

BLACKROCK CREDIT ALLOCATION INCOME TRUST II, INC.

Form N-CSR

January 07, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT**

**INVESTMENT COMPANIES**

Investment Company Act file number 811-21286

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

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Credit Allocation Income Trust II, Inc., 55 East 52<sup>nd</sup> Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 10/31/2012

Date of reporting period: 10/31/2012

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Item 1 Report to Stockholders

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October 31, 2012

## Annual Report

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)

**Not FDIC Insured No Bank Guarantee May Lose Value**

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### Dear Shareholder

In the final months of 2011, financial markets were highly volatile but were in a mode of gradual improvement. Global central bank actions and better-than-expected economic data tempered investors' anxiety after markets had been upended in the previous quarter by sovereign debt turmoil in the United States and Europe. Improving sentiment carried over into early 2012 as investors felt some relief from the world's financial woes. Volatility was low and risk assets (including stocks, commodities and high yield bonds) moved boldly higher through the first two months of 2012, while climbing Treasury yields pressured higher-quality fixed income assets.

Markets reversed course in the spring when Europe's debt problems boiled over once again. High levels of volatility returned as political instability threatened Greece's membership in the eurozone and debt problems in Spain grew increasingly severe. Sovereign debt yields in peripheral European countries continued to rise while finance leaders deliberated over the fiscal integration of the currency bloc. Alongside the drama in Europe, investors were discouraged by gloomy economic reports from various parts of the world. A slowdown in China, a key powerhouse for global growth, emerged as a particular concern. In the United States, disappointing jobs reports dealt a crushing blow to investor sentiment. Risk assets sold off in the second quarter as investors retreated to safe haven assets.

Despite ongoing concerns about the health of the global economy and the debt crisis in Europe, most asset classes enjoyed a robust summer rally powered mainly by expectations for policy stimulus from central banks in Europe and the United States. Global economic data continued to be mixed, but the spate of downside surprises seen in the second quarter had receded and, outside of some areas of Europe, the risk of recession largely subsided. Additionally, in response to mounting debt pressures, the European Central Bank allayed fears by affirming its conviction to preserve the euro bloc. Early in September, the European Central Bank announced its plan to purchase sovereign debt in the eurozone's most troubled nations. Later that month, the US Federal Reserve announced its long-awaited and surprisingly aggressive stimulus program, committing to purchase \$40 billion of agency mortgage-backed securities per month until the US economy exhibits enough strength to sustain real growth and the labor market shows solid improvement. These central bank actions boosted investor confidence and risk assets rallied globally.

European stocks continued their advance in the final month of the reporting period as progress toward fiscal integration created a more positive atmosphere for investors. However, as corporate earnings season got underway in the United States, lackluster results pointed to the fragility of global growth and pushed US equity markets down for the month of October. The period ended with increasing concern about how and when US politicians would resolve the nation's looming fiscal crisis, known as the fiscal cliff.

All asset classes performed well for the 12-month period ended October 31, 2012, with the strongest returns coming from US stocks and high yield bonds. For the six-month period ended October 31, 2012, equities underperformed fixed income investments, where high yield was the leading sector. US and international stocks finished the six-month period with modest gains, while emerging market stocks lagged other asset classes amid ongoing uncertainty. Near-zero short term interest rates continued to keep yields on money market securities near their all-time lows.

Although the financial world remains highly uncertain, we believe there are new avenues of opportunity—new ways to invest and new markets to consider. We believe it's our responsibility to help investors adapt to today's new world of investing and build the portfolios these times require. We encourage you to visit [www.blackrock.com/newworld](http://www.blackrock.com/newworld) for more information.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

*Although the financial world remains highly uncertain, we believe there are new avenues of opportunity.*

Rob Kapito

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President, BlackRock Advisors, LLC

## Total Returns as of October 31, 2012

|   | 6-month | 12-month |
|---|---------|----------|
| US large cap equities (S&P 500® Index)  | 2.16%   | 15.21%   |
| US small cap equities (Russell 2000® Index)                                   | 0.95    | 12.08    |
| International equities (MSCI Europe, Australasia, Far East Index)             | 2.12    | 4.61     |
| Emerging market equities (MSCI Emerging Markets Index)                        | (1.25)  | 2.63     |
| 3-month Treasury bill (BofA Merrill Lynch 3-Month US Treasury Bill Index)     | 0.06    | 0.08     |
| US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)         | 3.49    | 7.46     |
| US investment grade bonds (Barclays US Aggregate Bond Index)                  | 2.75    | 5.25     |
| Tax-exempt municipal bonds (S&P Municipal Bond Index)                         | 3.65    | 9.57     |
| US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index) | 6.24    | 13.58    |

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

THIS PAGE NOT PART OF YOUR FUND REPORT

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**Fund Summary** as of October 31, 2012

**BlackRock Credit Allocation Income Trust I, Inc.**

**Fund Overview**

BlackRock Credit Allocation Income Trust I, Inc.'s (PSW) (the Fund) primary investment objective is to provide holders of common shares (Common Shareholders) with high current income. The secondary investment objective of the Fund is to provide Common Shareholders with capital appreciation. The Fund seeks to achieve its investment objectives by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund's investment objective will be achieved.

**Portfolio Management Commentary**

On July 27, 2012, the Board of Directors of PSW approved a plan of reorganization whereby BlackRock Credit Allocation Income Trust IV (BTZ) would acquire all of the assets and assume all of the liabilities of PSW in exchange for newly issued shares of BTZ in a merger transaction. At a shareholder meeting on November 2, 2012, PSW shareholders approved the plan of reorganization and BTZ shareholders approved the issuance of BTZ shares in connection with the reorganization. The reorganization took place on December 10, 2012.

**How did the Fund perform?**

For the 12-month period ended October 31, 2012, the Fund returned 24.59% based on market price and 17.95% based on net asset value (NAV). For the same period, the closed-end Lipper Corporate BBB-Rated Debt Funds (Leveraged) category posted an average return of 21.64% based on market price and 15.80% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

The largest contributor to performance for the period was the Fund's allocation to the financials sector, which has seen very strong performance in 2012, especially in the first quarter. The rally in financials was driven mainly by the completion of the widely anticipated Greek sovereign debt restructuring and the launch of a second allotment of long-term refinancing operations (LTROs) from the European Central Bank (ECB). Risk assets broadly moved higher through the first quarter due to the reduction of systemic risk stemming from the eurozone's sovereign debt crisis coupled with improving economic data in the United States. The Fund has held a long position in financials since the latter half of 2011 when valuations became attractive and credit fundamentals began to improve due to heightened industry regulation following the 2008 financial crisis. Another source of positive performance was the Fund's allocation to capital trust securities, which have experienced significant price appreciation due to banking and financial industry regulatory reform under Basel III and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). Positioning within industrials aided performance as the Fund was selectively overweight in higher-beta names (i.e., those with greater sensitivity to market movements) early in 2012, particularly in the technology, media and telecommunications space. The Fund's exposure to high yield corporate bonds drove strong returns and supported the Fund's overall yield.

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Detracting modestly from the Fund's performance was an allocation to the metals and mining space. As China has shown signs of slowing economic growth and a move away from its investment-based economy, the metals and mining sector has struggled given its close ties to the Chinese growth story.

### **Describe recent portfolio activity.**

Early in the 12-month period, the Fund reduced its overall risk profile by favoring high quality companies with strong balance sheets and by decreasing leverage and portfolio duration (sensitivity to interest rate movements). However, following an important step by the ECB to alleviate liquidity strains in the financial markets through its LTROs, the Fund increased risk significantly in early 2012 as the market appeared to be poised for a strong rally. Improving credit fundamentals coupled with the reduction of major liquidity risks proved the right formula for a rally in the credit space. The Fund expressed this view largely by increasing exposure to the financials sector, where valuations were attractive. The Fund reduced risk again at the end of the first quarter as the positive effect of the ECB's LTROs began to fade and the market was growing impatient with the stalling global economic growth. Accordingly, the Fund positioned itself away from sectors directly tied to growth, and instead focused on companies that derive cash flows from the United States and are less sensitive to slowing global growth. In particular, the Fund increased exposure to US pipelines and electric companies as they tend to generate stable cash flows despite the slowing growth dynamic.

### **Describe portfolio positioning at period end.**

As of period end, the Fund maintained diversified exposure across investment grade and high yield corporate credits. While investment grade credit has experienced dramatic spread tightening in the past year, Fund management continued to find value in this space. The Fund continued to generate additional yield from its sizeable allocation to high yield debt. Within the credit space, the Fund retained a strong allocation to financials, although to a lesser extent than earlier in 2012. The Fund's holdings at period end reflected a slightly more defensive bias, with a focus on the US growth story, which remained relatively benign as compared to the rest of the world. To this end, the Fund favored companies with cash flows derived from the United States and a lower sensitivity to recession in Europe.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.



**Table of Contents****BlackRock Credit Allocation Income Trust I, Inc.****Fund Information**

|   |                |
|---|----------------|
| Symbol on New York Stock Exchange ( NYSE )                                  | PSW            |
| Initial Offering Date   | August 1, 2003 |
| Yield on Closing Market Price as of October 31, 2012 (\$10.70) <sup>1</sup> | 6.67%          |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.0595       |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.7140       |
| Economic Leverage as of October 31, 2012 <sup>3</sup>                       | 33%            |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution rate is not constant and is subject to change.

<sup>3</sup> Represents reverse repurchase agreements as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 14.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/12 | 10/31/11 | Change | High     | Low      |
|-----------------|----------|----------|--------|----------|----------|
| Market Price    | \$ 10.70 | \$ 9.25  | 15.68% | \$ 10.80 | \$ 8.86  |
| Net Asset Value | \$ 11.52 | \$ 10.52 | 9.51%  | \$ 11.52 | \$ 10.06 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond and US government securities investments:

**Portfolio Composition**

|                         | 10/31/12 | 10/31/11 |
|-------------------------|----------|----------|
| Corporate Bonds         | 80%      | 82%      |
| Preferred Securities    | 16       | 15       |
| US Treasury Obligations | 2        | 1        |
| Asset-Backed Securities | 1        | 1        |
| Taxable Municipal Bonds | 1        | 1        |

**Credit Quality Allocations<sup>4</sup>**

|                      | 10/31/12 | 10/31/11 |
|----------------------|----------|----------|
| AAA/Aaa <sup>5</sup> | 2%       | 1%       |
| AA/Aa                | 3        | 7        |
| A.                   | 21       | 28       |
| BBB/Baa.             | 43       | 38       |
| BB/Ba.               | 17       | 15       |
| B.                   | 10       | 8        |
| CCC/Caa.             | 1        | 1        |
| Not Rated            | 3        | 2        |

<sup>4</sup> Using the higher of Standard & Poor's ( S&P's ) or Moody's Investors Service ( Moody's ) ratings.

<sup>5</sup> Includes US Treasury obligations that are deemed AAA by the investment advisor.

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**Table of Contents****Fund Summary** as of October 31, 2012**BlackRock Credit Allocation Income Trust II, Inc.****Fund Overview**

BlackRock Credit Allocation Income Trust II, Inc.'s (PSY) (the Fund) primary investment objective is to provide Common Shareholders with current income. The secondary investment objective of the Fund is to provide Common Shareholders with capital appreciation. The Fund seeks to achieve its investment objectives by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund's investment objective will be achieved.

**Portfolio Management Commentary**

On July 27, 2012, the Board of Directors of PSY approved a plan of reorganization whereby BTZ would acquire all of the assets and assume all of the liabilities of PSY in exchange for newly issued shares of BTZ in a merger transaction. At a shareholder meeting on November 2, 2012, PSY shareholders approved the plan of reorganization and BTZ shareholders approved the issuance of BTZ shares in connection with the reorganization. The reorganization took place on December 10, 2012.

**How did the Fund perform?**

For the 12-month period ended October 31, 2012, the Fund returned 26.84% based on market price and 18.28% based on NAV. For the same period, the closed-end Lipper Corporate BBB-Rated Debt Funds (Leveraged) category posted an average return of 21.64% based on market price and 15.80% based on NAV. All returns reflect reinvestment of dividends. The Trust's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

The largest contributor to performance for the period was the Fund's allocation to the financials sector, which has seen very strong performance in 2012, especially in the first quarter. The rally in financials was driven mainly by the completion of the widely anticipated Greek sovereign debt restructuring and the launch of a second allotment of LTROs from the ECB. Risk assets broadly moved higher through the first quarter due to the reduction of systemic risk stemming from the eurozone's sovereign debt crisis coupled with improving economic data in the United States. The Fund has held a long position in financials since the latter half of 2011 when valuations became attractive and credit fundamentals began to improve due to heightened industry regulation following the 2008 financial crisis. Another source of positive performance was the Fund's allocation to capital trust securities, which have experienced significant price appreciation due to banking and financial industry regulatory reform under Basel III and the Dodd-Frank Act. Positioning within industrials aided performance as the Fund was selectively overweight in higher-beta names (i.e., those with greater sensitivity to market movements) early in 2012, particularly in the technology, media and telecommunications space. The Fund's exposure to high yield corporate bonds drove strong returns and supported the Fund's overall yield.

Detracting modestly from the Fund's performance was an allocation to the metals and mining space. As China has shown signs of slowing economic growth and a move away from its investment-based economy, the metals and mining sector has struggled given its close ties to the Chinese growth story.

**Describe recent portfolio activity.**

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Early in the 12-month period, the Fund reduced its overall risk profile by favoring high quality companies with strong balance sheets and by decreasing leverage and portfolio duration (sensitivity to interest rate movements). However, following an important step by the ECB to alleviate liquidity strains in the financial markets through its LTROs, the Fund increased risk significantly in early 2012 as the market appeared to be poised for a strong rally. Improving credit fundamentals coupled with the reduction of major liquidity risks proved the right formula for a rally in the credit space. The Fund expressed this view largely by increasing exposure to the financials sector, where valuations were attractive. The Fund reduced risk again at the end of the first quarter as the positive effect of the ECB's LTROs began to fade and the market was growing impatient with the stalling global economic growth. Accordingly, the Fund positioned itself away from sectors directly tied to growth, and instead focused on companies that derive cash flows from the United States and are less sensitive to slowing global growth. In particular, the Fund increased exposure to US pipelines and electric companies as they tend to generate stable cash flows despite the slowing growth dynamic.

### **Describe portfolio positioning at period end.**

As of period end, the Fund maintained diversified exposure across investment grade and high yield corporate credits. While investment grade credit has experienced dramatic spread tightening in the past year, Fund management continued to find value in this space. The Fund continued to generate additional yield from its sizeable allocation to high yield debt. Within the credit space, the Fund retained a strong allocation to financials, although to a lesser extent than earlier in 2012. The Fund's holdings at period end reflected a slightly more defensive bias, with a focus on the US growth story, which remained relatively benign as compared to the rest of the world. To this end, the Fund favored companies with cash flows derived from the United States and a lower sensitivity to recession in Europe.

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**Table of Contents****BlackRock Credit Allocation Income Trust II, Inc.****Fund Information**

|   |                |
|---|----------------|
| Symbol on NYSE  | PSY            |
| Initial Offering Date   | March 28, 2003 |
| Yield on Closing Market Price as of October 31, 2012 (\$11.54) <sup>1</sup> | 6.34%          |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.061        |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.732        |
| Economic Leverage as of October 31, 2012 <sup>3</sup>                       | 32%            |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution rate is not constant and is subject to change.

<sup>3</sup> Represents reverse repurchase agreements as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 14.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/12 | 10/31/11 | Change | High     | Low      |
|-----------------|----------|----------|--------|----------|----------|
| Market Price    | \$ 11.54 | \$ 9.74  | 18.48% | \$ 11.65 | \$ 9.42  |
| Net Asset Value | \$ 12.43 | \$ 11.25 | 10.49% | \$ 12.43 | \$ 10.84 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond and US government securities investments:

**Portfolio Composition**

|                         | 10/31/12 | 10/31/11 |
|-------------------------|----------|----------|
| Corporate Bonds         | 79%      | 80%      |
| Preferred Securities    | 16       | 17       |
| US Treasury Obligations | 3        | 1        |
| Asset-Backed Securities | 1        | 1        |
| Taxable Municipal Bonds | 1        | 1        |

**Credit Quality Allocations<sup>4</sup>**

|                      | 10/31/12 | 10/31/11 |
|----------------------|----------|----------|
| AAA/Aaa <sup>5</sup> | 4%       | 1%       |
| AA/Aa                | 2        | 7        |
| A.                   | 22       | 26       |
| BBB/Baa.             | 42       | 39       |
| BB/Ba.               | 18       | 17       |
| B.                   | 9        | 7        |
| CCC/Caa.             | 1        | 1        |
| Not Rated            | 2        | 2        |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

<sup>5</sup> Includes US Treasury obligations that are deemed AAA by the investment advisor.

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### **Fund Summary** as of October 31, 2012

### **BlackRock Credit Allocation Income Trust III**

#### **Fund Overview**

BlackRock Credit Allocation Income Trust III's (BPP) (the Fund) investment objective is to provide high current income consistent with capital preservation. The Fund seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund's investment objective will be achieved.

#### **Portfolio Management Commentary**

On July 27, 2012, the Board of Directors of BPP approved a plan of reorganization whereby BTZ would acquire all of the assets and assume all of the liabilities of BPP in exchange for newly issued shares of BTZ in a merger transaction. At a shareholder meeting on November 2, 2012, BPP shareholders approved the plan of reorganization and BTZ shareholders approved the issuance of BTZ shares in connection with the reorganization. The reorganization took place on December 10, 2012.

