of US government securities for the year ended October 31, 2011, were as follows:

	Purchases	**Sales**
PSW	$4,113,707	$23,571,576
PSY	$16,334,169	$106,422,862
BPP	$9,044,689	$27,801,765
BTZ	$38,685,547	$167,596,111

Notes to Financial Statements (continued)

Transactions in options written for the year ended October 31, 2011, were as follows:

	Calls			Puts		
		Swaptions			Swaptions	
	Options Contracts	Notional (000)	Premium Received	Options Contracts	Notional (000)	Premium Received
PSW						
Outstanding options, beginning of year						
Options written		$ 1,800	$ 64,800		$ 36,800	$ 190,800
Options expired						
Options exercised						
Options closed					(35,000)	(126,000)
Outstanding options, end of year		$ 1,800	$ 64,800		$ 1,800	$ 64,800
PSY						
Outstanding options, beginning of year						
Options written		$ 7,700	$ 277,200		$ 155,700	$ 810,000
Options expired						
Options exercised						
Options closed					(148,000)	(532,800)
Outstanding options, end of year		$ 7,700	$ 277,200		$ 7,700	$ 277,200
BPP						
Outstanding options, beginning of year						
Options written	3	$ 8,700	$ 429,271	3	$ 80,700	$ 711,814
Options expired						
Options exercised	(3)		(3,571)	(3)		(26,914)
Options closed					(72,000)	(259,200)
Outstanding options, end of year		$ 8,700	$ 425,700		$ 8,700	$ 425,700
BTZ						
Outstanding options, beginning of year						
Options written	13	$ 30,000	$ 1,477,177	13	$ 275,000	$ 2,460,458
Options expired						
Options exercised	(13)		(15,327)	(13)		(116,608)
Options closed					(245,000)	(882,000)
Outstanding options, end of year		$ 30,000	$ 1,461,850		$ 30,000	$ 1,461,850

5. Income Tax Information:

Reclassifications: US GAAP requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. The following permanent differences as of October 31, 2011 attributable to foreign currency transactions, the accounting for swap agreements, the classification of investments, income recognized from pass-through entities, and the expiration of capital loss carryforwards were reclassified to the following accounts:

	PSW	PSY	BPP	BTZ	BGT

Paid-in-capital	$(1,276,621)				$29,467
Undistributed net investment income	$(61,913)	$(246,990)	$(191,381)	$(548,596)	$(2,857,802)
Accumulated net realized loss	$1,338,534	$246,990	$191,381	$548,596	$2,828,335

The tax character of distributions paid during the fiscal years ended October 31, 2011 and October 31, 2010 was as follows:

		PSW	**PSY**	**BPP**	**BTZ**	**BGT**
Ordinary income	10/31/2011	$6,366,890	$27,418,570	$12,359,949	$44,466,841	$25,743,686
	10/31/2010	6,971,994	31,608,403	14,283,895	45,336,648	20,390,728
Tax return of capital	10/31/2010	909,831	5,350,650	1,431,653	14,927,112	
Total distributions	10/31/2011	$6,366,890	$27,418,570	$12,359,949	$44,466,841	$25,743,686
	10/31/2010	$7,881,825	$36,959,053	$15,715,548	$60,263,760	$20,390,728

Notes to Financial Statements (continued)

As of October 31, 2011, the tax components of accumulated net losses were as follows:

	PSW	PSY	BPP	BTZ	BGT
Undistributed ordinary income	$674,094	$2,062,942	$600,196	$260,420	$5,663,378
Capital loss carryforwards	(133,183,040)	(496,772,908)	(203,308,710)	(412,613,268)	(90,203,968)
Net unrealized gains (losses)*	5,560,423	16,638,416	3,429,010	11,605,960	(14,250,523)
Total	$(126,948,523)	$(478,071,550)	$(199,279,504)	$(400,746,888)	$(98,791,113)

* The difference between book-basis and tax-basis net unrealized gains (losses) was attributable primarily to the tax deferral of losses on wash sales and straddles, the realization for tax purposes of unrealized gains/losses on certain futures and foreign currency exchange contracts, the accrual of income on securities in default, the realization for tax purposes of unrealized gains on investments in passive foreign investment companies, the timing and recognition of partnership income, the accounting for swap agreements, the deferral of compensation to Directors, the classification of investments, and investments in wholly owned subsidiaries.

As of October 31, 2011, the Funds had capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates as follows:

Expires October 31,	PSW	PSY	BPP	BTZ	BGT
2012	$10,243,141	$62,733,648			
2013	5,058,900	17,911,331			
2014	8,481,628	12,145,117			
2015	6,724,694	19,582,978	$18,184,893	$49,741,712	$3,268,804
2016	40,232,230	140,413,242	58,197,929	113,355,213	24,616,531
2017	55,825,534	194,970,854	108,996,120	223,939,227	45,385,443
2018	4,498,024	37,285,625	15,245,888	15,223,841	16,526,601
2019	2,118,889	11,730,113	2,683,880	10,353,275	406,589
Total	$133,183,040	$496,772,908	$203,308,710	$412,613,268	$90,203,968

Under the recently enacted Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Fund after October 31, 2011 will not be subject to expiration. In addition, any such losses must be utilized prior to the losses incurred in pre-enactment taxable years.

6. Borrowings:

BGT entered into a senior committed secured, 364-day revolving line of credit and a separate security agreement (the SSB Agreement) with State Street Bank and Trust Company (SSB). The SSB Agreement provides the Fund with a maximum commitment of $172.2 million. The Fund has granted a security interest in substantially all of its assets to SSB.

Advances are made by SSB to the Fund, at the Fund s option of (a) the higher of (i) 0.80% above the Fed Funds rate and (ii) 0.80% above the Overnight LIBOR or (b) 0.80% above 7-day, 30-day, 60-day or 90-day LIBOR. In addition, the Fund pays a facility fee and a commitment fee based upon SSB s total commitment to the Fund. The fees associated with each of the agreements are included in the Statements of Operations as borrowing costs. Advances to the Fund as of October 31, 2011 are shown in the Statements of Assets and Liabilities as loan payable. The SSB Agreement was renewed for 364 days under substantially the same terms effective March 3, 2011. The commitment amount was increased from $134 million to $172.2 million. For the year ended October 31, 2011, the daily weighted average interest rate was 1.03%.

BGT may not declare dividends or make other distributions on shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding short-term borrowings is less than 300%.

For the year ended October 31, 2011, the daily weighted average interest rates for Funds with reverse repurchase agreements were as follows:

PSW	0.37%
PSY	0.36%
BPP	0.36%
BTZ	0.40%

7. Commitments:

The Funds may invest in floating rate loan interests. In connection with these investments, the Fund may also enter into unfunded floating rate loan interests (commitments). In connection with these commitments, the Fund earns a commitment fee, typically set as a percentage of the commitment amount. Such fee income, which is included in interest income in the Statement of Operations, is recognized ratably over the commitment period. Unfunded floating rate loan interests are marked-to-market daily, and any unrealized appreciation or depreciation is included in the Statement of Assets and Liabilities and Statement of Operations. As of October 31, 2011, the Funds had the no unfunded floating rate loan interests.

8. Concentration, Market and Credit Risk:

As of October 31, 2011, PSW, PSY, BPP and BTZ invested a significant portion of their assets in securities in the financials sector whereas BGT invested a significant portion of its assets in the media sector. Changes in economic conditions affecting the financials and media sectors would have a greater impact on the Funds and could affect the value, income and/or liquidity of positions in such securities.

Notes to Financial Statements (continued)

In the normal course of business, the Funds invest in securities and enter into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer of a security to meet all its obligations (issuer credit risk). The value of securities held by the Funds may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Funds; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate and price fluctuations. Similar to issuer credit risk, the Funds may be exposed to counterparty credit risk, or the risk that an entity with which the Funds have unsettled or open transactions may fail to or be unable to perform on its commitments. The Funds manage counterparty credit risk by entering into transactions only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Funds to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Funds exposure to market, issuer and counterparty credit risks with respect to these financial assets is generally approximated by their value recorded in the Funds Statements of Assets and Liabilities, less any collateral held by the Funds.

9. Capital Share Transactions:

PSW and PSY are each authorized to issue 200 million of $0.10 par value shares, all of which were initially classified as Common Shares. Each Board is authorized, however, to reclassify any unissued shares without approval of Common Shareholders. The Boards of PSW and PSY reclassified 5,460 and 22,000 unissued Common Shares as $0.10 par value Preferred Shares, respectively, none of which are outstanding. There are an unlimited number of $0.001 par value shares authorized for BPP, BTZ and BGT, which may be issued as either Common Shares or Preferred Shares.

Common Shares

For the year ended October 31, 2011, shares issued and outstanding increased by the following amounts as a result of dividend reinvestment:

	Year Ended October 31, 2011	**Year Ended October 31, 2010**
BGT	39,329	32,177

Shares issued and outstanding for the years ended October 31, 2011 and October 31, 2010 remained constant for PSW, PSY, BPP and BTZ, respectively.