#### **How did the Fund perform?**

For the 12-month period ended October 31, 2012, the Fund returned 24.67% based on market price and 17.53% based on NAV. For the same period, the closed-end Lipper Corporate BBB-Rated Debt Funds (Leveraged) category posted an average return of 21.64% based on market price and 15.80% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

#### **What factors influenced performance?**

The largest contributor to performance for the period was the Fund's allocation to the financials sector, which has seen very strong performance in 2012, especially in the first quarter. The rally in financials was driven mainly by the completion of the widely anticipated Greek sovereign debt restructuring and the launch of a second allotment of LTROs from the ECB. Risk assets broadly moved higher through the first quarter due to the reduction of systemic risk stemming from the eurozone's sovereign debt crisis coupled with improving economic data in the United States. The Fund has held a long position in financials since the latter half of 2011 when valuations became attractive and credit fundamentals began to improve due to heightened industry regulation following the 2008 financial crisis. Another source of positive performance was the Fund's allocation to capital trust securities, which have experienced significant price appreciation due to banking and financial industry regulatory reform under Basel III and the Dodd-Frank Act. Positioning within industrials aided performance as the Fund was selectively overweight in higher-beta names (i.e., those with greater sensitivity to market movements) early in 2012, particularly in the technology, media and telecommunications space. The Fund's exposure to high yield corporate bonds drove strong returns and supported the Fund's overall yield.

Detracting modestly from the Fund's performance was an allocation to the metals and mining space. As China has shown signs of slowing economic growth and a move away from its investment-based economy, the metals and mining sector has struggled given its close ties to the Chinese growth story.

#### **Describe recent portfolio activity.**

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Early in the 12-month period, the Fund reduced its overall risk profile by favoring high quality companies with strong balance sheets and by decreasing leverage and portfolio duration (sensitivity to interest rate movements). However, following an important step by the ECB to alleviate liquidity strains in the financial markets through its LTROs, the Fund increased risk significantly in early 2012 as the market appeared to be poised for a strong rally. Improving credit fundamentals coupled with the reduction of major liquidity risks proved the right formula for a rally in the credit space. The Fund expressed this view largely by increasing exposure to the financials sector, where valuations were attractive. The Fund reduced risk again at the end of the first quarter as the positive effect of the ECB's LTROs began to fade and the market was growing impatient with the stalling global economic growth. Accordingly, the Fund positioned itself away from sectors directly tied to growth, and instead focused on companies that derive cash flows from the United States and are less sensitive to slowing global growth. In particular, the Fund increased exposure to US pipelines and electric companies as they tend to generate stable cash flows despite the slowing growth dynamic.

### **Describe portfolio positioning at period end.**

As of period end, the Fund maintained diversified exposure across investment grade and high yield corporate credits. While investment grade credit has experienced dramatic spread tightening in the past year, Fund management continued to find value in this space. The Fund continued to generate additional yield from its sizeable allocation to high yield debt. Within the credit space, the Fund retained a strong allocation to financials, although to a lesser extent than earlier in 2012. The Fund's holdings at period end reflected a slightly more defensive bias, with a focus on the US growth story, which remained relatively benign as compared to the rest of the world. To this end, the Fund favored companies with cash flows derived from the United States and a lower sensitivity to recession in Europe.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.



**Table of Contents****BlackRock Credit Allocation Income Trust III****Fund Information**

|   |                   |
|---|-------------------|
| Symbol on NYSE  | BPP               |
| Initial Offering Date   | February 28, 2003 |
| Yield on Closing Market Price as of October 31, 2012 (\$12.28) <sup>1</sup> | 6.21%             |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.0635          |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.7620          |
| Economic Leverage as of October 31, 2012 <sup>3</sup>                       | 32%               |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution rate is not constant and is subject to change.

<sup>3</sup> Represents reverse repurchase agreements as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 14.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/12 | 10/31/11 | Change | High     | Low      |
|-----------------|----------|----------|--------|----------|----------|
| Market Price    | \$ 12.28 | \$ 10.53 | 16.62% | \$ 12.40 | \$ 10.05 |
| Net Asset Value | \$ 13.27 | \$ 12.07 | 9.94%  | \$ 13.27 | \$ 11.58 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond and US government securities investments:

**Portfolio Composition**

|                         | 10/31/12 | 10/31/11 |
|-------------------------|----------|----------|
| Corporate Bonds         | 80%      | 83%      |
| Preferred Securities    | 14       | 15       |
| US Treasury Obligations | 5        | 1        |
| Taxable Municipal Bonds | 1        | 1        |

**Credit Quality Allocations<sup>4</sup>**

|                      | 10/31/12 | 10/31/11 |
|----------------------|----------|----------|
| AAA/Aaa <sup>5</sup> | 5%       | 1%       |
| AA/Aa                | 1        | 6        |
| A.                   | 23       | 31       |
| BBB/Baa.             | 41       | 37       |
| BB/Ba.               | 17       | 15       |
| B.                   | 10       | 8        |
| CCC/Caa.             | 1        | 1        |
| Not Rated            | 2        | 1        |

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<sup>4</sup> Using the higher of S&P's or Moody's ratings.

<sup>5</sup> Includes US Treasury obligations that are deemed AAA by the investment advisor.

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**Table of Contents****Fund Summary** as of October 31, 2012**BlackRock Credit Allocation Income Trust IV****Fund Overview**

BlackRock Credit Allocation Income Trust IV's (BTZ) (the Fund) investment objective is to provide current income, current gains and capital appreciation. The Fund seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund's investment objective will be achieved.

**Portfolio Management Commentary**

On July 27, 2012, the Board of Directors of BTZ approved separate plans of reorganization whereby BTZ would acquire all of the assets and assume all of the liabilities of PSW, PSY and BPP (PSW, PSY and BPP, each a Target Fund) in exchange for newly issued shares of BTZ in a merger transaction. At a shareholder meeting on November 2, 2012, each Target Fund's shareholders approved their respective plan of reorganization and BTZ shareholders approved the issuance of BTZ shares in connection with the reorganization. The reorganization took place on December 10, 2012.

**How did the Fund perform?**

For the 12-month period ended October 31, 2012, the Fund returned 26.44% based on market price and 18.35% based on NAV. For the same period, the closed-end Lipper Corporate BBB-Rated Debt Funds (Leveraged) category posted an average return of 21.64% based on market price and 15.80% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

**What factors influenced performance?**

The largest contributor to performance for the period was the Fund's allocation to the financials sector, which has seen very strong performance in 2012, especially in the first quarter. The rally in financials was driven mainly by the completion of the widely anticipated Greek sovereign debt restructuring and the launch of a second allotment of LTROs from the ECB. Risk assets broadly moved higher through the first quarter due to the reduction of systemic risk stemming from the eurozone's sovereign debt crisis coupled with improving economic data in the United States. The Fund has held a long position in financials since the latter half of 2011 when valuations became attractive and credit fundamentals began to improve due to heightened industry regulation following the 2008 financial crisis. Another source of positive performance was the Fund's allocation to capital trust securities, which have experienced significant price appreciation due to banking and financial industry regulatory reform under Basel III and the Dodd-Frank Act. Positioning within industrials aided performance as the Fund was selectively overweight in higher-beta names (i.e., those with greater sensitivity to market movements) early in 2012, particularly in the technology, media and telecommunications space. The Fund's exposure to high yield corporate bonds drove strong returns and supported the Fund's overall yield.

Detracting modestly from the Fund's performance was an allocation to the metals and mining space. As China has shown signs of slowing economic growth and a move away from its investment-based economy, the metals and mining sector has struggled given its close ties to the Chinese growth story.

**Describe recent portfolio activity.**

Early in the 12-month period, the Fund reduced its overall risk profile by favoring high quality companies with strong balance sheets and by decreasing leverage and portfolio duration (sensitivity to interest rate movements). However, following an important step by the ECB to

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alleviate liquidity strains in the financial markets through its LTROs, the Fund increased risk significantly in early 2012 as the market appeared to be poised for a strong rally. Improving credit fundamentals coupled with the reduction of major liquidity risks proved the right formula for a rally in the credit space. The Fund expressed this view largely by increasing exposure to the financials sector, where valuations were attractive. The Fund reduced risk again at the end of the first quarter as the positive effect of the ECB's LTROs began to fade and the market was growing impatient with the stalling global economic growth. Accordingly, the Fund positioned itself away from sectors directly tied to growth, and instead focused on companies that derive cash flows from the United States and are less sensitive to slowing global growth. In particular, the Fund increased exposure to US pipelines and electric companies as they tend to generate stable cash flows despite the slowing growth dynamic.

### **Describe portfolio positioning at period end.**

As of period end, the Fund maintained diversified exposure across investment grade and high yield corporate credits. While investment grade credit has experienced dramatic spread tightening in the past year, Fund management continued to find value in this space. The Fund continued to generate additional yield from its sizeable allocation to high yield debt. Within the credit space, the Fund retained a strong allocation to financials, although to a lesser extent than earlier in 2012. The Fund's holdings at period end reflected a slightly more defensive bias, with a focus on the US growth story, which remained relatively benign as compared to the rest of the world. To this end, the Fund favored companies with cash flows derived from the United States and a lower sensitivity to recession in Europe.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

**Table of Contents****BlackRock Credit Allocation Income Trust IV****Fund Information**

|   |                   |
|---|-------------------|
| Symbol on NYSE  | BTZ               |
| Initial Offering Date   | December 27, 2006 |
| Yield on Closing Market Price as of October 31, 2012 (\$14.23) <sup>1</sup> | 6.62%             |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.0785          |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.9420          |
| Economic Leverage as of October 31, 2012 <sup>3</sup>                       | 32%               |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution rate is not constant and is subject to change.

<sup>3</sup> Represents reverse repurchase agreements as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 14.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/12 | 10/31/11 | Change | High     | Low      |
|-----------------|----------|----------|--------|----------|----------|
| Market Price    | \$ 14.23 | \$ 12.08 | 17.80% | \$ 14.32 | \$ 11.76 |
| Net Asset Value | \$ 15.37 | \$ 13.94 | 10.26% | \$ 15.37 | \$ 13.37 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond and US government securities investments:

**Portfolio Composition**

|                         | 10/31/12 | 10/31/11 |
|-------------------------|----------|----------|
| Corporate Bonds         | 80%      | 80%      |
| Preferred Securities    | 16       | 17       |
| US Treasury Obligations | 2        | 1        |
| Asset-Backed Securities | 1        | 1        |
| Taxable Municipal Bonds | 1        | 1        |

**Credit Quality Allocations<sup>4</sup>**

|                      | 10/31/12 | 10/31/11 |
|----------------------|----------|----------|
| AAA/Aaa <sup>5</sup> | 3%       | 1%       |
| AA/Aa                | 2        | 7        |
| A.                   | 25       | 29       |
| BBB/Baa.             | 39       | 37       |
| BB/Ba.               | 18       | 16       |
| B.                   | 10       | 8        |
| CCC/Caa.             | 1        |          |
| Not Rated            | 2        | 2        |

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<sup>4</sup> Using the higher of S&P's or Moody's ratings.

<sup>5</sup> Includes US Treasury obligations that are deemed AAA by the investment advisor.

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## **Table of Contents**

### **Fund Summary** as of October 31, 2012

### **BlackRock Floating Rate Income Trust**

#### **Fund Overview**

BlackRock Floating Rate Income Trust's (BGT) (the Fund) primary investment objective is to provide a high level of current income. The Fund's secondary investment objective is to seek the preservation of capital. The Fund seeks to achieve its investment objectives by investing primarily, under normal conditions, at least 80% of its assets in floating and variable rate instruments of US and non-US issuers, including a substantial portion of its assets in global floating and variable rate securities including senior secured floating rate loans made to corporate and other business entities. Under normal market conditions, the Fund expects that the average effective duration of its portfolio will be no more than 1.5 years. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund's investment objectives will be achieved.

#### **Portfolio Management Commentary**

##### **How did the Fund perform?**

For the 12-month period ended October 31, 2012, the Fund returned 25.33% based on market price and 12.37% based on NAV. For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 21.76% based on market price and 12.63% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a discount to NAV to a premium by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

##### **What factors influenced performance?**

Security selection in the gaming, diversified manufacturing, electric and consumer services industries contributed positively to results, as did the Fund's tactical allocation to fixed-rate high yield corporate bonds, which outperformed floating rate loan interests (bank loans) over the period.

Conversely, security selection in the media non-cable industry detracted from performance, along with exposure to the media cable and independent energy industries. The Fund's limited exposure to emerging market securities hindered returns as this segment of the fixed income universe outperformed both high yield and bank loans.

##### **Describe recent portfolio activity.**

During the 12-month period, the Fund maintained its focus on the higher quality portions of the loan market in terms of loan structure, liquidity and overall credit quality. The Fund sought issuers with attractive risk-reward characteristics and superior fundamentals. Given mixed economic data along with global policy uncertainty and an overall weak outlook for global growth, the Fund remained cautious of lower-rated, less-liquid loans.

Financial markets improved during the period due to the long-term refinancing operations introduced by the European Central Bank (ECB) in December 2011 and additional monetary stimulus from both the ECB and the US Federal Reserve in September 2012. These global central bank actions were supportive of risk markets, but did not have a significant influence on the Fund's view on risk within the loan market. More specifically, the Fund continued to adhere to a strict investment discipline with the goal of pursuing yield while minimizing exposure to macro risks.

**Describe portfolio positioning at period end.**

At period end, the Fund held 80% of its total portfolio in floating rate loan interests and 16% in corporate bonds, with the remainder invested in a mix of asset-backed securities, foreign agency obligations and common stocks. The Fund's largest sector exposures included health care, media cable and chemicals. The Fund ended the period with leverage at 30% of its total managed assets.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.



**Table of Contents****BlackRock Floating Rate Income Trust****Fund Information**

|   |                 |
|---|-----------------|
| Symbol on NYSE  | BGT             |
| Initial Offering Date   | August 30, 2004 |
| Yield on Closing Market Price as of October 31, 2012 (\$15.07) <sup>1</sup> | 6.17%           |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.0775        |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.9300        |
| Economic Leverage as of October 31, 2012 <sup>3</sup>                       | 30%             |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> The distribution rate is not constant and is subject to change.

<sup>3</sup> Represents the loan outstanding as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowings) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 14.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/12 | 10/31/11 | Change | High     | Low      |
|-----------------|----------|----------|--------|----------|----------|
| Market Price    | \$ 15.07 | \$ 13.00 | 15.92% | \$ 15.80 | \$ 12.55 |
| Net Asset Value | \$ 14.52 | \$ 13.97 | 3.94%  | \$ 14.54 | \$ 13.53 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bonds:

**Portfolio Composition**

|                              | 10/31/12 | 10/31/11 |
|------------------------------|----------|----------|
| Floating Rate Loan Interests | 80%      | 78%      |
| Corporate Bonds              | 16       | 18       |
| Asset-Backed Securities      | 2        | 2        |
| Foreign Agency Obligations   | 1        | 1        |
| Common Stocks                | 1        |          |
| Other Interests              |          | 1        |

**Credit Quality Allocations<sup>4</sup>**

|           | 10/31/12 | 10/31/11 |
|-----------|----------|----------|
| AA/Aa     |          | 9%       |
| A.        |          | 2        |
| BBB/Baa.  | 19%      | 25       |
| BB/Ba.    | 36       | 27       |
| B.        | 42       | 34       |
| CCC/Caa.  | 2        | 1        |
| Not Rated | 1        | 2        |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

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### The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the yield and NAV of their common shares ( Common Shares ). However, these objectives cannot be achieved in all interest rate environments.

The Funds may utilize leverage by borrowing through a credit facility and/or entering into reverse repurchase agreements. In general, the concept of leveraging is based on the premise that the financing cost of assets to be obtained from leverage, which will be based on short-term interest rates, will normally be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the total assets of each Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Fund's shareholders will benefit from the incremental net income.

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

To illustrate these concepts, assume a Fund's capitalization is \$100 million and it borrows for an additional \$30 million, creating a total value of \$130 million available for investment in long-term securities. If prevailing short-term interest rates are 3% and long-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund pays borrowing costs and interest expense on the \$30 million of borrowings based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with assets received from the borrowings earn income based on long-term interest rates. In this case, the borrowing costs and interest expense of the borrowings is significantly lower than the income earned on the Fund's long-term investments, and therefore the Fund's shareholders are the beneficiaries of the incremental net income.

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

Furthermore, the value of the Funds' portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the

redemption value of the Funds' borrowings does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Funds' NAV positively or negatively in addition to the impact on Fund performance from borrowings discussed above.

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

Under the Investment Company Act of 1940, as amended (the 1940 Act ), the Funds are permitted to issue senior securities representing indebtedness up to 33 <sup>1</sup>/<sub>3</sub>% of their total managed assets (each Fund's net assets plus the proceeds of any outstanding borrowings). If the Funds segregate liquid assets having a value not less than the repurchase price (including accrued interest), a reverse repurchase agreement will not be considered a senior security and therefore will not be subject to this limitation. In addition, each Fund voluntarily limits its aggregate economic leverage to 50% of its managed assets. As of October 31, 2012, the Funds had aggregate economic leverage from reverse repurchase agreements and/or borrowings through a credit facility as a percentage of their total managed assets as follows:

|     | <b>Percent of<br/>Economic<br/>Leverage</b> |
|-----|---|
| PSW | 33%   |
| PSY | 32%   |
| BPP | 32%   |
| BTZ | 32%   |
| BGT | 30%   |

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## Derivative Financial Instruments

The Funds may invest in various derivative financial instruments, including financial futures contracts, foreign currency exchange contracts, options and swaps, as specified in Note 2 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to hedge market, equity, credit, interest rate and/or foreign currency exchange rate risks. Derivative financial instruments involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The Funds' ability to use a

derivative financial instrument successfully depends on the investment advisor's ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation a Fund can realize on an investment, may result in lower dividends paid to shareholders or may cause a Fund to hold an investment that it might otherwise sell. The Funds' investments in these instruments are discussed in detail in the Notes to Financial Statements.