Preferred Shares

During the year ended October 31, 2011, the Funds announced the following redemptions of Preferred Shares at a price of $25,000 per share plus any accrued and unpaid dividends through the redemption date:

	Series	**Redemption Date**	**Shares Redeemed**	**Aggregate Principal**
PSW	M7	12/07/10	805	$20,125,000
	T7	12/08/10	805	$20,125,000

PSY	M7	1/04/11	861	$21,525,000
	T7	1/05/11	861	$21,525,000
	W7	1/06/11	861	$21,525,000
	R7	1/07/11	861	$21,525,000
	F7	1/10/11	861	$21,525,000
	W28	1/13/11	1,228	$30,700,000
	R28	1/28/11	1,228	$30,700,000
BPP	T7	12/08/10	939	$23,475,000
	W7	12/09/10	939	$23,475,000
	R7	12/10/10	939	$23,475,000
BTZ	T7	1/05/11	2,310	$57,750,000
	W7	1/06/11	2,310	$57,750,000
	R7	1/07/11	2,310	$57,750,000
	F7	1/10/11	2,310	$57,750,000
BGT	T7	12/08/10	784	$19,600,000
	W7	12/09/10	784	$19,600,000
	R7	12/10/10	784	$19,600,000

All of the Funds, except BGT, financed the Preferred Share redemptions with cash received from reverse repurchase agreements. BGT financed the Preferred Share redemption with cash received from a line of credit.

The Preferred Shares were redeemable at the option of each Fund, in whole or in part, on any dividend payment date at their liquidation preference per share plus any accumulated and unpaid dividends whether or not declared. The Preferred Shares were also subject to mandatory redemption at their liquidation preference plus any accumulated and unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of a Fund, as set forth in each Fund s Articles of Supplementary (the Governing Instrument) are not satisfied.

The holders of Preferred Shares had voting rights equal to the holders of Common Shares (one vote per share) and would vote together with holders of Common Shares (one vote per share) as a single class. However, the holders of Preferred Shares, voting as a separate class, were also entitled to elect two Directors for each Fund. In addition, the 1940 Act requires that along with approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding Preferred Shares, voting separately as a class would be required to (a) adopt any plan of reorganization that would adversely affect the Preferred Shares, (b) change a Fund s sub-classification as a closed-end investment company or change its fundamental investment restrictions or (c) change its business so as to cease to be an investment company.

Notes to Financial Statements (concluded)

Dividends on seven-day and 28-day Preferred Shares were cumulative at a rate which is reset every seven or 28 days, respectively, based on the results of an auction. If the Preferred Shares failed to clear the auction on an auction date, each Fund was required to pay the maximum applicable rate on the Preferred Shares to holders of such shares for successive dividend periods until such time as the shares were successfully auctioned. The maximum applicable rate on the Preferred Shares at the last auction date was as follows: for PSW, PSY and BGT, the higher of 125% times or 1.25% plus the Telerate/BBA LIBOR rate; for BPP 150% of the interest equivalent of the 30-day commercial paper rate and for BTZ, the higher of 150% times or 1.25% plus the Telerate/BBA LIBOR rate. The low, high and average dividend rates for the year ended October 31, 2011, were as follows:

	Series	**Low**	**High**	**Average**
PSW	M7	1.50%	1.50%	1.50%
	T7	1.50%	1.50%	1.50%
PSY	M7	1.50%	1.51%	1.50%
	T7	1.50%	1.51%	1.50%
	W7	1.50%	1.51%	1.50%
	TH7	1.50%	1.51%	1.50%
	F7	1.50%	1.51%	1.50%
	W28	1.50%	1.51%	1.51%
	TH28	1.50%	1.52%	1.51%
BPP	T7	0.30%	0.32%	0.31%
	W7	0.32%	0.33%	0.32%
	R7	0.30%	0.38%	0.33%
BTZ	T7	1.50%	1.51%	1.50%
	W7	1.50%	1.51%	1.50%
	R7	1.50%	1.51%	1.50%
	F7	1.50%	1.51%	1.50%
BGT	T7	1.50%	1.50%	1.50%
	W7	1.50%	1.50%	1.50%
	R7	1.50%	1.50%	1.50%

Since February 13, 2008, the Preferred Shares of the Funds failed to clear any of their auctions. As a result, the Preferred Shares dividend rates were reset to the maximum applicable rate, which ranged from 0.35% to 1.94% for the year ended October 31, 2011. A failed auction is not an event of default for the Funds but it has a negative impact on the liquidity of Preferred Shares. A failed auction occurs when there are more sellers of a Fund s auction rate preferred shares than buyers. A successful auction for the Funds Preferred Shares may not occur for some time, if ever, and even if liquidity does resume, holders of Preferred Shares may not have the ability to sell the Preferred Shares at their liquidation preference.

The Funds paid commissions of 0.15% on the aggregate principal amount of all shares that failed to clear their auctions and 0.25% on the aggregate principal amount of all shares that successfully clear their auctions. Certain broker dealers had individually agreed to reduce commissions for failed auctions.

10. Subsequent Events:

Management s evaluation of the impact of all subsequent events on the Funds financial statements was completed through the date the financial statements were issued and the following items were noted:

The Funds paid a net investment income dividend in the following amounts per share on November 30, 2011 to Common Shareholders on record on November 15, 2011:

	Common Dividend Per Share
PSW	$0.0595
PSY	$0.0610
BPP	$0.0615
BTZ	$0.0765
BGT	$0.0775

The Funds paid a net investment income dividend in the following amounts per share on December 19, 2011 to Common Shareholders on record on December 14, 2011:

	Common Dividend Per Share
PSW	$0.0595
PSY	$0.0610
BPP	$0.0635
BTZ	$0.0785
BGT	$0.0775

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of BlackRock Credit Allocation Income Trust I, Inc. and BlackRock Credit Allocation Income Trust II, Inc. and to the Shareholders and Board of Trustees of BlackRock Credit Allocation Income Trust III, BlackRock Credit Allocation Income Trust IV and BlackRock Floating Rate Income Trust:

We have audited the accompanying statements of assets and liabilities 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 and BlackRock Floating Rate Income Trust (collectively, the Funds), including the schedules of investments, as of October 31, 2011, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Funds management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Funds are not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds internal control over financial reporting.

Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2011, by correspondence with the custodians, brokers and agent banks; where replies were not received from brokers or agent banks, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions 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 and BlackRock Floating Rate Income Trust as of October 31, 2011, the results of their operations and their cash flows for the year then ended, the changes in their net assets for each of the two years in the period then ended, and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP
Boston, Massachusetts
December 23, 2011

Important Tax Information (Unaudited)

The following information is provided with respect to the ordinary income distributions paid by the Funds for the taxable year ended October 31, 2011.

		PSW	PSY	BPP	BTZ	BGT
Qualified Dividend Income for Individuals[1]						
Months Paid:	November 2010 January 2011	11.90 %	1.28 %	5.67 %	1.12 %	
	February October 2011	3.41 %	2.22 %	8.59 %	8.74 %	
Interest-Related Dividends and Qualified Short-Term Capital Gains for Non-US Residents[2]						
Months Paid:	November 2010 January 2011	64.61 %	69.06 %	67.41 %	65.27 %	61.97 %
	February October 2011	94.69 %	97.12 %	94.35 %	92.56 %	62.43 %
Federal Obligation Interest[3]		0.54 %	1.36 %	0.79 %	1.47 %	

1 The Funds hereby designate the percentage indicated or the maximum amount allowable by law.

2 Represents the portion of the taxable ordinary income dividends eligible for exemption from US withholding tax for nonresident aliens and foreign corporations.

3 The law varies in each state as to whether and what percentage of dividend income attributable to federal obligations is exempt from state income tax. We recommend that you consult your tax advisor to determine if any portion of the dividends you received is exempt from state income taxes.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements

The Board of Directors and the Board of Trustees, as the case may be (each, a Board, collectively, the Boards, and the members of which are referred to as Board Members) of BlackRock Credit Allocation Income Trust I, Inc. (PSW), BlackRock Credit Allocation Income Trust II, Inc. (PSY), BlackRock Credit Allocation Income Trust III (BPP), BlackRock Credit Allocation Income Trust IV (BTZ) and BlackRock Floating Rate Income Trust (BGT, and together with PSW, PSY, BPP and BTZ, each a Fund and, collectively, the Funds) met on April 14, 2011 and May 12 13, 2011 to consider the approval of each Fund s investment advisory agreement (each, an Advisory Agreement) with BlackRock Advisors, LLC (the Manager), each Fund s investment advisor. The Board of each Fund also considered the approval of the sub-advisory agreement (each, a Sub-Advisory Agreement) between the Manager and BlackRock Financial Management, Inc. (the Sub-Advisor), with respect to each Fund. The Manager and the Sub-Advisor are referred to herein as BlackRock. The Advisory Agreements and the Sub-Advisory Agreements are referred to herein as the Agreements.

Activities and Composition of the Board

Each Board consists of eleven individuals, nine of whom are not interested persons of such Fund as defined in the Investment Company Act of 1940 (the 1940 Act) (the Independent Board Members). The Board Members are responsible for the oversight of the operations of the Funds and perform the various duties imposed on the directors of investment companies by the 1940 Act. The Independent Board Members have retained independent legal counsel to assist them in connection with their duties. The Chairman of the Board is an Independent Board Member. Each Board has established five standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee and an Executive Committee, each of which is composed of Independent Board Members (except for the Executive Committee, which also has one interested Board Member) and is chaired by an Independent Board Member. The Board of each Fund had established a Committee on Auction Market Preferred Shares prior to the redemption of all of its respective Fund's outstanding auction market preferred shares. Further, the Boards, together with the Boards of other BlackRock-managed funds, also had established an ad hoc committee, the Joint Product Pricing Committee, which consisted of Independent Board Members and the directors/trustees of the boards of certain other BlackRock-managed funds, who were not "interested persons" of their respective funds.

The Agreements

Pursuant to the 1940 Act, the Boards are required to consider the continuation of the Agreements on an annual basis. In connection with this process, the Boards assessed, among other things, the nature, scope and quality of the services provided to the Funds by BlackRock, its personnel and its affiliates, including investment management, administrative and shareholder services, oversight of fund accounting and custody, marketing services, risk oversight, compliance program and assistance in meeting applicable legal and regulatory requirements.

The Boards, acting directly and through their respective committees, considered at each of their meetings, and from time to time as appropriate, factors that are relevant to their annual consideration of the renewal of the Agreements, including the services and support provided by BlackRock to the Funds and their shareholders. Among the matters the Boards considered were: (a) investment performance for one-, three- and five-year periods, as applicable, against peer funds, and applicable benchmarks, if any, as well as senior management s and portfolio managers analyses of the reasons for any over performance or underperformance against their peers and/or benchmark, as applicable; (b) fees, including advisory and other amounts paid to BlackRock and its affiliates by the Funds for services such as call center and fund accounting; (c) Fund operating expenses and how BlackRock allocates expenses to the Funds; (d) the resources devoted to, risk oversight of, and compliance reports relating to, implementation of the Funds investment objectives, policies and restrictions; (e) the Funds compliance with their Code of Ethics and other compliance policies and procedures; (f) the nature, cost and character of non-investment management services provided by BlackRock and its affiliates; (g) BlackRock s and other service providers internal controls and risk and compliance oversight mechanisms; (h) BlackRock s implementation of the proxy voting policies approved by the Boards; (i) execution quality of portfolio transactions; (j) BlackRock s implementation of the Funds valuation and liquidity procedures; (k) analyses of contractual and actual management fee ratios for products with similar investment objectives across the open-end fund, closed-end fund and institutional account product channels, as applicable; (l) BlackRock s compensation methodology for its investment professionals and the incentives it creates; and (m) periodic updates on BlackRock s business.

Board Considerations in Approving the Agreements

The Approval Process: Prior to the April 14, 2011 meeting, the Boards requested and received materials specifically relating to the Agreements. The Boards are engaged in a process with BlackRock to review periodically the nature and scope of the information provided to better assist their deliberations. The materials provided in connection with the April meeting included (a) information independently compiled and prepared by Lipper, Inc. (Lipper) on Fund fees and expenses and the investment performance of the Funds as compared with a peer group of funds as determined by Lipper and a customized peer group selected by BlackRock (collectively, Peers); (b) information on the profitability of the Agreements to BlackRock and a discussion of fall-out benefits to BlackRock and its affiliates and significant shareholders; (c) general analyses provided by BlackRock concerning investment management fees (a combination of the advisory fee and the administration fee, if any) charged to other clients, such as institutional clients and open-end funds, under similar investment mandates, as applicable; (d) the impact of economies of scale; (e) a summary of aggregate amounts paid by each Fund to BlackRock and (f) if applicable, a comparison of management fees to similar BlackRock closed-end funds, as classified by Lipper.

At an in-person meeting held on April 14, 2011, the Boards reviewed materials relating to their consideration of the Agreements. As a result of the discussions that occurred during the April 14, 2011 meeting, and as a culmination of the Boards year-long deliberative process, the Boards presented BlackRock with questions and requests for additional information. BlackRock responded to these requests with additional written information in advance of the May 12 13, 2011 Board meeting.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

At an in-person meeting held on May 12 13, 2011, each Board, including the Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and its Fund and the Sub-Advisory Agreement between the Manager and the Sub-Advisor with respect to its Fund, each for a one-year term ending June 30, 2012. In approving the continuation of the Agreements, the Boards considered: (a) the nature, extent and quality of the services provided by BlackRock; (b) the investment performance of the Funds and BlackRock; (c) the advisory fee and the cost of the services and profits to be realized by BlackRock and its affiliates from their relationship with the Funds; (d) economies of scale; (e) fall-out benefits to BlackRock as a result of its relationship with the Funds; and (f) other factors deemed relevant by the Board Members.

The Boards also considered other matters they deemed important to the approval process, such as services related to the valuation and pricing of Fund portfolio holdings, direct and indirect benefits to BlackRock and its affiliates and significant shareholders from their relationship with Funds and advice from independent legal counsel with respect to the review process and materials submitted for the Boards review. The Boards noted the willingness of BlackRock personnel to engage in open, candid discussions with the Boards. The Boards did not identify any particular information as controlling, and each Board Member may have attributed different weights to the various items considered.

A. Nature, Extent and Quality of the Services Provided by BlackRock: The Boards, including the Independent Board Members, reviewed the nature, extent and quality of services provided by BlackRock, including the investment advisory services and the resulting performance of the Funds. Throughout the year, the Boards compared Fund performance to the performance of a comparable group of closed-end funds and/or the performance of a relevant benchmark, if any. The Boards met with BlackRock s senior management personnel responsible for investment operations, including the senior investment officers. Each Board also reviewed the materials provided by its Fund s portfolio management team discussing Fund performance and the Fund s investment objective, strategies and outlook.

The Boards considered, among other factors, the number, education and experience of BlackRock s investment personnel generally and their Funds portfolio management teams, investments by portfolio managers in the funds they manage, BlackRock s portfolio trading capabilities, BlackRock s use of technology, BlackRock s commitment to compliance, BlackRock s credit analysis capabilities, BlackRock s risk analysis capabilities and BlackRock s approach to training and retaining portfolio managers and other research, advisory and management personnel. The Boards engaged in a review of BlackRock s compensation structure with respect to their Funds portfolio management teams and BlackRock s ability to attract and retain high-quality talent and create performance incentives.

In addition to advisory services, the Boards considered the quality of the administrative and non-investment advisory services provided to the Funds. BlackRock and its affiliates provide the Funds with certain services (in addition to any such services provided to the Funds by third parties) and officers and other personnel as are necessary for the operations of the Funds. In addition to investment advisory services, BlackRock and its affiliates provide the Funds with other services, including (i) preparing disclosure documents, such as the prospectus and the statement of additional information in connection with the initial public offering and periodic shareholder reports; (ii) preparing communications with analysts to support secondary market trading of the Funds; (iii) assisting with daily accounting and pricing; (iv) preparing periodic filings with regulators and stock exchanges; (v) overseeing and coordinating the activities of other service providers; (vi) organizing Board meetings and preparing the materials for such Board meetings; (vii) providing legal and compliance support; and (viii) performing other administrative functions necessary for the operation of the Funds, such as tax reporting, fulfilling regulatory filing requirements and call center services. The Boards reviewed the structure and duties of BlackRock s fund administration, accounting, legal and compliance departments and considered BlackRock s policies and procedures for assuring compliance with applicable laws and regulations.

B. The Investment Performance of the Funds and BlackRock: The Boards, including the Independent Board Members, also reviewed and considered the performance history of their Funds. In preparation for the April 14, 2011 meeting, the Boards worked with BlackRock and Lipper to develop a template for, and was provided with reports independently prepared by Lipper, which included a comprehensive analysis of each Fund s performance. The Boards also reviewed a narrative and statistical analysis of the Lipper data that was prepared by BlackRock, which analyzed various factors that affect Lipper s rankings. In connection with its review, each Board received and reviewed information regarding the investment performance, based on net asset value (NAV), of its Fund as compared to funds in that Fund s applicable Lipper category and a customized peer group selected by BlackRock. The Boards were provided with a description of the methodology used by Lipper to select peer funds. The Boards and each Board s Performance Oversight Committee regularly review, and meet with Fund management to discuss, the performance of the Funds throughout the year.

The Board of each of PSW, PSY and BPP noted that its respective Fund performed below the median of its Customized Lipper Peer Group in the three- and five-year periods reported, but that the Fund performed at or above the median of its Customized Lipper Peer Group in the one-year period reported. The Board of each of PSW, PSY and BPP and BlackRock reviewed and discussed the reasons for its respective Fund s underperformance during the three- and five-year periods compared with its Peers. The Board was informed that, among other things, weak 2008 performance continues to weigh on the three- and five-year periods.