**Table of Contents****Schedule of Investments** October 31, 2012**BlackRock Credit Allocation Income Trust I, Inc. (PSW)**

(Percentages shown are based on Net Assets)

|   | Par     | Value            |
|---|---------|------------------|
|   | (000)   |                  |
| <b>Asset-Backed Securities</b>  |         |                  |
| 321 Henderson Receivables I LLC, Series 2012-1A, Class A, 4.21%, 2/16/65 (a)    | USD 246 | \$ 258,216       |
| Atrium CDO Corp., Series 5A, Class A4,<br>0.82%, 7/20/20 (a)(b)                 | 650     | 588,250          |
| SLM Student Loan Trust, Series 2004-B, Class A2, 0.59%, 6/15/21 (b)             | 417     | 407,522          |
| <b>Total Asset-Backed Securities 1.1%</b>                                       |         | <b>1,253,988</b> |
| <b>Corporate Bonds</b>  |         |                  |
| <b>Aerospace &amp; Defense 0.9%</b>   |         |                  |
| BE Aerospace, Inc., 5.25%, 4/01/22  | 400     | 417,000          |
| Huntington Ingalls Industries, Inc.:<br>6.88%, 3/15/18                          | 150     | 162,000          |
| 7.13%, 3/15/21  | 140     | 150,500          |
| Kratos Defense & Security Solutions, Inc.,<br>10.00%, 6/01/17                   | 282     | 304,560          |
|   |         | <b>1,034,060</b> |
| <b>Airlines 0.6%</b>  |         |                  |
| American Airlines Pass-Through Trust, Series 2011-2, Class A, 8.63%, 10/15/21   | 52      | 54,034           |
| Continental Airlines Pass-Through Trust, Series 2009-2, Class B, 9.25%, 5/10/17 | 293     | 320,369          |
| Delta Air Lines Pass-Through Trust, Series 2002-1, Class G-1, 6.72%, 1/02/23    | 260     | 285,918          |
|   |         | <b>660,321</b>   |
| <b>Auto Components 1.0%</b>   |         |                  |
| Delphi Corp., 6.13%, 5/15/21  | 130     | 143,650          |
| Ford Motor Co., 7.45%, 7/16/31  | 260     | 328,900          |
| Icahn Enterprises LP:<br>7.75%, 1/15/16   | 140     | 146,300          |
| 8.00%, 1/15/18  | 560     | 602,000          |
|   |         | <b>1,220,850</b> |
| <b>Beverages 0.6%</b>   |         |                  |
| Anheuser-Busch InBev Worldwide, Inc.,<br>1.38%, 7/15/17 (c)                     | 225     | 228,392          |
| Constellation Brands, Inc., 7.25%, 5/15/17                                      | 460     | 541,650          |
|   |         | <b>770,042</b>   |
| <b>Building Products 0.3%</b>   |         |                  |
| Building Materials Corp. of America (a):<br>7.00%, 2/15/20                      | 85      | 92,225           |
| 6.75%, 5/01/21  | 250     | 272,500          |
|   |         | <b>364,725</b>   |
| <b>Capital Markets 5.2%</b>   |         |                  |
| Ameriprise Financial, Inc., 5.30%, 3/15/20 (c)                                  | 750     | 886,720          |
| E*Trade Financial Corp., 12.50%, 11/30/17                                       | 440     | 498,300          |
| The Goldman Sachs Group, Inc. (c):<br>6.15%, 4/01/18                            | 125     | 146,380          |
| 5.75%, 1/24/22  | 385     | 446,938          |
| 6.25%, 2/01/41  | 1,050   | 1,246,598        |
| Morgan Stanley, 5.75%, 1/25/21 (c)  | 1,025   | 1,146,822        |
| <b>Corporate Bonds</b>  |         | <b>Value</b>     |

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|   | <b>Par<br/>(000)</b> |            |
|---|----------------------|------------|
| <b>Capital Markets (concluded)</b>                              |                      |            |
| <b>UBS AG:</b>  |                      |            |
| 2.25%, 1/28/14 (c)  | USD 375              | \$ 380,693 |
| 5.88%, 7/15/16 (c)  | 650                  | 727,784    |
| 7.63%, 8/17/22  | 600                  | 647,044    |
|   |                      | 6,127,279  |
| <b>Chemicals 2.3%</b>   |                      |            |
| Ashland, Inc., 4.75%, 8/15/22 (a)                               | 120                  | 122,400    |
| Celanese US Holdings LLC, 5.88%, 6/15/21                        | 370                  | 412,088    |
| Hexion US Finance Corp., 6.63%, 4/15/20                         | 110                  | 109,725    |
| Huntsman International LLC, 8.63%, 3/15/21                      | 140                  | 159,250    |
| <b>INEOS Finance Plc (a):</b>                                   |                      |            |
| 8.38%, 2/15/19  | 100                  | 105,000    |
| 7.50%, 5/01/20  | 105                  | 106,313    |
| Linde Finance BV, 7.38%, 7/14/66 (b)                            | EUR 180              | 272,969    |
| LyondellBasell Industries NV, 5.75%, 4/15/24 (c)                | USD 445              | 515,087    |
| MPM Escrow LLC/MPM Finance Escrow Corp.,<br>8.88%, 10/15/20 (a) | 70                   | 68,600     |
| Nufarm Australia Ltd., 6.38%, 10/15/19 (a)                      | 70                   | 71,750     |
| Rockwood Specialties Group, Inc., 4.63%, 10/15/20               | 395                  | 406,850    |
| Tronox Finance LLC, 6.38%, 8/15/20 (a)                          | 360                  | 359,100    |
|   |                      | 2,709,132  |
| <b>Commercial Banks 5.4%</b>                                    |                      |            |
| Amsouth Bank, Series AI, 4.85%, 4/01/13                         | 200                  | 202,750    |
| Asciano Finance Ltd., 5.00%, 4/07/18 (a)                        | 200                  | 215,565    |
| Associated Banc-Corp, 5.13%, 3/28/16 (c)                        | 515                  | 564,704    |
| BBVA US Senior SAU, 4.66%, 10/09/15                             | 600                  | 605,932    |
| <b>Branch Banking &amp; Trust Co. (b):</b>                      |                      |            |
| 0.72%, 9/13/16  | 250                  | 242,971    |
| 0.73%, 5/23/17  | 150                  | 144,081    |
| <b>CIT Group, Inc.:</b>   |                      |            |
| 4.25%, 8/15/17  | 320                  | 328,258    |
| 5.25%, 3/15/18  | 280                  | 297,500    |
| 5.50%, 2/15/19 (a)  | 240                  | 255,900    |
| 5.00%, 8/15/22  | 100                  | 103,623    |
| City National Corp., 5.25%, 9/15/20 (c)                         | 550                  | 606,245    |
| Discover Bank, 8.70%, 11/18/19                                  | 300                  | 392,257    |
| HSBC Finance Corp., 6.68%, 1/15/21 (c)                          | 350                  | 414,167    |
| <b>Regions Financial Corp.:</b>                                 |                      |            |
| 4.88%, 4/26/13  | 600                  | 609,750    |
| 5.75%, 6/15/15  | 460                  | 503,700    |
| Santander Holdings USA, Inc., 3.00%, 9/24/15                    | 275                  | 280,264    |
| SVB Financial Group, 5.38%, 9/15/20 (c)                         | 550                  | 622,897    |
|   |                      | 6,390,564  |
| <b>Commercial Services &amp; Supplies 4.0%</b>                  |                      |            |
| ADS Waste Holdings, Inc., 8.25%, 10/01/20 (a)                   | 70                   | 72,450     |
| The ADT Corp., 4.88%, 7/15/42 (a)                               | 295                  | 314,817    |
| <b>Aviation Capital Group Corp. (a):</b>                        |                      |            |
| 7.13%, 10/15/20 (c)   | 2,200                | 2,320,995  |
| 6.75%, 4/06/21  | 550                  | 571,401    |
| Casella Waste Systems, Inc., 7.75%, 2/15/19                     | 84                   | 82,320     |
| Clean Harbors, Inc., 5.25%, 8/01/20 (a)                         | 108                  | 110,700    |
| Corrections Corp. of America, 7.75%, 6/01/17                    | 775                  | 828,281    |
| Covanta Holding Corp., 6.38%, 10/01/22                          | 155                  | 168,682    |

**Portfolio Abbreviations**

To simplify the listings of portfolio holdings in the Schedules of Investments, the names and descriptions of many of the securities have been abbreviated according to the following list:

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|                |                               |
|----------------|-------------------------------|
| <b>AUD</b>     | Australian Dollar             |
| <b>CAD</b>     | Canadian Dollar               |
| <b>CHF</b>     | Swiss Franc                   |
| <b>DIP</b>     | Debtor-In-Possession          |
| <b>EUR</b>     | Euro                          |
| <b>EURIBOR</b> | EURO Interbank Offered Rate   |
| <b>FKA</b>     | Formerly Known As             |
| <b>GBP</b>     | British Pound                 |
| <b>LIBOR</b>   | London Interbank Offered Rate |
| <b>RB</b>      | Revenue Bonds                 |
| <b>USD</b>     | US Dollar                     |

See Notes to Financial Statements.



**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust I, Inc. (PSW)**

(Percentages shown are based on Net Assets)

|   | <b>Par</b>   |              |
|---|--------------|--------------|
| <b>Corporate Bonds</b>                                      | <b>(000)</b> | <b>Value</b> |
| <b>Commercial Services &amp; Supplies (concluded)</b>       |              |              |
| HDTFS, Inc. (a):  |              |              |
| 5.88%, 10/15/20   | USD 85       | \$ 85,850    |
| 6.25%, 10/15/22   | 110          | 111,513      |
| Mobile Mini, Inc., 7.88%, 12/01/20                          | 65           | 70,281       |
|   |              | 4,737,290    |
| <b>Communications Equipment 0.9%</b>                        |              |              |
| Avaya, Inc., 9.75%, 11/01/15 (c)                            | 200          | 178,000      |
| Brocade Communications Systems, Inc.,<br>6.88%, 1/15/20 (c) | 700          | 757,750      |
| Zayo Group LLC/Zayo Capital, Inc., 8.13%, 1/01/20           | 160          | 175,200      |
|   |              | 1,110,950    |
| <b>Computers &amp; Peripherals 0.0%</b>                     |              |              |
| NCR Corp., 5.00%, 7/15/22 (a)                               | 30           | 30,638       |
| <b>Construction Materials 0.5%</b>                          |              |              |
| HD Supply, Inc. (a):  |              |              |
| 8.13%, 4/15/19  | 210          | 231,000      |
| 11.50%, 7/15/20   | 295          | 310,488      |
|   |              | 541,488      |
| <b>Consumer Finance 5.4%</b>                                |              |              |
| American Express Credit Corp., 2.75%, 9/15/15 (c)           | 1,400        | 1,475,837    |
| Capital One Bank USA NA, 8.80%, 7/15/19                     | 775          | 1,031,515    |
| Daimler Finance North America LLC,<br>2.63%, 9/15/16 (a)(c) | 800          | 834,706      |
| Experian Finance Plc, 2.38%, 6/15/17 (a)(c)                 | 200          | 204,753      |
| Ford Motor Credit Co. LLC:                                  |              |              |
| 8.00%, 12/15/16   | 245          | 296,702      |
| 5.88%, 8/02/21  | 690          | 794,468      |
| Inmarsat Finance Plc, 7.38%, 12/01/17 (a)                   | 420          | 452,550      |
| SLM Corp., 6.25%, 1/25/16                                   | 1,180        | 1,274,459    |
| Toll Brothers Finance Corp., 5.88%, 2/15/22                 | 95           | 107,396      |
|   |              | 6,472,386    |
| <b>Containers &amp; Packaging 1.6%</b>                      |              |              |
| Ardagh Packaging Finance Plc, 9.13%, 10/15/20 (a)           | 200          | 209,000      |
| Ball Corp.:   |              |              |
| 7.13%, 9/01/16  | 400          | 430,000      |
| 6.75%, 9/15/20  | 505          | 554,237      |
| Bemis Co., Inc., 6.80%, 8/01/19                             | 200          | 244,190      |
| Crown Americas LLC, 6.25%, 2/01/21                          | 200          | 220,750      |
| Smurfit Kappa Acquisitions, 4.88%, 9/15/18 (a)              | 200          | 200,000      |
|   |              | 1,858,177    |
| <b>Diversified Financial Services 9.7%</b>                  |              |              |
| Ally Financial, Inc.:                                       |              |              |
| 4.50%, 2/11/14  | 225          | 231,750      |
| 8.30%, 2/12/15  | 390          | 436,897      |
| 8.00%, 11/01/31   | 320          | 380,800      |
| Bank of America Corp. (c):                                  |              |              |
| 3.75%, 7/12/16  | 350          | 375,070      |

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|   |            |           |
|---|------------|-----------|
| 5.30%, 3/15/17  | 855        | 959,887   |
| 5.00%, 5/13/21  | 1,325      | 1,494,705 |
| Blackstone Holdings Finance Co. LLC,<br>4.75%, 2/15/23 (a)(c) | 200        | 214,517   |
| Citigroup, Inc. (c):  |            |           |
| 6.38%, 8/12/14  | 300        | 326,899   |
| 4.59%, 12/15/15   | 225        | 245,458   |
| 4.45%, 1/10/17  | 600        | 662,849   |
| DPL, Inc., 7.25%, 10/15/21                                    | 255        | 287,512   |
| General Motors Financial Co., Inc., 6.75%, 6/01/18            | 120        | 133,038   |
| ING Bank NV, 5.00%, 6/09/21 (a)(c)                            | 550        | 621,148   |
| Intesa Sanpaolo SpA, 2.38%, 12/21/12 (c)                      | 800        | 800,005   |
| LeasePlan Corp. NV, 3.00%, 10/23/17 (a)(b)(c)                 | 475        | 480,476   |
| Moody s Corp., 6.06%, 9/07/17                                 | 2,500      | 2,740,993 |
| Reynolds American, Inc., 3.25%, 11/01/22                      | 450        | 455,141   |
|   | <b>Par</b> |           |

|                        |              |              |
|------------------------|--------------|--------------|
| <b>Corporate Bonds</b> | <b>(000)</b> | <b>Value</b> |
|------------------------|--------------|--------------|

|   |         |            |
|---|---------|------------|
| <b>Diversified Financial Services (concluded)</b> |         |            |
| Reynolds Group Issuer, Inc.:                      |         |            |
| 7.88%, 8/15/19                                    | USD 255 | \$ 276,675 |
| 9.88%, 8/15/19                                    | 100     | 104,750    |
| 5.75%, 10/15/20 (a)                               | 220     | 222,200    |
| WGM Acquisition Corp., 9.50%, 6/15/16             | 50      | 54,938     |

11,505,708

|   |             |  |
|---|-------------|--|
| <b>Diversified Telecommunication Services</b> | <b>3.5%</b> |  |
|---|-------------|--|

|  |       |           |
|--|-------|-----------|
| AT&T, Inc., 6.30%, 1/15/38 (c)                   | 1,000 | 1,338,902 |
| Level 3 Financing, Inc.:                         |       |           |
| 8.13%, 7/01/19                                   | 898   | 958,615   |
| 8.63%, 7/15/20                                   | 150   | 163,500   |
| Telecom Italia Capital SA, 6.18%, 6/18/14        | 225   | 238,645   |
| Telefonica Emisiones SAU, 5.46%, 2/16/21         | 310   | 315,038   |
| Verizon Communications, Inc., 7.35%, 4/01/39 (c) | 660   | 1,016,424 |
| Windstream Corp., 7.88%, 11/01/17                | 160   | 178,200   |

4,209,324

|                           |             |  |
|---------------------------|-------------|--|
| <b>Electric Utilities</b> | <b>2.9%</b> |  |
|---------------------------|-------------|--|

|  |       |           |
|--|-------|-----------|
| CMS Energy Corp., 5.05%, 3/15/22                                 | 275   | 307,188   |
| FirstEnergy Solutions Corp., 6.05%, 8/15/21                      | 250   | 288,887   |
| Great Plains Energy, Inc., 5.29%, 6/15/22                        | 375   | 429,893   |
| Mirant Mid Atlantic Pass Through Trust, Series B, 9.13%, 6/30/17 | 122   | 133,155   |
| Nisource Finance Corp.:  |       |           |
| 6.40%, 3/15/18   | 250   | 304,300   |
| 5.25%, 2/15/43   | 155   | 173,830   |
| Oncor Electric Delivery Co. LLC (c):                             |       |           |
| 4.10%, 6/01/22   | 300   | 321,439   |
| 5.30%, 6/01/42   | 180   | 204,889   |
| Progress Energy, Inc., 7.00%, 10/30/31 (c)                       | 1,000 | 1,334,774 |