The Board of BTZ noted that BTZ performed below the median of its Customized Lipper Peer Group in the three-year and since-inception periods reported, but that BTZ performed at or above the median of its Customized Lipper Peer Group in the one-year period reported. The Board of BTZ and BlackRock reviewed and discussed the reasons for BTZ s underperformance during the three-year and since-inception periods compared with its Peers. The Board was informed that, among other things, weak 2008 performance continues to weigh on the three-year and since-inception periods.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

The Board of each of PSW, PSY, BPP and BTZ and BlackRock discussed BlackRock s strategy for improving its respective Fund s performance and BlackRock s commitment to providing the resources necessary to assist the Fund s portfolio managers and to improve the Fund s performance.

The Board of BGT noted that, in general, BGT performed better than its Peers in that BGT s performance was at or above the median of its Customized Lipper Peer Group in two of the one-, three- and five-year periods reported.

The Boards noted that BlackRock has made changes to the organization of the overall fixed income group management structure designed to result in a strengthened leadership team.

C. Consideration of the Advisory/Management Fees and the Cost of the Services and Profits to be Realized by BlackRock and its Affiliates from their Relationship with the Funds: Each Board, including the Independent Board Members, reviewed its Fund s contractual management fee ratio compared with the other funds in its Lipper category. It also compared the Fund s total expense ratio, as well as actual management fee ratio, to those of other funds in its Lipper category. Each Board considered the services provided and the fees charged by BlackRock to other types of clients with similar investment mandates, including separately managed institutional accounts.

The Boards received and reviewed statements relating to BlackRock s financial condition and profitability with respect to the services it provided the Funds. The Boards were also provided with a profitability analysis that detailed the revenues earned and the expenses incurred by BlackRock for services provided to the Funds. The Boards reviewed BlackRock s profitability with respect to the Funds and other funds the Boards currently oversee for the year ended December 31, 2010 compared to available aggregate profitability data provided for the years ended December 31, 2009, and December 31, 2008. The Boards reviewed BlackRock s profitability with respect to other fund complexes managed by the Manager and/or its affiliates. The Boards reviewed BlackRock s assumptions and methodology of allocating expenses in the profitability analysis, noting the inherent limitations in allocating costs among various advisory products. The Boards recognized that profitability may be affected by numerous factors including, among other things, fee waivers and expense reimbursements by the Manager, the types of funds managed, expense allocations and business mix, and the difficulty of comparing profitability as a result of those factors.

The Boards noted that, in general, individual fund or product line profitability of other advisors is not publicly available. The Boards considered BlackRock s overall operating margin, in general, compared to the operating margin for leading investment management firms whose operations include advising closed-end funds, among other product types. That data indicates that operating margins for BlackRock, in general and with respect to its registered funds, are generally consistent with margins earned by similarly situated publicly traded competitors. In addition, the Boards considered, among other things, certain third party data comparing BlackRock s operating margin with that of other publicly-traded asset management firms. That third party data indicates that larger asset bases do not, in themselves, translate to higher profit margins.

In addition, the Boards considered the cost of the services provided to the Funds by BlackRock, and BlackRock s and its affiliates profits relating to the management of the Funds and the other funds advised by BlackRock and its affiliates. As part of its analysis, the Boards reviewed BlackRock s methodology in allocating its costs to the management of the Funds. The Boards also considered whether BlackRock has the financial resources necessary to attract and retain high quality investment management personnel to perform its obligations under the Agreements and to continue to provide the high quality of services that is expected by the Boards.

The Board of each Fund noted that its respective Fund s contractual management fee ratio (a combination of the advisory fee and the administration fee, if any) was lower than or equal to the median contractual management fee ratio paid by the Fund s Peers, in each case before taking into account any expense reimbursements or fee waivers.

D. Economies of Scale: Each Board, including the Independent Board Members, considered the extent to which economies of scale might be realized as the assets of its Fund increase. Each Board also considered the extent to which its Fund benefits from such economies and whether there should be changes in the advisory fee rate or structure in order to enable the Fund to participate in these economies of scale, for example through the use of breakpoints in the advisory fee based upon the asset level of the Fund. Based on the ad hoc Joint Product Pricing Committee s and each Board s review and consideration of this issue, each Board concluded that closed-end funds are typically priced at scale at a fund s inception; therefore, the implementation of breakpoints was not necessary.

The Boards noted that most closed-end funds do not have fund level breakpoints because closed-end funds generally do not experience substantial growth after the initial public offering. The Boards noted that only one closed-end fund in the Fund Complex has breakpoints in its advisory fee structure.

E. Other Factors Deemed Relevant by the Board Members: The Boards, including the Independent Board Members, also took into account other ancillary or fall-out benefits that BlackRock or its affiliates and significant shareholders may derive from their respective relationships with the Funds, both tangible and intangible, such as BlackRock s ability to leverage its investment professionals who manage other portfolios and risk management personnel, an increase in BlackRock s profile in the investment advisory community, and the engagement of BlackRock s affiliates as service providers to the Funds, including securities lending services. The Boards also considered BlackRock s overall operations and its efforts to expand the scale of, and improve the quality of, its operations. The Boards also noted that BlackRock may use and benefit from third party research obtained by soft dollars generated by certain registered fund transactions to assist in managing all or a number of its other client accounts. The Boards further noted that BlackRock s funds may invest in affiliated ETFs without any offset against the management fees payable by the funds to BlackRock.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (concluded)

In connection with its consideration of the Agreements, the Boards also received information regarding BlackRock s brokerage and soft dollar practices. The Boards received reports from BlackRock which included information on brokerage commissions and trade execution practices throughout the year.

The Boards noted the competitive nature of the closed-end fund marketplace and that shareholders are able to sell their Fund shares in the secondary market if they believe that the Fund s fees and expenses are too high or if they are dissatisfied with the performance of the Fund.

Conclusion

Each Board, including the Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and its Fund for a one-year term ending June 30, 2012 and the Sub-Advisory Agreement between the Manager and the Sub-Advisor, with respect to its Fund, for a one-year term ending June 30, 2012. As part of its approval, each Board considered the detailed review of BlackRock s fee structure, as it applies to its Fund, conducted by the ad hoc Joint Product Pricing Committee. Based upon its evaluation of all of the aforementioned factors in their totality, each Board, including the Independent Board Members, was satisfied that the terms of the Agreements were fair and reasonable and in the best interest of its Fund and its shareholders. In arriving at its decision to approve the Agreements, no Board identified any single factor or group of factors as all-important or controlling, but considered all factors together, and different Board Members may have attributed different weights to the various factors considered. The Independent Board Members were also assisted by the advice of independent legal counsel in making these determinations. The contractual fee arrangements for the Funds reflect the results of several years of review by the Board Members and predecessor Board Members, and discussions between such Board Members (and predecessor Board Members) and BlackRock. As a result, the Board Members conclusions may be based in part on their consideration of these arrangements in prior years.

Automatic Dividend Reinvestment Plans

Pursuant to each Fund s Dividend Reinvestment Plan (the Reinvestment Plan), Common Shareholders are automatically enrolled to have all distributions of dividends and capital gains reinvested by Computershare Trust Company, N.A. (the Reinvestment Plan Agent) in the respective Fund s shares pursuant to the Reinvestment Plan. Shareholders who do not participate in the Reinvestment Plan will 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 Reinvestment Plan Agent, which serves as agent for the shareholders in administering the Reinvestment Plan.

After the Funds declare a dividend or determine to make a capital gain distribution, the Reinvestment Plan Agent will acquire shares for the participants accounts, depending upon the following circumstances, 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 often referred to as a market premium), the Reinvestment 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 date the shares are issued. 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 price per share plus estimated brokerage commissions (such condition often referred to as a market discount), the Reinvestment Plan Agent will invest the dividend amount in shares acquired on behalf of the participants in open-market purchases. If the Reinvestment 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 Reinvestment 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 Reinvestment Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Reinvestment Plan Agent prior to the dividend record date. Additionally, the Reinvestment 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 other distribution.

The Reinvestment Plan Agent s fees for the handling of the reinvestment of dividends and distributions will be paid by each Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Reinvestment 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 federal income tax that may be payable on such dividends or distributions.

Each Fund reserves the right to amend or terminate the Reinvestment Plan. There is no direct service charge to participants in the Reinvestment Plan; however, each Fund reserves the right to amend the Reinvestment Plan to include a service charge payable by the participants. Participants that request a sale of shares through Computershare Trust Company, N.A. are subject to a $2.50 sales fee and a $0.15 per share sold brokerage commission. All correspondence concerning the Reinvestment Plan should be directed to the Reinvestment Plan Agent: Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078, Telephone: (800) 699-1BFM or overnight correspondence should be directed to the Reinvestment Plan Agent at 250 Royall Street, Canton, MA 02021.

Officers and Directors

Name, Address and Year of Birth	Position(s) Held with Funds	Length of Time Served as a Director[2]	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies (RICs) Consisting of Investment Portfolios (Portfolios) Overseen	Public Directorships
Independent Directors[1]					
Richard E. Cavanagh 55 East 52nd Street New York, NY 10055 1946	Chairman of the Board and Director	Since 2007	Trustee, Aircraft Finance Trust from 1999 to 2009; Director, The Guardian Life Insurance Company of America since 1998; Trustee, Educational Testing Service from 1997 to 2009 and Chairman thereof from 2005 to 2009; Senior Advisor, The Fremont Group since 2008 and Director thereof since 1996; Adjunct Lecturer, Harvard University since 2007; President and Chief Executive Officer, The Conference Board, Inc. (global business research organization) from 1995 to 2007.	97 RICS consisting of 97 Portfolios	Arch Chemical (chemical and allied products)
Karen P. Robards 55 East 52nd Street New York, NY 10055 1950	Vice Chairperson of the Board, Chairperson of the Audit Committee and Director	Since 2007	Partner of Robards & Company, LLC (financial advisory firm) since 1987; Co-founder and Director of the Cooke Center for Learning and Development (a not-for-profit organization) since 1987; Director of Care Investment Trust, Inc. (health care real estate investment trust) from 2007 to 2010; Director of Enable Medical Corp. from 1996 to 2005; Investment Banker at Morgan Stanley from 1976 to 1987.	97 RICs consisting of 97 Portfolios	AtriCure, Inc. (medical devices)

Michael J. Castellano 55 East 52nd Street New York, NY 10055 1946	Director and Member of the Audit Committee	Since 2011	Managing Director and Chief Financial Officer of Lazard Group LLC from 2001 to 2011; Chief Financial Officer of Lazard Ltd from 2004 to 2011; Director, Support Our Aging Religions (non-profit) since 2009; Director, National Advisory Board of Church Management at Villanova University since 2010.	97 RICs consisting of 97 Portfolios	None
Frank J. Fabozzi 55 East 52nd Street New York, NY 10055 1948	Director and Member of the Audit Committee	Since 2007	Editor of and Consultant for The Journal of Portfolio Management since 1986; Professor of Finance, EDHEC Business School since 2011; Professor in the Practice of Finance and Becton Fellow, Yale University School of Management from 2006 to 2011; Adjunct Professor of Finance and Becton Fellow, Yale University from 1994 to 2006.	97 RICs consisting of 97 Portfolios	None
Kathleen F. Feldstein 55 East 52nd Street New York, NY 10055 1941	Director	Since 2007	President of Economics Studies, Inc. (private economic consulting firm) since 1987; Chair, Board of Trustees, McLean Hospital from 2000 to 2008 and Trustee Emeritus thereof since 2008; Member of the Board of Partners Community Healthcare, Inc. from 2005 to 2009; Member of the Corporation of Partners HealthCare since 1995; Trustee, Museum of Fine Arts, Boston since 1992; Member of the Visiting Committee to the Harvard University Art Museum since 2003; Director, Catholic Charities of Boston since 2009.	97 RICs consisting of 97 Portfolios	The McClatchy Company (publishing) Bellsouth (telecommunications) Knight Ridder (publishing)
James T. Flynn 55 East 52nd Street New York, NY 10055 1939	Director and Member of the Audit Committee	Since 2007	Chief Financial Officer of JP Morgan & Co., Inc. from 1990 to 1995.	97 RICs consisting of 97 Portfolios	None
Jerrold B. Harris 55 East 52nd Street	Director	Since 2007	Trustee, Ursinus College since 2000; Director, Troemner LLC (scientific equipment) since 2000; Director of Delta	97 RICs consisting of 97 Portfolios	BlackRock Kelso Capital Corp. (business development

New York, NY 10055 1942	Waterfowl Foundation since 2001; President and Chief Executive Officer, VWR Scientific Products Corporation from 1990 to 1999.	company)

Officers and Directors (continued)

Name, Address and Year of Birth	Position(s) Held with Funds	Length of Time Served as a Director[2]	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies (RICs) Consisting of Investment Portfolios (Portfolios) Overseen	Public Directorships
Independent Directors[1] (concluded)					
R. Glenn Hubbard 55 East 52nd Street New York, NY 10055 1958	Director	Since 2007	Dean, Columbia Business School since 2004; Columbia faculty member since 1988; Co-Director, Columbia Business School s Entrepreneurship Program from 1997 to 2004; Chairman, U.S. Council of Economic Advisers under the President of the United States from 2001 to 2003; Chairman, Economic Policy Committee of the OECD from 2001 to 2003.	97 RICs consisting of 97 Portfolios	ADP (data and information services) KKR Financial Corporation (finance) Metropolitan Life Insurance Company (insurance)
W. Carl Kester 55 East 52nd Street New York, NY 10055 1951	Director and Member of the Audit Committee	Since 2007	George Fisher Baker Jr. Professor of Business Administration, Harvard Business School; Deputy Dean for Academic Affairs from 2006 to 2010; Chairman of the Finance Department, Harvard Business School, from 2005 to 2006; Senior Associate Dean and Chairman of the MBA Program of Harvard Business School from 1999 to 2005; Member of the faculty of Harvard Business School since 1981.	97 RICs consisting of 97 Portfolios	None

1 Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72. In 2011, the Board of Directors unanimously approved extending the mandatory retirement age for James T. Flynn by one additional year, which the Board believes would be in the best interest of shareholders.

2 Date shown is the earliest date a person has served for the Funds covered by this annual report. Following the combination of Merrill Lynch Investment Managers, L.P. (MLIM) and BlackRock, Inc. (BlackRock) in September 2006, the various legacy MLIM and legacy BlackRock Fund boards were realigned and consolidated into three new Fund boards in 2007. As a result, although the chart shows Directors as joining the Funds board in 2007, each Director first became a member of the board of other legacy MLIM or legacy BlackRock Funds as follows: Richard E. Cavanagh, 1994; Frank J. Fabozzi, 1988; Kathleen F. Feldstein, 2005; James T. Flynn, 1996; Jerrold B. Harris, 1999; R. Glenn Hubbard, 2004; W. Carl Kester, 1995 and Karen P. Robards, 1998.

Interested Directors[3]

Paul L. Audet 55 East 52nd Street New York, NY 10055 1953	Director	Since 2011	Senior Managing Director, BlackRock and Head of BlackRock s Real Estate business from 2008 to 2011; Member of BlackRock s Global Operating and Corporate Risk Management Committees and the BlackRock Alternative Investors Executive Committee and Investment Committee for the Private Equity Fund of Funds business since 2008; Head of BlackRock s Global Cash Management business from 2005 to 2010; Acting Chief Financial Officer of BlackRock from 2007 to 2008; Chief Financial Officer of BlackRock from 1998 to 2005.	159 RICs consisting of 286 Portfolios	None
Henry Gabbay 55 East 52nd Street New York, NY 10055 1947	Director	Since 2007	Consultant, BlackRock, from 2007 to 2008; Managing Director, BlackRock, from 1989 to 2007; Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; President of BlackRock Funds and BlackRock Bond Allocation Target Shares from 2005 to 2007; Treasurer of certain closed-end funds in the BlackRock fund complex from 1989 to 2006.	159 RICs consisting of 286 Portfolios	None

3 Mr. Audet is an interested person, as defined in the 1940 Act, of the Funds based on his position with BlackRock and its affiliates. Mr. Gabbay is an interested person of the Funds based on his former positions with BlackRock and its affiliates as well as his ownership of BlackRock and The PNC Financial Services Group, Inc. securities. Mr. Audet and Mr. Gabbay are also Directors of the BlackRock registered open-end funds. Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.