3,498,355

|   |             |  |
|---|-------------|--|
| <b>Electronic Equipment, Instruments &amp; Components</b> | <b>0.3%</b> |  |
|---|-------------|--|

|                                     |     |         |
|-------------------------------------|-----|---------|
| Jabil Circuit, Inc., 8.25%, 3/15/18 | 200 | 236,000 |
| NXP BV, 3.09%, 10/15/13 (b)         | 95  | 94,881  |

330,881

|  |             |  |
|--|-------------|--|
| <b>Energy Equipment &amp; Services</b> | <b>3.8%</b> |  |
|--|-------------|--|

|   |     |         |
|---|-----|---------|
| Atwood Oceanics, Inc., 6.50%, 2/01/20   | 25  | 26,875  |
| Cie Générale de Géophysique-Veritas,<br>6.50%, 6/01/21                            | 200 | 211,000 |
| Energy Transfer Partners LP, 5.20%, 2/01/22                                       | 700 | 803,537 |
| EnSCO Plc, 4.70%, 3/15/21 (c)   | 460 | 529,696 |
| FTS International Services LLC/FTS International Bonds, Inc., 8.13%, 11/15/18 (a) | 182 | 190,190 |
| Hornbeck Offshore Services, Inc., 5.88%, 4/01/20                                  | 65  | 66,138  |
| Key Energy Services, Inc., 6.75%, 3/01/21   | 175 | 174,125 |
| MEG Energy Corp. (a):   |     |         |
| 6.50%, 3/15/21  | 225 | 241,312 |

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|  |     |           |
|--|-----|-----------|
| 6.38%, 1/30/23                                 | 50  | 53,500    |
| Oil States International, Inc., 6.50%, 6/01/19 | 120 | 127,500   |
| Peabody Energy Corp., 6.25%, 11/15/21 (c)      | 370 | 382,025   |
| Precision Drilling Corp., 6.50%, 12/15/21      | 95  | 100,463   |
| Seadrill Ltd., 5.63%, 9/15/17 (a)              | 570 | 570,000   |
| Transocean, Inc.:                              |     |           |
| 2.50%, 10/15/17                                | 100 | 101,278   |
| 6.50%, 11/15/20                                | 265 | 321,955   |
| 6.38%, 12/15/21                                | 320 | 389,387   |
| 6.80%, 3/15/38                                 | 225 | 279,666   |
|  |     | 4,568,647 |
| <b>Food Products 1.3%</b>                      |     |           |
| Kraft Foods Group, Inc., 5.00%, 6/04/42 (a)    | 300 | 350,361   |
| Mondelez International, Inc.:                  |     |           |
| 6.50%, 8/11/17                                 | 385 | 475,524   |
| 6.13%, 8/23/18                                 | 390 | 485,288   |
| Post Holdings, Inc., 7.38%, 2/15/22 (a)        | 213 | 226,046   |
|  |     | 1,537,219 |

See Notes to Financial Statements.

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## Schedule of Investments (continued)

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

(Percentages shown are based on Net Assets)

|  | Par     | Value      |
|--|---------|------------|
|  | (000)   |            |
| <b>Corporate Bonds</b>                                       |         |            |
| <b>Gas Utilities 0.2%</b>                                    |         |            |
| El Paso Natural Gas Co. LLC, 8.63%, 1/15/22                  | USD 165 | \$ 225,723 |
| <b>Health Care Equipment &amp; Supplies 0.6%</b>             |         |            |
| Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a)            | 500     | 573,750    |
| Teleflex, Inc., 6.88%, 6/01/19                               | 115     | 123,625    |
|  |         | 697,375    |
| <b>Health Care Providers &amp; Services 3.8%</b>             |         |            |
| Aviv Healthcare Properties LP, 7.75%, 2/15/19                | 105     | 110,644    |
| CHS/Community Health Systems, Inc., 5.13%, 8/15/18           | 115     | 119,313    |
| HCA, Inc.:   |         |            |
| 8.50%, 4/15/19   | 55      | 61,806     |
| 6.50%, 2/15/20   | 525     | 580,125    |
| 7.25%, 9/15/20   | 195     | 215,719    |
| 4.75%, 5/01/23   | 640     | 640,000    |
| INC Research LLC, 11.50%, 7/15/19 (a)                        | 165     | 165,825    |
| inVentiv Health, Inc., 10.00%, 8/15/18 (a)                   | 10      | 9,050      |
| Tenet Healthcare Corp.:                                      |         |            |
| 10.00%, 5/01/18  | 350     | 399,000    |
| 8.88%, 7/01/19   | 250     | 279,375    |
| 4.75%, 6/01/20 (a)   | 222     | 220,057    |
| UnitedHealth Group, Inc., 6.88%, 2/15/38 (c)                 | 800     | 1,133,814  |
| WellPoint, Inc. (c):   |         |            |
| 3.30%, 1/15/23   | 250     | 258,596    |
| 2.75%, 10/15/42 (a)(d)                                       | 300     | 312,750    |
|  |         | 4,506,074  |
| <b>Health Care Technology 1.3%</b>                           |         |            |
| Amgen, Inc.:   |         |            |
| 5.15%, 11/15/41 (c)  | 957     | 1,102,671  |
| 5.65%, 6/15/42   | 8       | 9,823      |
| 5.38%, 5/15/43 (c)   | 400     | 480,242    |
|  |         | 1,592,736  |
| <b>Household Durables 0.5%</b>                               |         |            |
| Beazer Homes USA, Inc., 6.63%, 4/15/18 (a)                   | 165     | 176,550    |
| DR Horton, Inc., 4.38%, 9/15/22                              | 150     | 150,375    |
| Standard Pacific Corp., 8.38%, 1/15/21                       | 210     | 243,600    |
|  |         | 570,525    |
| <b>Independent Power Producers &amp; Energy Traders 1.8%</b> |         |            |
| The AES Corp.:   |         |            |
| 9.75%, 4/15/16   | 235     | 281,119    |
| 7.38%, 7/01/21   | 30      | 33,525     |
| Calpine Corp. (a):   |         |            |
| 7.25%, 10/15/17  | 90      | 95,400     |
| 7.50%, 2/15/21   | 45      | 48,937     |
| Energy Future Intermediate Holding Co. LLC,                  |         |            |
| 10.00%, 12/01/20   | 440     | 480,700    |
| Exelon Generation Co. LLC, Series C,                         |         |            |
| 4.25%, 6/15/22 (a)   | 546     | 584,411    |
| GenOn REMA LLC, 9.68%, 7/02/26                               | 120     | 128,400    |
| Laredo Petroleum, Inc.:                                      |         |            |
| 9.50%, 2/15/19   | 70      | 79,450     |

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|                                      |     |         |
|--------------------------------------|-----|---------|
| 7.38%, 5/01/22                       | 65  | 70,850  |
| NRG Energy, Inc., 6.63%, 3/15/23 (a) | 125 | 128,750 |
| QEP Resources, Inc.:                 |     |         |
| 5.38%, 10/01/22                      | 134 | 140,700 |
| 5.25%, 5/01/23                       | 70  | 72,975  |

2,145,217

**Insurance 7.4%**

American International Group, Inc. (c):

|                 |     |         |
|-----------------|-----|---------|
| 3.80%, 3/22/17  | 345 | 372,195 |
| 8.25%, 8/15/18  | 150 | 194,857 |
| 6.40%, 12/15/20 | 610 | 749,140 |

Par

**Corporate Bonds**

(000)

Value

**Insurance (concluded)**

|   |     |       |    |           |
|---|-----|-------|----|-----------|
| Aon Corp., 5.00%, 9/30/20 (c)                         | USD | 1,600 | \$ | 1,843,549 |
| Fairfax Financial Holdings Ltd., 5.80%, 5/15/21 (a)   |     | 325   |    | 332,982   |
| Forethought Financial Group, Inc., 8.63%, 4/15/21 (a) |     | 250   |    | 317,815   |
| Genworth Financial, Inc., 7.63%, 9/24/21 (c)          |     | 225   |    | 236,653   |
| ING Verzekeringen NV, 2.09%, 6/21/21 (b)              | EUR | 110   |    | 138,342   |
| Manulife Financial Corp., 4.90%, 9/17/20 (c)          | USD | 1,000 |    | 1,111,048 |
| MPL 2 Acquisition Canco, Inc., 9.88%, 8/15/18 (a)     |     | 100   |    | 91,250    |
| Nippon Life Insurance Co., 5.00%, 10/18/42 (a)(b)     |     | 750   |    | 773,749   |
| Principal Financial Group, Inc., 8.88%, 5/15/19       |     | 225   |    | 298,962   |
| Prudential Financial, Inc.:                           |     |       |    |           |
| 6.63%, 12/01/37 (c)                                   |     | 800   |    | 1,027,637 |
| 5.88%, 9/15/42 (b)                                    |     | 300   |    | 315,750   |
| XL Group Ltd., 5.75%, 10/01/21 (c)                    |     | 810   |    | 959,551   |

8,763,480

**IT Services 1.2%**

|   |     |         |
|---|-----|---------|
| Ceridian Corp., 8.88%, 7/15/19 (a)          | 415 | 439,900 |
| Epicor Software Corp., 8.63%, 5/01/19       | 160 | 168,000 |
| First Data Corp.:                           |     |         |
| 7.38%, 6/15/19 (a)(c)                       | 215 | 222,525 |
| 6.75%, 11/01/20 (a)                         | 190 | 190,000 |
| 8.25%, 1/15/21 (a)                          | 20  | 20,000  |
| 12.63%, 1/15/21                             | 170 | 175,525 |
| SunGard Data Systems, Inc., 7.38%, 11/15/18 | 170 | 182,963 |

1,398,913

**Life Sciences Tools & Services 1.8%**

|   |       |           |
|---|-------|-----------|
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16  | 865   | 945,012   |
| Life Technologies Corp., 6.00%, 3/01/20 (c) | 1,000 | 1,196,869 |

2,141,881

**Machinery 1.0%**

Ingersoll-Rand Global Holding Co. Ltd.,

|                          |     |         |
|--------------------------|-----|---------|
| 9.50%, 4/15/14 (c)       | 800 | 895,842 |
| UR Merger Sub Corp. (a): |     |         |
| 5.75%, 7/15/18           | 55  | 59,125  |
| 7.38%, 5/15/20           | 140 | 151,550 |
| 7.63%, 4/15/22           | 129 | 141,255 |

1,247,772

**Media 8.6%**

|  |     |           |
|--|-----|-----------|
| A&E Television Networks LLC, 3.25%, 8/22/19  | 500 | 508,750   |
| AMC Networks, Inc., 7.75%, 7/15/21           | 90  | 101,925   |
| CCH II LLC, 13.50%, 11/30/16                 | 221 | 237,527   |
| Comcast Corp., 6.30%, 11/15/17 (c)           | 800 | 993,405   |
| Cox Communications, Inc., 8.38%, 3/01/39 (a) | 800 | 1,269,414 |
| CSC Holdings LLC, 8.63%, 2/15/19             | 275 | 325,875   |
| DIRECTV Holdings LLC, 5.00%, 3/01/21 (c)     | 600 | 682,279   |
| DISH DBS Corp., 7.00%, 10/01/13              | 450 | 470,812   |
| Intelsat Jackson Holdings SA, 7.25%, 4/01/19 | 50  | 53,625    |

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|  |     |            |
|--|-----|------------|
| Intelsat Luxembourg SA:                          |     |            |
| 11.25%, 2/04/17                                  | 210 | 220,500    |
| 11.50%, 2/04/17 (e)                              | 100 | 105,250    |
| The Interpublic Group of Cos., Inc.,             |     |            |
| 10.00%, 7/15/17                                  | 275 | 303,531    |
| News America, Inc., 6.15%, 3/01/37 (c)           | 650 | 816,061    |
| Time Warner Cable, Inc., 6.75%, 6/15/39          | 925 | 1,234,658  |
| Time Warner, Inc., 7.70%, 5/01/32 (c)            | 950 | 1,392,111  |
| Unitymedia Hessen GmbH & Co. KG (a):             |     |            |
| 8.13%, 12/01/17                                  | 363 | 392,040    |
| 7.50%, 3/15/19                                   | 230 | 251,990    |
| Virgin Media Finance Plc, 4.88%, 2/15/22         | 200 | 202,000    |
| Virgin Media Secured Finance Plc, 6.50%, 1/15/18 | 600 | 651,000    |
|  |     | 10,212,753 |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust I, Inc. (PSW)**

(Percentages shown are based on Net Assets)

|   | Par     |            |
|---|---------|------------|
|   | (000)   | Value      |
| <b>Corporate Bonds</b>                                |         |            |
| <b>Metals &amp; Mining 2.5%</b>                       |         |            |
| AngloGold Ashanti Holdings Plc, 5.13%, 8/01/22        | USD 400 | \$ 407,929 |
| ArcelorMittal, 4.25%, 3/01/16                         | 50      | 49,664     |
| Barrick Gold Corp., 2.90%, 5/30/16 (c)                | 275     | 290,149    |
| FMG Resources August 2006 Property Ltd. (a):          |         |            |
| 6.38%, 2/01/16  | 385     | 385,000    |
| 6.88%, 4/01/22 (c)                                    | 20      | 18,800     |
| Freeport-McMoRan Copper & Gold, Inc.,                 |         |            |
| 3.55%, 3/01/22  | 325     | 330,914    |
| Freeport-McMoRan Corp., 7.13%, 11/01/27               | 700     | 887,613    |
| New Gold, Inc., 7.00%, 4/15/20 (a)                    | 30      | 31,800     |
| Novelis, Inc., 8.75%, 12/15/20                        | 230     | 253,575    |
| Steel Dynamics, Inc., 6.38%, 8/15/22 (a)              | 100     | 104,500    |
| Teck Resources Ltd., 10.75%, 5/15/19                  | 200     | 240,829    |
|   |         | 3,000,773  |
| <b>Multi-Utilities 1.5%</b>                           |         |            |
| CenterPoint Energy, Inc. (c):                         |         |            |
| 5.95%, 2/01/17  | 750     | 875,954    |
| 6.50%, 5/01/18  | 775     | 943,506    |
|   |         | 1,819,460  |
| <b>Multiline Retail 0.4%</b>                          |         |            |
| Dufry Finance SCA, 5.50%, 10/15/20 (a)                | 200     | 203,492    |
| Walgreen Co., 3.10%, 9/15/22                          | 250     | 254,557    |
|   |         | 458,049    |
| <b>Oil, Gas &amp; Consumable Fuels 13.3%</b>          |         |            |
| Access Midstream Partners LP:                         |         |            |
| 5.88%, 4/15/21  | 140     | 145,600    |
| 6.13%, 7/15/22  | 110     | 116,325    |
| Berry Petroleum Co., 6.38%, 9/15/22                   | 100     | 104,250    |
| BP Capital Markets Plc, 3.88%, 3/10/15 (c)            | 350     | 375,908    |
| Carrizo Oil & Gas, Inc., 7.50%, 9/15/20               | 100     | 102,000    |
| Chesapeake Energy Corp.:                              |         |            |
| 7.25%, 12/15/18                                       | 10      | 10,650     |
| 6.63%, 8/15/20 (c)                                    | 105     | 110,250    |
| 6.13%, 2/15/21 (c)                                    | 115     | 116,438    |
| Concho Resources, Inc., 5.50%, 10/01/22               | 100     | 104,750    |
| CONSOL Energy, Inc., 6.38%, 3/01/21                   | 105     | 104,475    |
| Continental Resources, Inc., 5.00%, 9/15/22           | 110     | 115,775    |
| Copano Energy LLC, 7.13%, 4/01/21                     | 115     | 121,038    |
| DCP Midstream LLC, 4.75%, 9/30/21 (a)                 | 85      | 90,480     |
| Denbury Resources, Inc., 8.25%, 2/15/20               | 150     | 169,875    |
| El Paso Pipeline Partners Operating Co. LLC:          |         |            |
| 6.50%, 4/01/20  | 340     | 416,310    |
| 5.00%, 10/01/21                                       | 125     | 141,531    |
| Enbridge Energy Partners LP, 9.88%, 3/01/19           | 475     | 647,437    |
| Energy Transfer Partners LP, 6.50%, 2/01/42           | 215     | 270,300    |
| Energy XXI Gulf Coast, Inc., 7.75%, 6/15/19           | 240     | 260,400    |
| Enterprise Products Operating LLC, 6.65%, 4/15/18 (c) | 1,000   | 1,252,508  |
| EP Energy LLC/EP Energy Finance, Inc.,                |         |            |
| 6.88%, 5/01/19 (a)                                    | 110     | 118,800    |
| Forest Oil Corp., 8.50%, 2/15/14                      | 148     | 159,840    |

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|  |       |           |
|--|-------|-----------|
| Kinder Morgan Energy Partners LP, 6.85%, 2/15/20 | 1,000 | 1,277,352 |
| Kodiak Oil & Gas Corp., 8.13%, 12/01/19 (a)      | 45    | 49,050    |
| Linn Energy LLC:                                 |       |           |
| 6.25%, 11/01/19 (a)                              | 260   | 260,000   |
| 7.75%, 2/01/21                                   | 110   | 117,425   |
| Marathon Petroleum Corp., 3.50%, 3/01/16         | 325   | 348,225   |
| MarkWest Energy Partners LP:                     |       |           |
| 6.25%, 6/15/22                                   | 125   | 135,312   |
| 5.50%, 2/15/23                                   | 45    | 47,250    |
| Newfield Exploration Co.:                        |       |           |
| 6.88%, 2/01/20                                   | 145   | 156,962   |
| 5.63%, 7/01/24                                   | 100   | 106,750   |
| Nexen, Inc., 6.40%, 5/15/37                      | 295   | 378,568   |