Officers and Directors (concluded)

Name, Address and Year of Birth	Position(s) Held with Funds	Length of Time Served	Principal Occupation(s) During Past Five Years
Officers[1]			
John M. Perlowski 55 East 52nd Street New York, NY 10055 1964	President and Chief Executive Officer	Since 2011	Managing Director of BlackRock since 2009; Global Head of BlackRock Fund Administration since 2009; Managing Director and Chief Operating Officer of the Global Product Group at Goldman Sachs Asset Management, L.P. from 2003 to 2009; Treasurer of Goldman Sachs Mutual Funds from 2003 to 2009 and Senior Vice President thereof from 2007 to 2009; Director of Goldman Sachs Offshore Funds from 2002 to 2009; Director of Family Resource Network (charitable foundation) since 2009.
Anne Ackerley 55 East 52nd Street New York, NY 10055 1962	Vice President	Since 2007[2]	Managing Director of BlackRock since 2000; President and Chief Executive Officer of the BlackRock-advised funds from 2009 to 2011; Vice President of the BlackRock-advised funds from 2007 to 2009; Chief Operating Officer of BlackRock s Global Client Group since 2009; Chief Operating Officer of BlackRock s US Retail Group from 2006 to 2009; Head of BlackRock s Mutual Fund Group from 2000 to 2006.
Brendan Kyne 55 East 52nd Street New York, NY 10055 1977	Vice President	Since 2009	Managing Director of BlackRock since 2010; Director of BlackRock from 2008 to 2009; Head of Product Development and Management for BlackRock s US Retail Group since 2009 and Co-head thereof from 2007 to 2009; Vice President of BlackRock from 2005 to 2008.
Neal Andrews 55 East 52nd Street New York, NY 10055 1966	Chief Financial Officer	Since 2007	Managing Director of BlackRock since 2006; Senior Vice President and Line of Business Head of Fund Accounting and Administration at PNC Global Investment Servicing (US) Inc. from 1992 to 2006.
Jay Fife 55 East 52nd Street New York, NY 10055 1970	Treasurer	Since 2007	Managing Director of BlackRock since 2007; Director of BlackRock in 2006; Assistant Treasurer of the MLIM and Fund Asset Management, L.P. advised funds from 2005 to 2006; Director of MLIM Fund Services Group from 2001 to 2006.
Brian Kindelan 55 East 52nd Street New York, NY 10055 1959	Chief Compliance Officer and Anti-Money Laundering Officer	Since 2007	Chief Compliance Officer of the BlackRock-advised funds since 2007; Managing Director and Senior Counsel of BlackRock since 2005.

Ira P. Shapiro 55 East 52nd Street New York, NY 10055 1963	Secretary	Since 2010	Managing Director of BlackRock since 2009; Managing Director and Associate General Counsel of Barclays Global Investors from 2008 to 2009 and Principal thereof from 2004 to 2008.

1 Officers of the Funds serve at the pleasure of the Board.
2 Ms. Ackerley was President and Chief Executive Officer from 2009 to 2011.

Investment Advisor	**Custodian**	**Transfer Agent**	**Independent Registered Public Accounting Firm**	**Legal Counsel**	**Address of the Funds**
BlackRock Advisors, LLC Wilmington, DE 19809	State Street Bank and Trust Company Boston, MA 02110	Common Shares Computershare Trust Company, N.A. Canton, MA 02021	Deloitte & Touche LLP Boston, MA 02116	Skadden, Arps, Slate, Meagher & Flom LLP New York, NY 10036	100 Bellevue Parkway Wilmington, DE 19809
Sub-Advisor BlackRock Financial Management, Inc. New York, NY 10022		**Accounting Agent** State Street Bank and Trust Company Boston, MA 02110			

Effective July 28, 2011, Richard S. Davis resigned as Director of the Funds, and Paul L. Audet became Director of the Funds

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Additional Information

Proxy Results

The Annual Meeting of Shareholders was held on July 28, 2011, for shareholders of record on May 31, 2011, to elect director nominees for each Fund. There were no broker non-votes with regard to any of the Funds.

Approved the Class I Directors as follows:

	Paul L. Audet			Michael J. Castellano			R. Glenn Hubbard			W. Carl Kester		
	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abs
BPP	16,723,353	306,694	0	16,725,948	304,099	0	16,720,667	309,380	0	16,720,314	309,733	0
BTZ	42,910,998	4,210,384	0	42,906,687	4,214,695	0	42,806,687	4,314,695	0	42,818,399	4,302,983	0
BGT	16,765,207	455,090	0	16,818,574	401,723	0	16,805,500	414,797	0	16,829,537	390,760	0

For the Funds listed above, Directors whose term of office continued after the Annual Meeting of Shareholders because they were not up for election are Richard E. Cavanagh, Frank J. Fabozzi, Kathleen F. Feldstein, James T. Flynn, Henry Gabbay, Jerrold B. Harris and Karen P. Robards.

Approved the Directors as follows:

	Paul L. Audet			Michael J. Castellano			Richard E. Cavanagh			Frank J. Fabozzi		
	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abs
PSW	9,378,699	258,572	0	9,374,605	262,666	0	9,351,219	286,052	0	9,378,699	258,572	0
PSY	34,877,224	2,617,537	0	34,851,957	2,642,804	0	34,828,847	2,665,914	0	34,877,660	2,617,101	0

	Kathleen F. Feldstein			James T. Flynn			Henry Gabbay			Jerrold B. Harris		
	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abs
PSW	9,335,536	301,735	0	9,375,616	261,655	0	9,376,010	261,261	0	9,372,345	264,926	0
PSY	34,790,278	2,704,483	0	34,855,086	2,639,675	0	34,865,317	2,629,444	0	34,856,209	2,638,552	0

	R. Glenn Hubbard			W. Carl Kester			Karen P. Robards		
	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abstain	Votes For	Votes Withheld	Abstain
PSW	9,350,644	286,627	0	9,376,435	260,836	0	9,336,390	300,881	0
PSY	34,823,847	2,670,914	0	34,858,068	2,636,693	0	34,841,143	2,653,618	0

Additional Information (continued)

Fund Certification

Each Fund is listed for trading on the NYSE and has filed with the NYSE their annual chief executive officer certification regarding compliance with the NYSE s listing standards. The Funds file with the SEC the certification of its chief executive officer and chief financial officer required by section 302 of the Sarbanes-Oxley Act.

Dividend Policy

The Funds dividend policy is to distribute all or a portion of their net investment income to their shareholders on a monthly basis. In order to provide shareholders with a more stable level of dividend distributions, the Funds may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any particular month pay out such accumulated but undistributed income in addition to net investment income earned in that month. As a result, the dividends paid by the Funds for any particular month may be more or less than the amount of net investment income earned by the Funds during such month. The Funds current accumulated but undistributed net investment income, if any, is disclosed in the Statements of Assets and Liabilities, which comprises part of the financial information included in this report.

General Information

On July 29, 2010, the Manager 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 Manager, BlackRock, Inc. and certain of the directors, 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. The Manager, 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 Manager 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 Manager 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. PSY, the Directors and BlackRock, Inc. believe that the claims asserted in the complaint are without merit and intend to defend themselves vigorously in the litigation.

On June 9, 2011, a putative class action lawsuit was brought by Sydell Protas against BTZ, certain former and current Directors 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 Directors; 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 Directors and that BTZ, BlackRock, Inc. and certain other financial institutions were unjustly enriched; seeks to enjoin BlackRock, Inc. from serving

Additional Information (continued)

General Information (concluded)

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 October 14, 2011, all of the defendants moved to dismiss the Amended Complaint or to stay the action. BTZ, the Directors and BlackRock, Inc. believe that the claims asserted in the Amended Complaint are without merit and intend to defend themselves vigorously in the litigation.

The Funds do not make available copies of their Statements of Additional Information because the Funds shares are not continuously offered, which means that the Statement of Additional Information of each Fund has not been updated after completion of the respective Fund s offerings and the information contained in each Fund s Statement of Additional Information may have become outdated.

During the period, there were no material changes in the Funds investment objectives or policies or to the Funds charter or by-laws that would delay or prevent a change of control of the Funds that were not approved by the shareholders or in the principal risk factors associated with investment in the Funds. There have been no changes in the persons who are primarily responsible for the day-to-day management of the Funds portfolios.

Quarterly performance, semi-annual and annual reports and other information regarding the Funds may be found on BlackRock s website, which can be accessed at http://www.blackrock.com. This reference to BlackRock s website is intended to allow investors public access to information regarding the Funds and does not, and is not intended to, incorporate BlackRock s website in this report.

Electronic Delivery

Electronic copies of most financial reports are available on the Funds websites or shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual reports by enrolling in the Funds electronic delivery program.

To enroll:

Shareholders Who Hold Accounts with Investment Advisors, Banks or Brokerages:

Please contact your financial advisor. Please note that not all investment advisors, banks or brokerages may offer this service.

Householding

The Funds will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called householding and 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. If you do not want the mailing of these documents to be combined with those for other members of your household, please call the Funds at (800) 441-7762.

Availability of Quarterly Schedule of Investments

The Funds file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds Forms N-Q are available on the SEC s website at http://www.sec.gov and may also be reviewed and copied at the SEC s Public Reference Room in Washington, DC. Information on how to access documents on the SEC s website without charge may be obtained by calling (800) SEC-0330. The Funds Forms N-Q may also be obtained upon request and without charge by calling (800) 441-7762.

Availability of Proxy Voting Policies and Procedures

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling (800) 441-7762; (2) at http://www.blackrock.com; and (3) on the SEC s website at http://www.sec.gov.

Availability of Proxy Voting Record

Information about how the Funds voted proxies relating to securities held in the Funds portfolios during the most recent 12-month period ended June 30 is available upon request and without charge (1) at http://www.blackrock.com or by calling (800) 441-7762 and (2) on the SEC s website at http://www.sec.gov.

Availability of Fund Updates

BlackRock will update performance and certain other data for the Funds on a monthly basis on its website in the Closed-end Funds section of http://www.blackrock.com. Investors and others are advised to periodically check the website for updated performance information and the release of other material information about the Funds.