Par

|                        |              |              |
|------------------------|--------------|--------------|
| <b>Corporate Bonds</b> | <b>(000)</b> | <b>Value</b> |
|------------------------|--------------|--------------|

**Oil, Gas & Consumable Fuels (concluded)**

|   |        |           |
|---|--------|-----------|
| Oasis Petroleum, Inc.:                              |        |           |
| 7.25%, 2/01/19                                      | USD 65 | \$ 69,550 |
| 6.50%, 11/01/21                                     | 70     | 74,025    |
| Offshore Group Investments Ltd., 11.50%, 8/01/15    | 82     | 90,098    |
| ONEOK Partners LP, 8.63%, 3/01/19                   | 800    | 1,063,538 |
| PDC Energy, Inc., 7.75%, 10/15/22 (a)               | 85     | 86,488    |
| Petrobras International Finance Co.:                |        |           |
| 3.88%, 1/27/16 (c)                                  | 875    | 929,543   |
| 5.38%, 1/27/21                                      | 525    | 595,379   |
| Petrohawk Energy Corp., 10.50%, 8/01/14             | 145    | 156,237   |
| Petroleum Geo-Services ASA, 7.38%, 12/15/18 (a)     | 150    | 159,375   |
| Pioneer Natural Resources Co., 6.88%, 5/01/18       | 115    | 141,417   |
| Plains Exploration & Production Co., 6.88%, 2/15/23 | 270    | 269,662   |
| Premier Oil Plc, 5.00%, 6/09/18                     | 825    | 845,625   |
| Range Resources Corp.:                              |        |           |
| 6.75%, 8/01/20                                      | 120    | 132,300   |
| 5.75%, 6/01/21                                      | 80     | 85,600    |
| Ruby Pipeline LLC, 6.00%, 4/01/22 (a)               | 700    | 746,557   |
| Sabine Pass Liquefied Natural Gas LP:               |        |           |
| 7.50%, 11/30/16                                     | 420    | 458,850   |
| 6.50%, 11/01/20 (a)                                 | 135    | 137,700   |
| SandRidge Energy, Inc.:                             |        |           |
| 7.50%, 3/15/21 (a)                                  | 80     | 83,200    |
| 7.50%, 3/15/21                                      | 45     | 46,800    |
| 8.13%, 10/15/22 (a)                                 | 50     | 53,750    |
| 7.50%, 2/15/23 (a)                                  | 175    | 181,125   |
| SESI LLC, 7.13%, 12/15/21                           | 100    | 111,500   |
| SM Energy Co.:                                      |        |           |
| 6.63%, 2/15/19                                      | 55     | 57,613    |
| 6.50%, 11/15/21                                     | 80     | 84,200    |
| 6.50%, 1/01/23                                      | 50     | 52,250    |
| Targa Resources Partners LP, 6.88%, 2/01/21         | 85     | 92,225    |
| Tennessee Gas Pipeline Co. LLC, 8.00%, 2/01/16      | 195    | 234,129   |
| Tesoro Corp., 5.38%, 10/01/22                       | 140    | 145,950   |
| Western Gas Partners LP, 5.38%, 6/01/21             | 350    | 403,266   |
| The Williams Cos., Inc., 8.75%, 3/15/32             | 170    | 243,508   |

15,763,294

**Paper & Forest Products 2.1%**

|   |     |           |
|---|-----|-----------|
| Boise Paper Holdings LLC:               |     |           |
| 9.00%, 11/01/17                         | 30  | 33,000    |
| 8.00%, 4/01/20                          | 115 | 125,925   |
| International Paper Co.:                |     |           |
| 7.50%, 8/15/21                          | 775 | 1,029,201 |
| 7.30%, 11/15/39 (c)                     | 800 | 1,111,174 |
| Longview Fibre Paper & Packaging, Inc., |     |           |
| 8.00%, 6/01/16 (a)                      | 80  | 83,400    |
| PH Glatfelter Co., 5.38%, 10/15/20 (a)  | 110 | 111,512   |

2,494,212



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**Pharmaceuticals 3.8%**

|   |     |       |           |
|---|-----|-------|-----------|
| Capsugel Finance Co. SCA, 9.88%, 8/01/19 (a)  | EUR | 100   | 146,789   |
| Merck & Co., Inc., 6.50%, 12/01/33            | USD | 475   | 705,990   |
| Pfizer, Inc., 7.20%, 3/15/39 (c)              |     | 1,380 | 2,206,786 |
| Roche Holdings, Inc., 7.00%, 3/01/39 (a)(c)   |     | 420   | 650,510   |
| Valeant Pharmaceuticals International (a):    |     |       |           |
| 6.50%, 7/15/16                                |     | 27    | 28,418    |
| 6.38%, 10/15/20                               |     | 165   | 173,662   |
| Watson Pharmaceuticals, Inc., 3.25%, 10/01/22 |     | 540   | 556,464   |

4,468,619

**Real Estate Investment Trusts (REITs) 2.8%**

|   |  |     |         |
|---|--|-----|---------|
| AvalonBay Communities, Inc., 6.10%, 3/15/20 (c) |  | 800 | 989,117 |
| Developers Diversified Realty Corp.:            |  |     |         |
| 4.75%, 4/15/18                                  |  | 155 | 173,947 |
| 7.88%, 9/01/20                                  |  | 175 | 227,596 |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust I, Inc. (PSW)**

(Percentages shown are based on Net Assets)

|  | <b>Par</b>   |              |
|--|--------------|--------------|
| <b>Corporate Bonds</b>   | <b>(000)</b> | <b>Value</b> |
| <b>Real Estate Investment Trusts (REITs) (concluded)</b>   |              |              |
| ERP Operating LP, 5.75%, 6/15/17 (c)   | USD 800      | \$ 945,634   |
| HCP, Inc., 5.38%, 2/01/21  | 250          | 289,368      |
| UDR, Inc., 4.25%, 6/01/18  | 350          | 388,108      |
| Ventas Realty LP/Ventas Capital Corp.,<br>4.75%, 6/01/21   | 270          | 300,661      |
|  |              | 3,314,431    |
| <b>Real Estate Management &amp; Development 0.4%</b>   |              |              |
| Lennar Corp., 4.75%, 11/15/22 (a)  | 125          | 123,750      |
| Realogy Corp. (a)(c):<br>7.88%, 2/15/19  | 120          | 129,000      |
| 7.63%, 1/15/20   | 145          | 162,763      |
| Shea Homes LP, 8.63%, 5/15/19  | 110          | 122,375      |
|  |              | 537,888      |
| <b>Road &amp; Rail 1.3%</b>  |              |              |
| The Hertz Corp., 6.75%, 4/15/19  | 77           | 81,716       |
| Norfolk Southern Corp., 6.00%, 3/15/2105 (c)   | 1,200        | 1,501,060    |
|  |              | 1,582,776    |
| <b>Semiconductors &amp; Semiconductor Equipment 0.5%</b>   |              |              |
| KLA-Tencor Corp., 6.90%, 5/01/18   | 461          | 555,635      |
| <b>Software 0.4%</b>   |              |              |
| Infor US, Inc., 9.38%, 4/01/19   | 140          | 154,700      |
| Nuance Communications, Inc., 5.38%, 8/15/20 (a)  | 155          | 158,100      |
| Symantec Corp., 2.75%, 6/15/17   | 150          | 155,738      |
|  |              | 468,538      |
| <b>Specialty Retail 1.4%</b>   |              |              |
| AutoNation, Inc., 6.75%, 4/15/18   | 445          | 499,512      |
| Limited Brands, Inc., 7.00%, 5/01/20   | 230          | 262,488      |
| QVC, Inc. (a):<br>7.38%, 10/15/20  | 25           | 27,706       |
| 5.13%, 7/02/22   | 330          | 345,045      |
| Sally Holdings LLC, 6.88%, 11/15/19  | 140          | 155,225      |
| VF Corp., 5.95%, 11/01/17 (c)  | 350          | 415,971      |
|  |              | 1,705,947    |
| <b>Tobacco 2.2%</b>  |              |              |
| Altria Group, Inc., 10.20%, 2/06/39  | 937          | 1,646,082    |
| BAT International Finance Plc, 3.25%, 6/07/22 (a)(c)   | 325          | 337,608      |
| Lorillard Tobacco Co., 3.50%, 8/04/16  | 600          | 637,575      |
|  |              | 2,621,265    |
| <b>Trading Companies &amp; Distributors 0.2%</b>   |              |              |
| Doric Nimrod Air Finance Alpha Ltd. Pass Through Trust, Series 2012-1, Class A, 5.13%, 11/30/24<br>(a) | 225          | 234,000      |
| <b>Transportation Infrastructure 1.0%</b>  |              |              |
| Penske Truck Leasing Co. LP/PTL Finance Corp. (a):<br>3.75%, 5/11/17                                   | 725          | 740,263      |
| 4.88%, 7/11/22   | 400          | 408,933      |

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|   |                 |              |                    |
|---|-----------------|--------------|--------------------|
|   |                 |              | 1,149,196          |
| <b>Wireless Telecommunication Services</b>                    | <b>4.9%</b>     |              |                    |
| America Movil SAB de CV (c):                                  |                 |              |                    |
| 2.38%, 9/08/16  |                 | 585          | 611,514            |
| 3.13%, 7/16/22  |                 | 250          | 257,797            |
| American Tower Corp.:   |                 |              |                    |
| 4.50%, 1/15/18  |                 | 450          | 498,314            |
| 5.90%, 11/01/21   |                 | 295          | 353,325            |
| Cricket Communications, Inc., 7.75%, 5/15/16                  |                 | 155          | 163,913            |
| Crown Castle International Corp.:                             |                 |              |                    |
| 9.00%, 1/15/15  |                 | 210          | 224,700            |
| 5.25%, 1/15/23 (a)  |                 | 130          | 134,550            |
| Crown Castle Towers LLC (a):                                  |                 |              |                    |
| 5.50%, 1/15/37  |                 | 275          | 314,054            |
| 6.11%, 1/15/40  |                 | 300          | 365,000            |
|   |                 | <b>Par</b>   |                    |
| <b>Corporate Bonds</b>  |                 | <b>(000)</b> | <b>Value</b>       |
| <b>Wireless Telecommunication Services (concluded)</b>        |                 |              |                    |
| Digicel Group Ltd. (a):                                       |                 |              |                    |
| 8.25%, 9/01/17  | USD             | 125          | \$ 134,375         |
| 8.25%, 9/30/20  |                 | 255          | 274,762            |
| SBA Tower Trust, 5.10%, 4/15/42 (a)                           |                 | 1,000        | 1,110,799          |
| Sprint Capital Corp., 6.88%, 11/15/28                         |                 | 110          | 112,475            |
| Sprint Nextel Corp. (a):                                      |                 |              |                    |
| 9.00%, 11/15/18   |                 | 450          | 555,750            |
| 7.00%, 3/01/20  |                 | 620          | 719,200            |
|   |                 |              | 5,830,528          |
| <b>Total Corporate Bonds</b>                                  | <b>117.1%</b>   |              | <b>139,185,096</b> |
| <b>Floating Rate Loan Interests</b>                           | <b>0.0% (b)</b> |              |                    |
| <b>Oil, Gas &amp; Consumable Fuels</b>                        | <b>0.0%</b>     |              |                    |
| Chesapeake Energy Corp., Unsecured Term Loan, 8.50%, 12/01/17 |                 | 41           | 41,192             |
| <b>Preferred Securities</b>                                   |                 |              |                    |
| <b>Capital Trusts</b>   |                 |              |                    |
| <b>Capital Markets</b>  | <b>4.0%</b>     |              |                    |
| Ameriprise Financial, Inc., 7.52%, 6/01/66 (b)                |                 | 500          | 552,500            |
| RBS Capital Trust II, 6.43% (b)(f)                            |                 | 625          | 525,000            |
| State Street Capital Trust IV, 1.39%, 6/01/67 (b)             |                 | 4,740        | 3,634,964          |
|   |                 |              | 4,712,464          |
| <b>Commercial Banks</b>                                       | <b>2.1%</b>     |              |                    |
| Barclays Bank Plc (a)(b)(f):                                  |                 |              |                    |
| 5.93%(c)  |                 | 425          | 416,500            |
| 7.43%   |                 | 150          | 156,000            |
| BNP Paribas SA, 7.20% (a)(b)(c)(f)                            |                 | 300          | 295,500            |
| Credit Agricole SA, 8.38% (a)(b)(c)(f)                        |                 | 350          | 356,125            |
| M&T Capital Trust II, 8.28%, 6/01/27                          |                 | 910          | 930,475            |
| National City Preferred Capital Trust I, 12.00% (b)(f)        |                 | 300          | 303,441            |
|   |                 |              | 2,458,041          |
| <b>Diversified Financial Services</b>                         | <b>2.5%</b>     |              |                    |
| General Electric Capital Corp., 6.25% (b)(c)                  |                 | 600          | 654,018            |
| JPMorgan Chase Capital XXIII, 1.43%, 12/15/67 (b)             |                 | 3,085        | 2,279,451          |
|   |                 |              | 2,933,469          |
| <b>Electric Utilities</b>                                     | <b>0.4%</b>     |              |                    |
| PPL Capital Funding, Inc., 6.70%, 3/30/67 (b)                 |                 | 500          | 526,875            |
| <b>Insurance</b>  | <b>8.4%</b>     |              |                    |
| ACE Capital Trust II, 9.70%, 4/01/30 (c)                      |                 | 500          | 730,800            |

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|   |       |            |
|---|-------|------------|
| The Allstate Corp., 6.50%, 5/15/67 (b)  | 500   | 537,500    |
| American International Group, Inc.,<br>8.18%, 5/15/68 (b)                       | 225   | 280,688    |
| AXA SA, 6.38% (a)(b)(f)   | 1,000 | 935,000    |
| The Chubb Corp., 6.38%, 3/29/67 (b)(c)  | 500   | 542,500    |
| Great-West Life & Annuity Insurance Co. Capital LP II, 7.15%, 5/16/46 (a)(b)(c) | 500   | 514,781    |
| Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b)                              | 500   | 745,000    |
| Lincoln National Corp., 7.00%, 5/17/66 (b)                                      | 500   | 512,500    |
| MetLife, Inc., 6.40%, 12/15/66  | 500   | 543,514    |
| Mitsui Sumitomo Insurance Co. Ltd.,<br>7.00%, 3/15/72 (a)(b)                    | 320   | 365,149    |
| Northwestern Mutual Life Insurance Co.,<br>6.06%, 3/30/40 (a)(c)                | 900   | 1,183,065  |
| Reinsurance Group of America, Inc.,<br>6.75%, 12/15/65 (b)                      | 700   | 708,224    |
| Swiss Re Capital I LP, 6.85% (a)(b)(f)  | 450   | 469,452    |
| ZFS Finance USA Trust II, 6.45%, 12/15/65 (a)(b)                                | 1,800 | 1,935,000  |
|   |       | 10,003,173 |

See Notes to Financial Statements.

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## Schedule of Investments (continued)

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

(Percentages shown are based on Net Assets)

|  | Par     | Value      |
|--|---------|------------|
|  | (000)   |            |
| <b>Capital Trusts</b>  |         |            |
| <b>Multi-Utilities 0.9%</b>  |         |            |
| Dominion Resources Capital Trust I,<br>7.83%, 12/01/27             | USD 500 | \$ 507,217 |
| Dominion Resources, Inc., 7.50%, 6/30/66 (b)                       | 500     | 550,000    |
|  |         | 1,057,217  |
| <b>Oil, Gas &amp; Consumable Fuels 1.2%</b>                        |         |            |
| Enterprise Products Operating LLC, Series A,<br>8.38%, 8/01/66 (b) | 825     | 940,500    |
| TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b)                     | 500     | 537,315    |
|  |         | 1,477,815  |
| <b>Total Capital Trusts 19.5%</b>                                  |         | 23,169,054 |

|   | Shares |           |
|---|--------|-----------|
| <b>Preferred Stocks</b>                         |        |           |
| <b>Auto Components 0.1%</b>                     |        |           |
| Dana Holding Corp., 4.00% (a)(d)                | 1,000  | 112,125   |
| <b>Capital Markets 0.2%</b>                     |        |           |
| RBS Capital Funding Trust V, 5.90%              | 10,000 | 183,900   |
| <b>Diversified Financial Services 0.4%</b>      |        |           |
| Ally Financial, Inc., 7.00% (a)                 | 510    | 491,449   |
| <b>Thriffs &amp; Mortgage Finance 0.0%</b>      |        |           |
| Fannie Mae, Series S, 8.25% (b)(g)              | 3,000  | 5,100     |
| Freddie Mac, Series Z, 8.38% (b)(g)             | 3,000  | 5,220     |
|   |        | 10,320    |
| <b>Wireless Telecommunication Services 2.9%</b> |        |           |
| Centaur Funding Corp., 9.08% (a)                | 2,720  | 3,450,150 |
| <b>Total Preferred Stocks 3.6%</b>              |        | 4,247,944 |

|  |        |            |
|--|--------|------------|
| <b>Trust Preferreds</b>                        |        |            |
| <b>Diversified Financial Services 0.4%</b>     |        |            |
| GMAC Capital Trust I, Series 2, 8.13%, 2/15/40 | 17,860 | 459,201    |
| <b>Machinery 0.3%</b>                          |        |            |
| Stanley Black & Decker, Inc., 5.75%, 7/25/52   | 15,000 | 387,750    |
| <b>Total Trust Preferreds 0.7%</b>             |        | 846,951    |
| <b>Total Preferred Securities 23.8%</b>        |        | 28,263,949 |

|   | Par     |           |
|---|---------|-----------|
|   | (000)   |           |
| <b>Taxable Municipal Bonds 0.9%</b>   |         |           |
| Metropolitan Transportation Authority, RB,<br>Build America Bonds,<br>6.55%, 11/15/31 | USD 800 | 1,007,312 |

US Government Sponsored Agency Securities 0.3%

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|                                    |     |         |
|------------------------------------|-----|---------|
| <b>Agency Obligations</b> 0.3%     |     |         |
| Fannie Mae, 1.93%, 10/09/19 (c)(h) | 390 | 341,349 |

**US Treasury Obligations**

|   |       |             |
|---|-------|-------------|
| <b>US Treasury Bonds (c):</b>                                     |       |             |
| 3.75%, 8/15/41  | 236   | 281,098     |
| 3.13%, 11/15/41   | 415   | 440,419     |
| 3.00%, 5/15/42  | 1,180 | 1,218,903   |
| <b>US Treasury Notes (c):</b>                                     |       |             |
| 0.88%, 12/31/16   | 901   | 911,910     |
| 0.63%, 5/31/17  | 225   | 224,807     |
| 1.63%, 8/15/22  | 340   | 338,141     |
| <b>Total US Treasury Obligations</b> 2.9%                         |       | 3,415,278   |
| <b>Total Long-Term Investments</b><br>(Cost \$157,863,895) 146.1% |       | 173,508,164 |

|  |               |              |
|--|---------------|--------------|
| <b>Short-Term Securities</b>   | <b>Shares</b> | <b>Value</b> |
| BlackRock Liquidity Funds, TempFund, Institutional Class, 0.17% (i)(j) | 883,178       | \$ 883,178   |
| <b>Total Short-Term Securities</b><br>(Cost \$883,178) 0.7%            |               | 883,178      |

**Options Purchased** **Contracts**

|   |                              |        |
|---|------------------------------|--------|
| <b>Exchange-Traded Put Options</b> 0.1%                                       |                              |        |
| Euro-Dollar 3-Year Mid-Curve Options, Strike Price USD 98.88, Expires 3/15/13 | 220                          | 90,750 |
|   | <b>Notional Amount (000)</b> |        |

|   |           |             |
|---|-----------|-------------|
| <b>Over-the-Counter Interest Rate Put Swaptions</b> 0.0%  |           |             |
| Pay a fixed rate of 0.71% and receive a floating rate based on 3-month LIBOR, Expires 6/28/13, Broker Deutsche Bank AG          | USD 8,700 | 7,290       |
| Pay a fixed rate of 4.50% and receive a floating rate based on 6-month EURIBOR, Expires 9/16/13, Broker Credit Suisse Group AG  | EUR 1,300 | 1,762       |
| Pay a fixed rate of 4.50% and receive a floating rate based on 6-month EURIBOR, Expires 10/21/13, Broker Deutsche Bank AG       | 1,300     | 2,430       |
| Pay a fixed rate of 4.50% and receive a floating rate based on 6-month EURIBOR, Expires 12/12/13, Broker Credit Suisse Group AG | 900       | 2,572       |
| Pay a fixed rate of 4.50% and receive a floating rate based on 3-month LIBOR, Expires 2/02/17, Broker Deutsche Bank AG          | USD 1,200 | 27,634      |
|   |           | 41,688      |
| <b>Total Options Purchased</b><br>(Cost \$260,438) 0.1%   |           | 132,438     |
| <b>Total Investments Before Options Written</b><br>(Cost \$159,007,511) 146.9%  |           | 174,523,780 |

**Options Written**

|   |       |          |
|---|-------|----------|
| <b>Over-the-Counter Interest Rate Call Swaptions</b> (0.0)%   |       |          |
| Pay a fixed rate of 2.34% and receive a floating rate based on 3-month LIBOR, Expires 5/07/13, Broker Morgan Stanley          | 200   | (10,241) |
| Pay a fixed rate of 2.33% and receive a floating rate based on 3-month LIBOR, Expires 10/02/14, Broker Credit Suisse Group AG | 900   | (38,685) |
|   |       | (48,926) |
| <b>Over-the-Counter Interest Rate Put Swaptions</b> (0.1)%  |       |          |
| Receive a fixed rate of 2.34% and pay a floating rate based on 3-month LIBOR, Expires 5/07/13, Broker Morgan Stanley          | 200   | (1,593)  |
| Receive a fixed rate of 2.33% and pay a floating rate based on 3-month LIBOR, Expires 10/02/14, Broker Credit Suisse Group AG | 900   | (36,359) |
| Receive a fixed rate of 6.00% and pay a floating rate based on 3-month LIBOR, Expires 2/02/17, Broker Deutsche Bank AG        | 2,400 | (24,790) |

|   |                       |
|---|-----------------------|
|   | (62,742)              |
| <b>Total Options Written</b>                            |                       |
| (Premiums Received \$137,175) (0.1)%                    | (111,668)             |
| <b>Total Investments, Net of Options Written 146.8%</b> | 174,412,112           |
| <b>Liabilities in Excess of Other Assets (46.8)%</b>    | (55,574,999)          |
| <b>Net Assets 100.0%.</b>                               | <b>\$ 118,837,113</b> |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust I, Inc. (PSW)**

- (a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. 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) Convertible security.
- (e) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (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 issuers considered to be an affiliate of the Fund during the year ended October 31, 2012, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

| <b>Affiliate</b>   | <b>Shares<br/>Held at<br/>October 31,<br/>2011</b> | <b>Net<br/>Activity</b> | <b>Shares<br/>Held at<br/>October 31,<br/>2012</b> | <b>Income</b> |
|--|--|-------------------------|--|---------------|
| BlackRock Liquidity Funds, TempFund, Institutional Class | 1,362,932  | (479,754)               | 883,178  | \$ 1,279      |

- (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.

Reverse repurchase agreements outstanding as of October 31, 2012 were as follows:

| <b>Counterparty</b>    | <b>Interest<br/>Rate</b> | <b>Trade<br/>Date</b> | <b>Maturity<br/>Date</b> | <b>Face<br/>Value</b> | <b>Face Value<br/>Including<br/>Accrued<br/>Interest</b> |
|------------------------|--------------------------|-----------------------|--------------------------|-----------------------|--|
| UBS Securities LLC     | 0.32%                    | 3/13/12               | Open                     | \$ 544,500            | \$ 546,146   |
| Barclays Capital, Inc. | 0.35%                    | 4/18/12               | Open                     | 3,328,875             | 3,335,250  |



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|                                    |         |         |      |           |           |
|------------------------------------|---------|---------|------|-----------|-----------|
| Credit Suisse Securities (USA) LLC | 0.35%   | 4/23/12 | Open | 602,250   | 603,368   |
| UBS Securities LLC                 | 0.34%   | 4/23/12 | Open | 923,475   | 925,149   |
| UBS Securities LLC                 | 0.35%   | 4/23/12 | Open | 374,413   | 375,111   |
| Deutsche Bank Securities, Inc.     | 0.12%   | 4/24/12 | Open | 907,758   | 908,335   |
| UBS Securities LLC                 | 0.34%   | 4/24/12 | Open | 332,500   | 333,100   |
| Barclays Capital, Inc.             | 0.35%   | 4/25/12 | Open | 1,351,500 | 1,353,996 |
| BNP Paribas Securities Corp.       | 0.19%   | 4/25/12 | Open | 265,795   | 266,062   |
| BNP Paribas Securities Corp.       | 0.23%   | 4/25/12 | Open | 311,025   | 311,403   |
| BNP Paribas Securities Corp.       | 0.37%   | 4/25/12 | Open | 1,016,000 | 1,017,984 |
| UBS Securities LLC                 | 0.25%   | 4/26/12 | Open | 246,000   | 246,323   |
| UBS Securities LLC                 | 0.35%   | 4/26/12 | Open | 1,263,875 | 1,266,198 |
| UBS Securities LLC                 | 0.38%   | 4/26/12 | Open | 6,808,600 | 6,822,183 |
| UBS Securities LLC                 | 0.00%   | 5/07/12 | Open | 93,437    | 93,437    |
| UBS Securities LLC                 | 0.25%   | 5/10/12 | Open | 193,715   | 193,949   |
| UBS Securities LLC                 | 0.38%   | 5/10/12 | Open | 505,125   | 506,053   |
| UBS Securities LLC                 | 0.34%   | 5/11/12 | Open | 987,500   | 989,123   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 5/15/12 | Open | 389,500   | 390,144   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 5/18/12 | Open | 567,450   | 568,371   |
| Deutsche Bank Securities, Inc.     | 0.19%   | 5/29/12 | Open | 438,863   | 439,224   |
| UBS Securities LLC                 | 0.34%   | 5/31/12 | Open | 780,000   | 781,134   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 6/04/12 | Open | 402,063   | 402,649   |
| Bank of America Merrill Lynch      | 0.20%   | 6/12/12 | Open | 214,194   | 214,363   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 7/03/12 | Open | 632,500   | 633,244   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 7/13/12 | Open | 814,050   | 814,928   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 7/16/12 | Open | 863,000   | 863,906   |
| Barclays Capital, Inc.             | 0.35%   | 7/25/12 | Open | 678,015   | 678,668   |
| UBS Securities LLC                 | 0.33%   | 7/25/12 | Open | 2,183,160 | 2,185,141 |
| Credit Suisse Securities (USA) LLC | 0.30%   | 7/26/12 | Open | 1,387,750 | 1,388,872 |
| Credit Suisse Securities (USA) LLC | 0.35%   | 7/26/12 | Open | 3,041,191 | 3,044,059 |
| Credit Suisse Securities (USA) LLC | 0.38%   | 7/26/12 | Open | 5,703,369 | 5,709,209 |
| Credit Suisse Securities (USA) LLC | 0.35%   | 7/27/12 | Open | 615,938   | 616,519   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 7/31/12 | Open | 918,000   | 918,830   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/10/12 | Open | 215,437   | 215,611   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/13/12 | Open | 768,625   | 769,223   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/17/12 | Open | 190,500   | 190,641   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/20/12 | Open | 735,000   | 735,522   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/22/12 | Open | 859,000   | 859,593   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/30/12 | Open | 478,575   | 478,868   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 9/04/12 | Open | 310,375   | 310,550   |
| UBS Securities Corp.               | 0.34%   | 9/04/12 | Open | 137,500   | 137,575   |
| Barclays Capital, Inc.             | (0.25)% | 9/06/12 | Open | 16,000    | 15,994    |
| Credit Suisse Securities (USA) LLC | (0.25)% | 9/06/12 | Open | 92,006    | 91,970    |
| Deutsche Bank Securities, Inc.     | (1.00)% | 9/19/12 | Open | 149,275   | 149,101   |
| UBS Securities Corp.               | 0.34%   | 9/24/12 | Open | 607,500   | 607,718   |
| UBS Securities Corp.               | 0.36%   | 9/24/12 | Open | 545,900   | 546,107   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 9/27/12 | Open | 860,781   | 861,074   |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust I, Inc. (PSW)**

Reverse repurchase agreements outstanding as of October 31, 2012 were as follows (concluded):

| Counterparty                       | Interest | Trade Date | Maturity Date | Face Value    | Face Value Including Accrued Interest |
|------------------------------------|----------|------------|---------------|---------------|---------------------------------------|
|                                    | Rate     |            |               |               |                                       |
| Deutsche Bank Securities, Inc.     | (1.50)%  | 10/01/12   | Open          | \$ 369,750    | \$ 369,272                            |
| UBS Securities Corp.               | 0.10%    | 10/02/12   | Open          | 477,930       | 477,968                               |
| Citigroup Global Markets, Inc.     | (0.75)%  | 10/04/12   | Open          | 211,781       | 211,662                               |
| Credit Suisse Securities (USA) LLC | 0.35%    | 10/09/12   | Open          | 508,937       | 509,052                               |
| Credit Suisse Securities (USA) LLC | 0.35%    | 10/15/12   | Open          | 476,875       | 476,954                               |
| UBS Securities Corp.               | (0.50)%  | 10/16/12   | Open          | 295,975       | 295,911                               |
| UBS Securities Corp.               | 0.35%    | 10/16/12   | Open          | 2,538,000     | 2,538,395                             |
| UBS Securities Corp.               | 0.38%    | 10/16/12   | Open          | 2,387,500     | 2,387,904                             |
| BNP Paribas Securities Corp.       | 0.26%    | 10/17/12   | Open          | 1,205,075     | 1,205,206                             |
| Deutsche Bank Securities, Inc.     | (0.63)%  | 10/24/12   | 12/31/22      | 110,850       | 110,835                               |
| Credit Suisse Securities (USA) LLC | 0.35%    | 10/24/12   | Open          | 443,531       | 443,566                               |
| Deutsche Bank Securities, Inc.     | 0.14%    | 10/25/12   | Open          | 334,475       | 334,484                               |
| Credit Suisse Securities (USA) LLC | 0.35%    | 10/29/12   | Open          | 1,671,531     | 1,671,580                             |
| Credit Suisse Securities (USA) LLC | 0.35%    | 10/30/12   | Open          | 918,000       | 918,009                               |
| Deutsche Bank Securities, Inc.     | 0.00%    | 10/31/12   | Open          | 357,050       | 357,050                               |
| <b>Total</b>                       |          |            |               | \$ 57,959,120 | \$ 58,019,826                         |

Financial futures contracts purchased as of October 31, 2012 were as follows:

| Contracts    | Issue                   | Exchange               | Expiration    | Notional Value | Unrealized Appreciation (Depreciation) |
|--------------|-------------------------|------------------------|---------------|----------------|--|
| 43           | 2-Year US Treasury Note | Chicago Board of Trade | December 2012 | USD 9,474,109  | \$ (4,810)                             |
| 20           | 90-Day Euro-Dollar      | Chicago Mercantile     | March 2016    | USD 4,945,750  | 4,135                                  |
| <b>Total</b> |                         |                        |               |                | \$ (675)                               |

Financial futures contracts sold as of October 31, 2012 were as follows:

| Contracts    | Issue                       | Exchange               | Expiration    | Notional Value | Unrealized Appreciation (Depreciation) |
|--------------|-----------------------------|------------------------|---------------|----------------|--|
| 28           | 5-Year US Treasury Note     | Chicago Board of Trade | December 2012 | USD 3,479,000  | \$ (2,840)                             |
| 119          | 10-Year US Treasury Note    | Chicago Board of Trade | December 2012 | USD 15,830,719 | (38,695)                               |
| 9            | 30-Year US Treasury Bond    | Chicago Board of Trade | December 2012 | USD 1,343,813  | 3,899                                  |
| 1            | Euro-Bund                   | Eurex                  | December 2012 | USD 183,638    | (701)                                  |
| 17           | Ultra Long US Treasury Bond | Chicago Board of Trade | December 2012 | USD 2,806,594  | 34,100                                 |
| <b>Total</b> |                             |                        |               |                | \$ (4,237)                             |

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Foreign currency exchange contracts as of October 31, 2012 were as follows:

|                           |                      |                     |                        | <b>Unrealized</b>   |
|---------------------------|----------------------|---------------------|------------------------|---------------------|
| <b>Currency Purchased</b> | <b>Currency Sold</b> | <b>Counterparty</b> | <b>Settlement Date</b> | <b>Appreciation</b> |
| USD 77,900                | EUR 60,000           | UBS AG              | 1/23/13                | \$ 66               |
| USD 207,693               | EUR 160,000          | UBS AG              | 1/23/13                | 137                 |
| USD 207,202               | EUR 158,000          | UBS AG              | 1/23/13                | 2,240               |
| <b>Total</b>              |                      |                     |                        | <b>\$ 2,443</b>     |

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## Schedule of Investments (continued)

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

Credit default swaps on single-name issues buy protection outstanding as of October 31, 2012 were as follows:

| Issuer                 | Pay<br>Fixed<br>Rate | Counterparty               | Expiration<br>Date | Notional<br>Amount<br>(000) | Unrealized                     |
|------------------------|----------------------|----------------------------|--------------------|-----------------------------|--------------------------------|
|                        |                      |                            |                    |                             | Appreciation<br>(Depreciation) |
| Southwest Airlines Co. | 1.00%                | Goldman Sachs Group, Inc.  | 12/20/16           | USD 280                     | \$ (8,121)                     |
| Southwest Airlines Co. | 1.00%                | Royal Bank of Scotland Plc | 12/20/16           | USD 280                     | (9,091)                        |
| STMicroelectronics NV  | 1.00%                | Barclays Plc               | 6/20/17            | EUR 285                     | 2,502                          |
| Cigna Corp.            | 1.00%                | Goldman Sachs Group, Inc.  | 9/20/17            | USD 525                     | (6,460)                        |
| General Dynamic Corp.  | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 390                     | (414)                          |
| Hewlett-Packard Co.    | 1.00%                | Citigroup, Inc.            | 9/20/17            | USD 200                     | 3,549                          |
| Hewlett-Packard Co.    | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 190                     | 10,303                         |
| Hewlett-Packard Co.    | 1.00%                | JPMorgan Chase & Co.       | 9/20/17            | USD 600                     | 29,374                         |
| Humana, Inc.           | 1.00%                | Goldman Sachs Group, Inc.  | 9/20/17            | USD 525                     | (1,577)                        |
| Lockheed Martin Corp.  | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 390                     | (3,835)                        |
| Northrop Grumman Corp. | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 325                     | (1,747)                        |
| Raytheon Co.           | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 325                     | (1,121)                        |
| Viacom, Inc.           | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 850                     | (7,564)                        |
| <b>Total</b>           |                      |                            |                    |                             | \$ 5,798                       |