Additional Information (continued)

Section 19(a) Notices

These reported amounts and sources of distributions are estimates and are not being provided for tax reporting purposes. The actual amounts and sources for tax reporting purposes will depend upon each Fund s investment experience during the year and may be subject to changes based on the tax regulations. Each Fund will provide a Form 1099-DIV each calendar year that will explain the character of these dividends and distributions for federal income tax purposes.

October 31, 2011

	Total Cumulative Distributions for the Fiscal Year-to-Date				**% Breakdown of the Total Cumulative Distributions for the Fiscal Year-to-Date**			
	Net Investment Income	**Net Realized Capital Gains Short Term**	**Return of Capital**	**Total Per Common Share**	**Net Investment Income**	**Net Realized Capital Gains**	**Return of Capital**	**Total Per Common Share**
PSW	$0.611500			$0.611500	100%			100%
PSY	$0.659500			$0.659500	100%			100%
BPP	$0.668000			$0.668000	100%			100%
BTZ	$0.845500			$0.845500	100%			100%

Additional Information (concluded)

BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, Clients) and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal non-public information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our websites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

#CE-CAFRI-5-10/11-AR

Item 2 – Code of Ethics – The registrant (or the “Fund”) has adopted a code of ethics, as of the end of the period covered by this report, applicable to the registrant’s principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. During the period covered by this report, there have been no amendments to or waivers granted under the code of ethics. A copy of the code of ethics is available without charge at www.blackrock.com.

Item 3 – Audit Committee Financial Expert – The registrant’s board of directors (the “board of directors”), has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent:

Frank J. Fabozzi
James T. Flynn
W. Carl Kester
Karen P. Robards

The registrant’s board of directors has determined that W. Carl Kester and Karen P. Robards qualify as financial experts pursuant to Item 3(c)(4) of Form N-CSR.

Prof. Kester has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Prof. Kester has been involved in providing valuation and other financial consulting services to corporate clients since 1978. Prof. Kester’s financial consulting services present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant’s financial statements.

Ms. Robards has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Ms. Robards has been President of Robards & Company, a financial advisory firm, since 1987. Ms. Robards was formerly an investment banker for more than 10 years where she was responsible for evaluating and assessing the performance of companies based on their financial results. Ms. Robards has over 30 years of experience analyzing financial statements. She also is a member of the audit committee of one publicly held company and a non-profit organization.

Under applicable securities laws, a person determined to be an audit committee financial expert will not be deemed an “expert” for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification. The designation or identification of a person as an audit committee financial expert does not affect the duties, obligations, or liability of any other member of the audit committee or board of directors.

Item 4 – Principal Accountant Fees and Services

The following table presents fees billed by Deloitte & Touche LLP ("D&T") in each of the last two fiscal years for the services rendered to the Fund:

Entity Name	(a) Audit Fees		(b) Audit-Related Fees[1]		(c) Tax Fees[2]		(d) All Other Fees[3]	
	Current Fiscal Year End	Previous Fiscal Year End	Current Fiscal Year End	Previous Fiscal Year End	Current Fiscal Year End	Previous Fiscal Year End	Current Fiscal Year End	Previous Fiscal Year End
BlackRock Floating Rate Income Trust	$57,600	$52,300	$0	$3,500	$21,200	$6,100	$0	$0

The following table presents fees billed by D&T that were required to be approved by the registrant's audit committee (the "Committee") for services that relate directly to the operations or financial reporting of the Fund and that are rendered on behalf of BlackRock Advisors, LLC ("Investment Adviser" or "BlackRock") and entities controlling, controlled by, or under common control with BlackRock (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) that provide ongoing services to the Fund ("Fund Service Providers"):

	Current Fiscal Year End	Previous Fiscal Year End
(b) Audit-Related Fees[1]	$0	$0
(c) Tax Fees[2]	$0	$0
(d) All Other Fees[3]	$3,030,000	$2,950,000

1 The nature of the services includes assurance and related services reasonably related to the performance of the audit of financial statements not included in Audit Fees.

2 The nature of the services includes tax compliance, tax advice and tax planning.

3 Aggregate fees borne by BlackRock in connection with the review of compliance procedures and attestation thereto performed by D&T with respect to all of the registered closed-end funds and some of the registered open-end funds advised by BlackRock.

(e)(1) Audit Committee Pre-Approval Policies and Procedures:

The Committee has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific pre-approval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the Investment Adviser and Fund Service Providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are a) consistent with the SEC's auditor independence rules and b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis ("general pre-approval"). The term of any general pre-approval is 12 months from the date of the pre-approval, unless the Committee provides for a different period. Tax or other non-audit services provided to the registrant which have a direct impact on the operations or financial reporting of the registrant will only be deemed pre-approved provided that any individual project does not exceed $10,000 attributable to the registrant or $50,000 per project. For this purpose, multiple projects will be aggregated to determine if they exceed the previously mentioned cost levels.

Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by the Committee, as will any other services not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is informed of each service approved

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subject to general pre-approval at the next regularly scheduled in-person board meeting. At this meeting, an analysis of such services is presented to the Committee for ratification. The Committee may delegate to the Committee Chairman the authority to approve the provision of and fees for any specific engagement of permitted non-audit services, including services exceeding pre-approved cost levels.

(e)(2) None of the services described in each of Items 4(b) through (d) were approved by the Committee pursuant to the de minimis exception in paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not Applicable

(g) The aggregate non-audit fees paid to the accountant for services rendered by the accountant to the registrant, the Investment Adviser and the Fund Service Providers were:

Entity Name	**Current Fiscal Year End**	**Previous Fiscal Year End**
BlackRock Floating Rate Income Trust	$21,200	$20,377

Additionally, SAS No. 70 fees for the current and previous fiscal years of $3,030,000 and $2,950,000, respectively, were billed by D&T to the Investment Adviser.

(h) The Committee has considered and determined that the provision of non-audit services that were rendered to the Investment Adviser, and the Fund Service Providers that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Item 5 – Audit Committee of Listed Registrants

(a) The following individuals are members of the registrant's separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(58)(A)):

Michael Castellano

Frank J. Fabozzi
James T. Flynn
W. Carl Kester
Karen P. Robards

(b) Not Applicable

Item 6 – Investments
(a) The registrant's Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.
(b) Not Applicable due to no such divestments during the semi-annual period covered since the previous Form N-CSR filing.

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Item 7 – Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies – The board of directors has delegated the voting of proxies for the Fund's portfolio securities to the Investment Adviser pursuant to the Investment Adviser's proxy voting guidelines. Under these guidelines, the Investment Adviser will vote proxies related to Fund securities in the best interests of the Fund and its stockholders. From time to time, a vote may present a conflict between the interests of the Fund's stockholders, on the one hand, and those of the Investment Adviser, or any affiliated person of the Fund or the Investment Adviser, on the other. In such event, provided that the Investment Adviser's Equity Investment Policy Oversight Committee, or a sub-committee thereof (the "Oversight Committee") is aware of the real or potential conflict or material non-routine matter and if the Oversight Committee does not reasonably believe it is able to follow its general voting guidelines (or if the particular proxy matter is not addressed in the guidelines) and vote impartially, the Oversight Committee may retain an independent fiduciary to advise the Oversight Committee on how to vote or to cast votes on behalf of the Investment Adviser's clients. If the Investment Adviser determines not to retain an independent fiduciary, or does not desire to follow the advice of such independent fiduciary, the Oversight Committee shall determine how to vote the proxy after consulting with the Investment Adviser's Portfolio Management Group and/or the Investment Adviser's Legal and Compliance Department and concluding that the vote cast is in its client's best interest notwithstanding the conflict. A copy of the Fund's Proxy Voting Policy and Procedures are attached as Exhibit 99.PROXYPOL. Information on how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, (i) at www.blackrock.com and (ii) on the SEC's website at http://www.sec.gov.

Item 8 – Portfolio Managers of Closed-End Management Investment Companies – as of October 31, 2011.

(a)(1) The Fund is managed by a team of investment professionals comprised of Leland T. Hart, Managing Director at BlackRock, James E. Keenan, Managing Director at BlackRock and C. Adrian Marshall, Director at BlackRock. Messrs. Hart, Keenan and Marshall are the Fund's co-portfolio managers and are responsible for the day-to-day management of the Fund's portfolio and the selection of its investments. Mr. Keenan has been a member of the Fund's management team since 2007. Messrs. Hart and Marshall have been members of the Fund's management team since 2009.

Portfolio Manager	**Biography**
Leland T. Hart	Managing Director of BlackRock since 2009; Partner of R3 Capital Partners ("R3") in 2009; Managing Director of R3 from 2008 - 2009; Managing Director of Lehman Brothers from 2006 - 2008; Executive Director of Lehman Brothers from 2003 to 2006.
James E. Keenan	Managing Director of BlackRock since 2008 and Head of the Leveraged Finance Portfolio team; Director of BlackRock from 2006 to 2007; Vice President of BlackRock, Inc. from 2004 to 2005.
C. Adrian Marshall	Director of BlackRock since 2007; Vice President of BlackRock, Inc. from 2004 to 2007.