Credit default swaps on single-name issues sold protection outstanding as of October 31, 2012 were as follows:

| Issuer                    | Receive<br>Fixed<br>Rate | Counterparty              | Expiration<br>Date | Issuer<br>Credit<br>Rating <sup>1</sup> | Notional<br>Amount<br>(000) <sup>2</sup> | Unrealized   |
|---------------------------|--------------------------|---------------------------|--------------------|---|--|--------------|
|                           |                          |                           |                    |   |  | Appreciation |
| Anadarko Petroleum Corp.  | 1.00%                    | Credit Suisse Group AG    | 6/20/17            | BBB-                                    | USD 245                                  | \$ 6,659     |
| Anadarko Petroleum Corp.  | 1.00%                    | Morgan Stanley            | 6/20/17            | BBB-                                    | USD 10                                   | 321          |
| Comcast Corp.             | 1.00%                    | Credit Suisse Group AG    | 9/20/17            | BBB+                                    | USD 850                                  | 9,887        |
| United Health Group, Inc. | 1.00%                    | Goldman Sachs Group, Inc. | 9/20/17            | A                                       | USD 525                                  | 8,411        |
| WellPoint, Inc.           | 1.00%                    | Goldman Sachs Group, Inc. | 9/20/17            | A-                                      | USD 525                                  | 2,965        |
| MetLife, Inc.             | 1.00%                    | Deutsche Bank AG          | 3/20/18            | A-                                      | USD 200                                  | 17           |
| <b>Total</b>              |                          |                           |                    |   |  | \$ 28,260    |

<sup>1</sup> Using S&P's rating.<sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

Interest rate swaps outstanding as of October 31, 2012 were as follows:

| Fixed Rate         | Floating Rate | Counterparty/Exchange     | Expiration Date | Notional Amount |                             | Unrealized       |
|--------------------|---------------|---------------------------|-----------------|-----------------|-----------------------------|------------------|
|                    |               |                           |                 | (000)           | Appreciation (Depreciation) |                  |
| 0.44% <sup>3</sup> | 3-month LIBOR | Chicago Mercantile        | 8/29/14         | USD             | 3,800                       | \$ (3,974)       |
| 2.48% <sup>3</sup> | 3-month LIBOR | Credit Suisse Group AG    | 7/05/42         | USD             | 500                         | 11,836           |
| 2.26% <sup>3</sup> | 3-month LIBOR | Goldman Sachs Group, Inc. | 7/26/42         | USD             | 300                         | 21,652           |
| 2.46% <sup>3</sup> | 3-month LIBOR | Deutsche Bank AG          | 8/07/42         | USD             | 1,200                       | 33,040           |
| 2.52% <sup>3</sup> | 3-month LIBOR | Citigroup, Inc.           | 8/10/42         | USD             | 600                         | 9,342            |
| 2.71% <sup>3</sup> | 3-month LIBOR | Credit Suisse Group AG    | 8/21/42         | USD             | 100                         | (2,406)          |
| <b>Total</b>       |               |                           |                 |                 |                             | <b>\$ 69,490</b> |

<sup>3</sup> Fund pays the fixed rate and receives the floating rate.

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques 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 that the Fund has the ability to access

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)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. 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 is not necessarily an indication of the risks associated with 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.

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Schedule of Investments (continued)

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

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of October 31, 2012:

|   | Level 1      | Level 2        | Level 3      | Total          |
|---|--------------|----------------|--------------|----------------|
| <b>Assets:</b>                                      |              |                |              |                |
| Investments:  |              |                |              |                |
| Long-Term Investments:                              |              |                |              |                |
| Asset-Backed Securities                             |              | \$ 665,738     | \$ 588,250   | \$ 1,253,988   |
| Corporate Bonds                                     |              | 137,830,721    | 1,354,375    | 139,185,096    |
| Floating Rate Loan Interests                        |              | 41,192         |              | 41,192         |
| Preferred Securities                                | \$ 653,421   | 27,610,528     |              | 28,263,949     |
| Taxable Municipal Bonds                             |              | 1,007,312      |              | 1,007,312      |
| US Govern-<br>ment Sponsored Agency Securities      |              | 341,349        |              | 341,349        |
| US Treasury Obligations                             |              | 3,415,278      |              | 3,415,278      |
| Short-Term Securities                               | 883,178      |                |              | 883,178        |
| <b>Total</b>  | \$ 1,536,599 | \$ 170,912,118 | \$ 1,942,625 | \$ 174,391,342 |
| <b>Derivative Financial Instruments<sup>1</sup></b> |              |                |              |                |
| <b>Assets:</b>                                      |              |                |              |                |
| Credit<br>contracts                                 |              | \$ 73,988      |              | \$ 73,988      |
| Foreign<br>currency exchange contracts              |              | 2,443          |              | 2,443          |
| Interest rate contracts                             | \$ 132,884   | 117,558        |              | 250,442        |
| <b>Liabilities:</b>                                 |              |                |              |                |
| Credit<br>contracts                                 |              | (39,930)       |              | (39,930)       |
| Interest rate contracts                             | (47,046)     | (118,048)      |              | (165,094)      |
| <b>Total</b>  | \$ 85,838    | \$ 36,011      |              | \$ 121,849     |

<sup>1</sup> 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.

Certain of the Fund's assets and liabilities are held at carrying amount or face value, which approximates fair value for financial statement purposes. As of October 31, 2012, such assets and liabilities are categorized within the disclosure hierarchy as follows:

|  | Level 1           | Level 2                | Level 3 | Total                  |
|--|-------------------|------------------------|---------|------------------------|
| <b>Assets:</b>   |                   |                        |         |                        |
| Foreign currency at value                                  | \$ 8,814          |                        |         | \$ 8,814               |
| Cash pledged as collateral for financial futures contracts | 207,000           |                        |         | 207,000                |
| Cash pledged as collateral for swaps                       | 120,000           |                        |         | 120,000                |
| <b>Liabilities:</b>  |                   |                        |         |                        |
| Reverse repurchase agreements                              |                   | \$ (57,959,120)        |         | (57,959,120)           |
| <b>Total</b>   | <b>\$ 335,814</b> | <b>\$ (57,959,120)</b> |         | <b>\$ (57,623,306)</b> |

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2012.

Certain of the Fund's investments and derivative financial instruments are categorized as Level 3 and were valued utilizing transaction prices or third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in the unobservable inputs could result in a significantly lower or higher value in such Level 3 investments and 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. The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

|   | Asset-Backed Securities | Corporate Bonds     | Total               |
|---|-------------------------|---------------------|---------------------|
| <b>Assets:</b>  |                         |                     |                     |
| Opening balance, as of October 31, 2011                         | \$ 503,750              | \$ 858,000          | \$ 1,361,750        |
| Transfers into Level 3 <sup>2</sup>                             |                         |                     |                     |
| Transfers out of Level 3 <sup>2</sup>                           |                         |                     |                     |
| Accrued discounts/premiums                                      | 15,649                  |                     | 15,649              |
| Net realized gain (loss)  |                         |                     |                     |
| Net change in unrealized appreciation/depreciation <sup>3</sup> | 68,851                  | (3,625)             | 65,226              |
| Purchases   |                         | 500,000             | 500,000             |
| Sales   |                         |                     |                     |
| <b>Closing Balance, as of October 31, 2012</b>                  | <b>\$ 588,250</b>       | <b>\$ 1,354,375</b> | <b>\$ 1,942,625</b> |

<sup>2</sup> Transfers into and transfers out of Level 3 represent the values as of the beginning of the reporting period.

<sup>3</sup> 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 as of October 31, 2012 was \$65,226.

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**Table of Contents****Schedule of Investments (concluded)****BlackRock Credit Allocation Income Trust I, Inc. (PSW)**

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

|   | <b>Credit<br/>Contracts</b> |
|---|-----------------------------|
| <b>Assets:</b>  |                             |
| Opening balance, as of October 31, 2011                         | \$ 1,175                    |
| Transfers into Level 3 <sup>1</sup>                             |                             |
| Transfers out of Level 3 <sup>1</sup>                           |                             |
| Accrued discounts/premiums                                      |                             |
| Net realized gain (loss)  |                             |
| Net change in unrealized appreciation/depreciation <sup>2</sup> | (1,175)                     |
| Purchases   |                             |
| Issues <sup>3</sup>   |                             |
| Sales   |                             |
| Settlements <sup>4</sup>  |                             |

**Closing Balance, as of October 31, 2012**

<sup>1</sup> Transfers into and transfers out of Level 3 represent the values as of the beginning of the reporting period.

<sup>2</sup> 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 as of October 31, 2012 was \$0.

<sup>3</sup> Issues represent upfront cash received on certain derivative financial instruments.

<sup>4</sup> Settlements represent periodic contractual cash flows and/or cash flows to terminate certain derivative financial instruments.

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments** October 31, 2012**BlackRock Credit Allocation Income Trust II, Inc. (PSY)**

(Percentages shown are based on Net Assets)

|   | <b>Par</b>   |                  |
|---|--------------|------------------|
|   | <b>(000)</b> | <b>Value</b>     |
| <b>Asset-Backed Securities</b>  |              |                  |
| 321 Henderson Receivables I LLC, Series 2012-1A, Class A, 4.21%, 2/16/65 (a)    | USD 1,018    | \$ 1,069,016     |
| Atrium CDO Corp., Series 5A, Class A4,<br>0.82%, 7/20/20 (a)(b)                 | 2,650        | 2,398,250        |
| SLM Student Loan Trust, Series 2004-B, Class A2, 0.59%, 6/15/21 (b)             | 1,756        | 1,714,987        |
| <b>Total Asset-Backed Securities 1.0%</b>                                       |              | <b>5,182,253</b> |
| <b>Corporate Bonds</b>  |              |                  |
| <b>Aerospace &amp; Defense 0.8%</b>   |              |                  |
| BE Aerospace, Inc., 5.25%, 4/01/22  | 1,745        | 1,819,163        |
| Huntington Ingalls Industries, Inc.:<br>6.88%, 3/15/18                          | 610          | 658,800          |
| 7.13%, 3/15/21  | 600          | 645,000          |
| Kratos Defense & Security Solutions, Inc.,<br>10.00%, 6/01/17                   | 1,014        | 1,095,120        |
|   |              | <b>4,218,083</b> |
| <b>Airlines 0.5%</b>  |              |                  |
| American Airlines Pass-Through Trust, Series 2011-2, Class A, 8.63%, 10/15/21   | 240          | 250,522          |
| Continental Airlines Pass-Through Trust, Series 2009-2, Class B, 9.25%, 5/10/17 | 1,271        | 1,388,264        |
| Delta Air Lines Pass-Through Trust, Series 2002-1, Class G-1, 6.72%, 1/02/23    | 1,013        | 1,114,603        |
|   |              | <b>2,753,389</b> |
| <b>Auto Components 1.0%</b>   |              |                  |
| Delphi Corp., 6.13%, 5/15/21  | 570          | 629,850          |
| Ford Motor Co., 7.45%, 7/16/31  | 1,090        | 1,378,850        |
| Icahn Enterprises LP:<br>7.75%, 1/15/16   | 610          | 637,450          |
| 8.00%, 1/15/18  | 2,270        | 2,440,250        |
|   |              | <b>5,086,400</b> |
| <b>Beverages 0.7%</b>   |              |                  |
| Anheuser-Busch InBev Worldwide, Inc.,<br>1.38%, 7/15/17 (c)                     | 1,000        | 1,015,075        |
| Constellation Brands, Inc., 7.25%, 5/15/17                                      | 1,970        | 2,319,675        |
|   |              | <b>3,334,750</b> |
| <b>Building Products 0.3%</b>   |              |                  |
| Building Materials Corp. of America (a):<br>7.00%, 2/15/20                      | 375          | 406,875          |
| 6.75%, 5/01/21  | 1,060        | 1,155,400        |
|   |              | <b>1,562,275</b> |
| <b>Capital Markets 5.7%</b>   |              |                  |
| Ameriprise Financial, Inc., 5.30%, 3/15/20 (c)                                  | 3,250        | 3,842,455        |
| E*Trade Financial Corp., 12.50%, 11/30/17                                       | 1,865        | 2,112,113        |
| The Goldman Sachs Group, Inc. (c):<br>6.15%, 4/01/18                            | 475          | 556,244          |
| 5.25%, 7/27/21  | 1,175        | 1,312,878        |
| 5.75%, 1/24/22  | 3,415        | 3,964,395        |
| 6.25%, 2/01/41  | 4,450        | 5,283,200        |
| Morgan Stanley, 5.75%, 1/25/21 (c)  | 3,915        | 4,380,302        |

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### UBS AG:

|                    |       |           |
|--------------------|-------|-----------|
| 2.25%, 1/28/14 (c) | 1,627 | 1,651,699 |
| 5.88%, 7/15/16 (c) | 2,800 | 3,135,070 |
| 7.63%, 8/17/22     | 2,400 | 2,588,177 |

28,826,533

### Chemicals 2.3%

|  |       |           |
|--|-------|-----------|
| Ashland, Inc., 4.75%, 8/15/22 (a)              | 520   | 530,400   |
| Celanese US Holdings LLC, 5.88%, 6/15/21       | 1,545 | 1,720,744 |
| Hexion US Finance Corp., 6.63%, 4/15/20        | 450   | 448,875   |
| Huntsman International LLC, 8.63%, 3/15/21 (c) | 595   | 676,813   |

**Par**

### Corporate Bonds

**(000)**

**Value**

#### Chemicals (concluded)

|   |     |       |    |           |
|---|-----|-------|----|-----------|
| INEOS Finance Plc (a):                            |     |       |    |           |
| 8.38%, 2/15/19                                    | USD | 320   | \$ | 336,000   |
| 7.50%, 5/01/20                                    |     | 640   |    | 648,000   |
| Linde Finance BV, 7.38%, 7/14/66 (b)              | EUR | 781   |    | 1,184,382 |
| LyondellBasell Industries NV, 5.75%, 4/15/24 (c)  | USD | 1,885 |    | 2,181,887 |
| MPM Escrow LLC/MPM Finance Escrow Corp.,          |     |       |    |           |
| 8.88%, 10/15/20 (a)                               |     | 305   |    | 298,900   |
| Nufarm Australia Ltd., 6.38%, 10/15/19 (a)        |     | 295   |    | 302,375   |
| Rockwood Specialties Group, Inc., 4.63%, 10/15/20 |     | 1,695 |    | 1,745,850 |
| Tronox Finance LLC, 6.38%, 8/15/20 (a)            |     | 1,545 |    | 1,541,138 |

11,615,364

### Commercial Banks 5.3%

|  |       |           |
|--|-------|-----------|
| Amsouth Bank, Series AI, 4.85%, 4/01/13      | 1,050 | 1,064,438 |
| Asciano Finance Ltd., 5.00%, 4/07/18 (a)     | 900   | 970,041   |
| Associated Banc-Corp, 5.13%, 3/28/16 (c)     | 2,200 | 2,412,329 |
| BBVA US Senior SAU, 4.66%, 10/09/15 (c)      | 2,500 | 2,524,715 |
| Branch Banking & Trust Co. (b)(c):           |       |           |
| 0.72%, 9/13/16                               | 1,100 | 1,069,072 |
| 0.73%, 5/23/17                               | 675   | 648,364   |
| CIT Group, Inc.:                             |       |           |
| 4.25%, 8/15/17                               | 1,380 | 1,415,614 |
| 5.25%, 3/15/18                               | 1,190 | 1,264,375 |
| 5.50%, 2/15/19 (a)                           | 1,040 | 1,108,900 |
| 5.00%, 8/15/22                               | 430   | 445,578   |
| City National Corp., 5.25%, 9/15/20 (c)      | 2,350 | 2,590,320 |
| Discover Bank, 8.70%, 11/18/19               | 1,200 | 1,569,026 |
| HSBC Finance Corp., 6.68%, 1/15/21 (c)       | 1,525 | 1,804,586 |
| Regions Financial Corp.:                     |       |           |
| 4.88%, 4/26/13                               | 2,525 | 2,566,031 |
| 5.75%, 6/15/15                               | 1,800 | 1,971,000 |
| Santander Holdings USA, Inc., 3.00%, 9/24/15 | 1,100 | 1,121,057 |
| SVB Financial Group, 5.38%, 9/15/20          | 2,300 | 2,604,844 |