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(a)(2) As of October 31, 2011:

	(ii) Number of Other Accounts Managed and Assets by Account Type			**(iii) Number of Other Accounts and Assets for Which Advisory Fee is Performance-Based**		
(i) Name of Portfolio Manager	**Other Registered Investment Companies**	**Other Pooled Investment Vehicles**	**Other Accounts**	**Other Registered Investment Companies**	**Other Pooled Investment Vehicles**	**Other Accounts**
Leland T. Hart	8	17	7	0	11	0
	$2.72 Billion	$3.54 Billion	$921.1 Million	$0	$2.53 Billion	$0
James E. Keenan	21	19	30	0	13	4
	$11.73 Billion	$6.99 Billion	$5.452 Billion	$0	$2.66 Billion	$570.4 Million
C. Adrian Marshall, CFA	8	17	7	0	11	0
	$2.72 Billion	$3.54 Billion	$921.1 Million	$0	$2.53 Billion	$0

(iv) Potential Material Conflicts of Interest

BlackRock has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous clients in addition to the Fund, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Fund. In addition, BlackRock, Inc., its affiliates and significant shareholders and any officer, director, shareholder or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Fund. BlackRock, Inc., or any of its affiliates or significant shareholders, or any officer, director, shareholder, employee or any member of their families may take different actions than those recommended to the Fund by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock, Inc.'s (or its affiliates' or significant shareholders') officers, directors or employees are directors or officers, or companies as to which BlackRock, Inc. or any of its affiliates or significant shareholders or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. Certain portfolio managers also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for a fund. It should also be noted that Messrs. Hart, Keenan and Marshall may be managing certain hedge fund and/or long only accounts, or may be part of a team managing certain hedge fund and/or long only accounts, subject to incentive fees. Messrs. Hart, Keenan and Marshall may therefore be entitled to receive a portion of any incentive fees earned on such accounts.

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this end, BlackRock, Inc. has adopted policies that are intended to ensure reasonable efficiency in client transactions and provide BlackRock with sufficient

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flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base, as appropriate.

(a)(3) As of October 31, 2011:

Portfolio Manager Compensation Overview

BlackRock's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a performance-based discretionary bonus, participation in various benefits programs and one or more of the incentive compensation programs established by BlackRock.

Base compensation. Generally, portfolio managers receive base compensation based on their position with the firm.

Discretionary Incentive Compensation. Discretionary incentive compensation is a function of several components: the performance of BlackRock, the performance of the portfolio manager's group within BlackRock, the investment performance, including risk-adjusted returns, of the firm's assets under management or supervision by that portfolio manager relative to predetermined benchmarks, and the individual's performance and contribution to the overall performance of these portfolios and BlackRock. In most cases, these benchmarks are the same as the benchmark or benchmarks against which the performance of the funds or other accounts managed by the portfolio managers are measured. Among other things, BlackRock's Chief Investment Officers make a subjective determination with respect to each portfolio manager's compensation based on the performance of the funds and other accounts managed by each portfolio manager relative to the various benchmarks. Performance of fixed income and multi-asset class funds is measured on a pre-tax and/or after-tax basis over various time periods including 1-, 3- and 5- year periods, as applicable. Performance of index funds is based on the performance of such funds relative to pre-determined tolerance bands around a benchmark, as applicable. With respect to these portfolio managers, such benchmarks for the Fund and other accounts include the following:

Portfolio Manager	**Applicable Benchmarks**
Leland T. Hart	100% SNPLLALL / 25% EMBIGLOBAL / -
	119% SNPLLALL / -19% No Benchmark Index
	121% SNPLLALL / -21% No Benchmark Index
	123% SNPLLALL / -23% No Benchmark Index
	3-Month JPY LIBOR Index
	3-Month U.S. Dollar Libor Customized
	41.67% SNPLLALL / 41.67% LHY2ICAP
	58.5% LHY2ICAP / 58.5% SNPLLALL /
	60% LHY2ICAP / 60% SNPLLALL / -20%

	Performance Benchmark for GIS-CLIP
	Performance Benchmark for SFRP
	Standard & Poor's U.S. Levereged Loan Index 121% LHY2ICAP / -21% No Benchmark Index
James E. Keenan	3-Month Sterling LIBID
	50% Barclays Capital High Yield Corp BB/50 50% BHYXHB2C / 50% BHYXHBB2C Index
	50% CGHYCPBB, 50% CGHYCPB
	60% LHY2ICAP / 40% SNPLLALL Index
	Barclays Capital High Yield 2% Iss
	Barclays Capital High Yield 4% Iss
	Barclays Capital High Yield BB only
	Barclays Capital High Yield Cash P
	Barclays Capital High Yield Corporate
	Bank of America ML BB-B U.S. Non-Financial Cash
	Bank of America ML Global High Yield
	Bank of America ML Global High Yield Constraint
	Citigroup High Yield Cash Pay Index
	J.P. Morgan High Yield Index
	Standard & Poor's Leveraged All Loan Index in EU
C. Adrian Marshall, CFA	3-Month U.S. Dollar Libor Customized 81% LHY2ICAP / 35% LEH_CREDIT / -1

Distribution of Discretionary Incentive Compensation

Discretionary incentive compensation is distributed to portfolio managers in a combination of cash and BlackRock, Inc. restricted stock units which vest ratably over a number of years. For some portfolio managers, discretionary incentive compensation is also distributed in deferred cash awards that notionally track the returns of select BlackRock investment products they manage and that vest ratably over a number of years. The BlackRock, Inc. restricted stock units, upon vesting, will be settled in BlackRock, Inc. common stock. Typically, the cash bonus, when combined with base salary, represents more than 60% of total compensation for the portfolio managers. Paying a portion of annual bonuses in stock puts compensation earned by a portfolio manager for a given year "at risk" based on BlackRock's ability to sustain and improve its performance over future periods. Providing a portion of annual bonuses in deferred cash awards that notionally track the BlackRock investment products they manage provides direct alignment with investment product results.

Long-Term Incentive Plan Awards — From time to time long-term incentive equity awards are granted to certain key employees to aid in retention, align their interests with long-term shareholder interests and motivate performance. Equity awards are generally granted in the form of BlackRock, Inc. restricted stock units that, once vested, settle in BlackRock, Inc. common stock. Messrs. Hart, Keenan and Marshall have each received long-term incentive awards.

Deferred Compensation Program — A portion of the compensation paid to eligible BlackRock employees may be voluntarily deferred into an account that tracks the performance of certain of the firm's investment products. Each participant in the deferred compensation program is permitted to allocate his deferred amounts among various BlackRock investment options. Messrs. Hart, Keenan and Marshall have each participated in the deferred compensation program.

Other compensation benefits. In addition to base compensation and discretionary incentive compensation, portfolio managers may be eligible to receive or participate in one or more of the following incentive savings plans. BlackRock, Inc. has created a variety of incentive savings plans in which BlackRock, Inc. employees are eligible to participate, including a 401(k) plan, the BlackRock Retirement Savings Plan (RSP), and the BlackRock Employee Stock Purchase Plan (ESPP). The employer contribution components of the RSP include a company match equal to 50% of the first 8% of eligible pay contributed to the plan capped at $5,000 per year, and a company retirement contribution equal to 3-5% of eligible compensation. The RSP offers a range of investment options, including registered investment companies and collective investment funds managed by the firm. BlackRock, Inc. contributions follow the investment direction set by participants for their own contributions or, absent participant investment direction, are invested into an index target date fund that corresponds to, or is closest to, the year in which the participant attains age 65. The ESPP allows for investment in BlackRock common stock at a 5% discount on the fair market value of the stock on the purchase date. Annual participation in the ESPP is limited to the purchase of 1,000 shares or a dollar value of $25,000. Each portfolio manager is eligible to participate in these plans.

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(a)(4) *Beneficial Ownership of Securities* – As of October 31, 2011.

Portfolio Manager	**Dollar Range of Equity Securities of the Fund Beneficially Owned**
Leland T. Hart	None
James E. Keenan	None
C. Adrian Marshall, CFA	None

(b) Not Applicable

Item 9 – Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers – Not Applicable due to no such purchases during the period covered by this report.

Item 10 – Submission of Matters to a Vote of Security Holders – There have been no material changes to these procedures.

Item 11 – Controls and Procedures

(a) – The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

(b) – There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12 – Exhibits attached hereto

(a)(1) – Code of Ethics – See Item 2

(a)(2) – Certifications – Attached hereto

(a)(3) – Not Applicable

(b) – Certifications – Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Floating Rate Income Trust

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Floating Rate Income Trust

Date: January 3, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Floating Rate Income Trust

Date: January 3, 2012

By: /s/ Neal J. Andrews
Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock Floating Rate Income Trust

Date: January 3, 2012

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