27,150,290

### Commercial Services & Supplies 4.0%

|   |       |           |
|---|-------|-----------|
| ADS Waste Holdings, Inc., 8.25%, 10/01/20 (a) | 298   | 308,430   |
| The ADT Corp., 4.88%, 7/15/42 (a)             | 1,310 | 1,398,000 |
| Aviation Capital Group Corp. (a):             |       |           |
| 7.13%, 10/15/20 (c)                           | 9,300 | 9,811,480 |
| 6.75%, 4/06/21                                | 2,325 | 2,415,466 |
| Casella Waste Systems, Inc., 7.75%, 2/15/19   | 366   | 358,680   |
| Clean Harbors, Inc., 5.25%, 8/01/20 (a)       | 463   | 474,575   |
| Corrections Corp. of America, 7.75%, 6/01/17  | 3,375 | 3,607,031 |
| Covanta Holding Corp., 6.38%, 10/01/22        | 665   | 723,702   |
| HDTFS, Inc. (a):                              |       |           |
| 5.88%, 10/15/20                               | 370   | 373,700   |
| 6.25%, 10/15/22                               | 465   | 471,394   |
| Mobile Mini, Inc., 7.88%, 12/01/20            | 275   | 297,344   |

20,239,802

### Communications Equipment 0.9%

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|   |       |           |
|---|-------|-----------|
| Avaya, Inc., 9.75%, 11/01/15 (c)                            | 900   | 801,000   |
| Brocade Communications Systems, Inc.,<br>6.88%, 1/15/20 (c) | 2,965 | 3,209,613 |
| Zayo Group LLC/Zayo Capital, Inc., 8.13%, 1/01/20           | 720   | 788,400   |
|   |       | 4,799,013 |
| <b>Computers &amp; Peripherals 0.0%</b>                     |       |           |
| NCR Corp., 5.00%, 7/15/22 (a)                               | 140   | 142,975   |
| <b>Construction Materials 0.5%</b>                          |       |           |
| HD Supply, Inc. (a):  |       |           |
| 8.13%, 4/15/19  | 900   | 990,000   |
| 11.50%, 7/15/20   | 1,250 | 1,315,625 |
|   |       | 2,305,625 |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust II, Inc. (PSY)**

(Percentages shown are based on Net Assets)

|   | Par       |              |
|---|-----------|--------------|
|   | (000)     | Value        |
| <b>Corporate Bonds</b>  |           |              |
| <b>Consumer Finance 5.3%</b>                                  |           |              |
| American Express Credit Corp., 2.75%, 9/15/15 (c)             | USD 5,850 | \$ 6,166,889 |
| Capital One Bank USA NA, 8.80%, 7/15/19                       | 3,325     | 4,425,532    |
| Daimler Finance North America LLC,<br>2.63%, 9/15/16 (a)(c)   | 3,425     | 3,573,583    |
| Experian Finance Plc, 2.38%, 6/15/17 (a)(c)                   | 750       | 767,823      |
| Ford Motor Credit Co. LLC:                                    |           |              |
| 8.00%, 12/15/16   | 975       | 1,180,754    |
| 5.88%, 8/02/21  | 2,580     | 2,970,620    |
| Inmarsat Finance Plc, 7.38%, 12/01/17 (a)                     | 1,815     | 1,955,663    |
| SLM Corp., 6.25%, 1/25/16                                     | 4,870     | 5,259,843    |
| Toll Brothers Finance Corp., 5.88%, 2/15/22                   | 410       | 463,500      |
|   |           | 26,764,207   |
| <b>Containers &amp; Packaging 1.3%</b>                        |           |              |
| Ardagh Packaging Finance Plc (a):                             |           |              |
| 7.38%, 10/15/17   | 200       | 215,000      |
| 7.38%, 10/15/17   | 225       | 241,594      |
| 9.13%, 10/15/20   | 235       | 245,575      |
| Ball Corp.:   |           |              |
| 7.13%, 9/01/16  | 1,750     | 1,881,250    |
| 6.75%, 9/15/20  | 2,210     | 2,425,475    |
| Crown Americas LLC, 6.25%, 2/01/21                            | 825       | 910,594      |
| Smurfit Kappa Acquisitions, 4.88%, 9/15/18 (a)                | 490       | 490,000      |
|   |           | 6,409,488    |
| <b>Diversified Financial Services 7.5%</b>                    |           |              |
| Ally Financial, Inc.:   |           |              |
| 4.50%, 2/11/14  | 1,775     | 1,828,250    |
| 8.30%, 2/12/15  | 1,230     | 1,377,907    |
| 8.00%, 11/01/31   | 1,230     | 1,463,700    |
| Bank of America Corp.:  |           |              |
| 3.75%, 7/12/16 (c)  | 1,395     | 1,494,924    |
| 5.30%, 3/15/17 (c)  | 3,640     | 4,086,537    |
| 5.00%, 5/13/21  | 50        | 56,404       |
| Blackstone Holdings Finance Co. LLC,<br>4.75%, 2/15/23 (a)(c) | 825       | 884,882      |
| Citigroup, Inc. (c):  |           |              |
| 6.38%, 8/12/14  | 1,300     | 1,416,564    |
| 4.59%, 12/15/15   | 975       | 1,063,650    |
| 4.45%, 1/10/17  | 2,680     | 2,960,725    |
| DPL, Inc., 7.25%, 10/15/21                                    | 1,080     | 1,217,700    |
| General Motors Financial Co., Inc., 6.75%, 6/01/18            | 500       | 554,325      |
| ING Bank NV, 5.00%, 6/09/21 (a)(c)                            | 2,350     | 2,653,996    |
| Intesa Sanpaolo SpA, 2.38%, 12/21/12 (c)                      | 3,500     | 3,500,021    |
| LeasePlan Corp. NV, 3.00%, 10/23/17 (a)(c)                    | 2,000     | 2,023,055    |
| Moody s Corp., 6.06%, 9/07/17                                 | 6,000     | 6,578,384    |
| Reynolds American, Inc., 3.25%, 11/01/22                      | 1,875     | 1,896,420    |
| Reynolds Group Issuer, Inc.:                                  |           |              |
| 7.13%, 4/15/19  | 245       | 260,925      |
| 7.88%, 8/15/19  | 740       | 802,900      |
| 9.88%, 8/15/19  | 305       | 319,488      |
| 5.75%, 10/15/20 (a)   | 1,200     | 1,212,000    |
| 6.88%, 2/15/21  | 110       | 116,875      |

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|   |              |       |              |
|---|--------------|-------|--------------|
| WMG Acquisition Corp., 9.50%, 6/15/16   |              | 205   | 225,244      |
|   |              |       | 37,994,876   |
| <b>Diversified Telecommunication Services 3.9%</b>                                |              |       |              |
| AT&T, Inc., 6.30%, 1/15/38 (c)  |              | 4,000 | 5,355,608    |
| Level 3 Financing, Inc.:  |              |       |              |
| 8.13%, 7/01/19  |              | 3,149 | 3,361,557    |
| 8.63%, 7/15/20  |              | 650   | 708,500      |
| Telecom Italia Capital SA, 6.18%, 6/18/14   |              | 975   | 1,034,130    |
| Telefonica Emisiones SAU, 5.46%, 2/16/21  |              | 1,360 | 1,382,100    |
| Verizon Communications, Inc. (c):   |              |       |              |
| 1.95%, 3/28/14  |              | 3,650 | 3,726,938    |
| 7.35%, 4/01/39  |              | 2,375 | 3,657,588    |
| Windstream Corp., 7.88%, 11/01/17   |              | 730   | 813,038      |
|   |              |       | 20,039,459   |
|   | <b>Par</b>   |       |              |
| <b>Corporate Bonds</b>  | <b>(000)</b> |       | <b>Value</b> |
| <b>Electric Utilities 2.9%</b>  |              |       |              |
| CMS Energy Corp., 5.05%, 3/15/22  | USD          | 1,125 | \$ 1,256,680 |
| FirstEnergy Solutions Corp., 6.05%, 8/15/21                                       |              | 1,100 | 1,271,105    |
| Great Plains Energy, Inc., 5.29%, 6/15/22   |              | 1,650 | 1,891,529    |
| Mirant Mid Atlantic Pass Through Trust, Series B, 9.13%, 6/30/17                  |              | 517   | 564,760      |
| Nisource Finance Corp.:   |              |       |              |
| 6.40%, 3/15/18  |              | 1,070 | 1,302,404    |
| 5.25%, 2/15/43  |              | 620   | 695,319      |
| Oncor Electric Delivery Co. LLC (c):  |              |       |              |
| 4.10%, 6/01/22  |              | 1,200 | 1,285,754    |
| 5.30%, 6/01/42  |              | 820   | 933,385      |
| Progress Energy, Inc., 7.00%, 10/30/31 (c)  |              | 4,000 | 5,339,096    |
|   |              |       | 14,540,032   |
| <b>Electronic Equipment, Instruments &amp; Components 0.3%</b>                    |              |       |              |
| Jabil Circuit, Inc., 8.25%, 3/15/18   |              | 800   | 944,000      |
| NXP BV, 3.09%, 10/15/13 (b)   |              | 400   | 399,500      |
|   |              |       | 1,343,500    |
| <b>Energy Equipment &amp; Services 3.8%</b>                                       |              |       |              |
| Atwood Oceanics, Inc., 6.50%, 2/01/20   |              | 110   | 118,250      |
| Cie Générale de Géophysique-Veritas,<br>6.50%, 6/01/21                            |              | 700   | 738,500      |
| Energy Transfer Partners LP, 5.20%, 2/01/22                                       |              | 3,000 | 3,443,730    |
| EnSCO Plc, 4.70%, 3/15/21   |              | 1,965 | 2,262,723    |
| FTS International Services LLC/FTS International Bonds, Inc., 8.13%, 11/15/18 (a) |              | 789   | 824,505      |
| Hornbeck Offshore Services, Inc., 5.88%, 4/01/20                                  |              | 285   | 289,988      |
| Key Energy Services, Inc., 6.75%, 3/01/21   |              | 745   | 741,275      |
| MEG Energy Corp. (a):   |              |       |              |
| 6.50%, 3/15/21  |              | 955   | 1,024,237    |
| 6.38%, 1/30/23  |              | 225   | 240,750      |
| Oil States International, Inc., 6.50%, 6/01/19                                    |              | 505   | 536,562      |
| Peabody Energy Corp., 6.25%, 11/15/21 (c)   |              | 1,555 | 1,605,537    |
| Precision Drilling Corp., 6.50%, 12/15/21   |              | 425   | 449,438      |
| Seadrill Ltd., 5.63%, 9/15/17 (a)   |              | 2,345 | 2,345,000    |
| Transocean, Inc.:   |              |       |              |
| 2.50%, 10/15/17   |              | 400   | 405,112      |
| 6.50%, 11/15/20   |              | 1,125 | 1,366,792    |
| 6.38%, 12/15/21   |              | 1,375 | 1,673,147    |
| 6.80%, 3/15/38  |              | 975   | 1,211,888    |
|   |              |       | 19,277,434   |
| <b>Food &amp; Staples Retailing 0.6%</b>  |              |       |              |
| Wal-Mart Stores, Inc., 5.25%, 9/01/35 (c)   |              | 2,500 | 3,127,365    |
| <b>Food Products 1.3%</b>   |              |       |              |
| Kraft Foods Group, Inc., 5.00%, 6/04/42 (a)                                       |              | 1,325 | 1,547,429    |
| Mondelez International, Inc.:   |              |       |              |

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|   |       |           |
|---|-------|-----------|
| 6.50%, 8/11/17  | 1,665 | 2,056,485 |
| 6.13%, 8/23/18  | 1,660 | 2,065,583 |
| Post Holdings, Inc., 7.38%, 2/15/22 (a)               | 916   | 972,105   |
|   |       | 6,641,602 |
| <b>Gas Utilities 0.2%</b>                             |       |           |
| El Paso Natural Gas Co. LLC, 8.63%, 1/15/22           | 695   | 950,772   |
| <b>Health Care Equipment &amp; Supplies 0.6%</b>      |       |           |
| Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a)     | 2,250 | 2,581,875 |
| Teleflex, Inc., 6.88%, 6/01/19                        | 490   | 526,750   |
|   |       | 3,108,625 |
| <b>Health Care Providers &amp; Services 4.1%</b>      |       |           |
| Aviv Healthcare Properties LP, 7.75%, 2/15/19         | 460   | 484,725   |
| CHS/Community Health Systems, Inc.,<br>5.13%, 8/15/18 | 480   | 498,000   |
| HCA, Inc.:<br>8.50%, 4/15/19                          | 240   | 269,700   |
| 6.50%, 2/15/20  | 2,240 | 2,475,200 |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust II, Inc. (PSY)**

(Percentages shown are based on Net Assets)

|  | <b>Par</b>   | <b>Value</b> |
|--|--------------|--------------|
| <b>Corporate Bonds</b>                                       | <b>(000)</b> |              |
| <b>Health Care Providers &amp; Services (concluded)</b>      |              |              |
| HCA, Inc. (concluded):                                       |              |              |
| 7.25%, 9/15/20   | USD 3,435    | \$ 3,799,969 |
| 4.75%, 5/01/23   | 1,450        | 1,450,000    |
| INC Research LLC, 11.50%, 7/15/19 (a)                        | 695          | 698,475      |
| inVentiv Health, Inc., 10.00%, 8/15/18 (a)                   | 50           | 45,250       |
| Tenet Healthcare Corp.:                                      |              |              |
| 10.00%, 5/01/18  | 1,530        | 1,744,200    |
| 8.88%, 7/01/19   | 1,125        | 1,257,187    |
| 4.75%, 6/01/20 (a)   | 947          | 938,714      |
| UnitedHealth Group, Inc., 6.88%, 2/15/38 (c)                 | 3,400        | 4,818,711    |
| WellPoint, Inc. (c):   |              |              |
| 3.30%, 1/15/23   | 1,075        | 1,111,964    |
| 2.75%, 10/15/42 (a)(d)                                       | 1,400        | 1,459,500    |
|  |              | 21,051,595   |
| <b>Health Care Technology 1.4%</b>                           |              |              |
| Amgen, Inc.:   |              |              |
| 5.15%, 11/15/41 (c)  | 4,208        | 4,848,525    |
| 5.65%, 6/15/42   | 42           | 51,573       |
| 5.38%, 5/15/43 (c)   | 1,650        | 1,980,998    |
|  |              | 6,881,096    |
| <b>Household Durables 0.5%</b>                               |              |              |
| Beazer Homes USA, Inc., 6.63%, 4/15/18 (a)                   |              |              |
|  | 690          | 738,300      |
| DR Horton, Inc., 4.38%, 9/15/22                              |              |              |
|  | 645          | 646,613      |
| Standard Pacific Corp., 8.38%, 1/15/21                       |              |              |
|  | 890          | 1,032,400    |
|  |              | 2,417,313    |
| <b>Independent Power Producers &amp; Energy Traders 1.8%</b> |              |              |
| The AES Corp.:   |              |              |
| 9.75%, 4/15/16   | 985          | 1,178,306    |
| 7.38%, 7/01/21   | 135          | 150,863      |
| Calpine Corp. (a):   |              |              |
| 7.25%, 10/15/17  | 396          | 419,760      |
| 7.50%, 2/15/21   | 189          | 205,538      |
| Energy Future Intermediate Holding Co. LLC,                  |              |              |
| 10.00%, 12/01/20   | 1,880        | 2,053,900    |
| Exelon Generation Co. LLC, Series C,                         |              |              |
| 4.25%, 6/15/22 (a)   | 2,325        | 2,488,564    |
| GenOn REMA LLC, 9.68%, 7/02/26                               |              |              |
|  | 500          | 535,000      |
| Laredo Petroleum, Inc.:                                      |              |              |
| 9.50%, 2/15/19   | 295          | 334,825      |
| 7.38%, 5/01/22   | 265          | 288,850      |
| NRG Energy, Inc., 6.63%, 3/15/23 (a)                         | 530          | 545,900      |
| QEP Resources, Inc.:   |              |              |
| 5.38%, 10/01/22  | 569          | 597,450      |
| 5.25%, 5/01/23   | 295          | 307,537      |
|  |              | 9,106,493    |
| <b>Insurance 6.8%</b>  |              |              |
| American International Group, Inc. (c):                      |              |              |
| 3.80%, 3/22/17   | 1,500        | 1,618,240    |
| 8.25%, 8/15/18   | 625          | 811,904      |



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|  |            |              |              |
|--|------------|--------------|--------------|
| 6.40%, 12/15/20  |            | 2,590        | 3,180,774    |
| Aon Corp., 5.00%, 9/30/20 (c)                              |            | 4,600        | 5,300,203    |
| Fairfax Financial Holdings Ltd., 5.80%, 5/15/21 (a)        |            | 1,025        | 1,050,172    |
| Forethought Financial Group, Inc., 8.63%, 4/15/21 (a)      |            | 1,000        | 1,271,261    |
| Genworth Financial, Inc., 7.63%, 9/24/21 (c)               |            | 970          | 1,020,238    |
| ING Verzekeringen NV, 2.51%, 6/21/21 (b)                   | EUR        | 430          | 540,791      |
| Manulife Financial Corp., 4.90%, 9/17/20 (c)               | USD        | 4,700        | 5,221,926    |
| MPL 2 Acquisition Canco, Inc., 9.88%, 8/15/18 (a)          |            | 430          | 392,375      |
| Nippon Life Insurance Co., 5.00%, 10/18/42 (a)(b)          |            | 3,150        | 3,249,745    |
| Principal Financial Group, Inc., 8.88%, 5/15/19            |            | 980          | 1,302,147    |
| Prudential Financial, Inc.:                                |            |              |              |
| 6.63%, 12/01/37 (c)  |            | 3,400        | 4,367,456    |
| 5.88%, 9/15/42 (b)   |            | 1,200        | 1,263,000    |
| XL Group Ltd., 5.75%, 10/01/21 (c)                         |            | 3,430        | 4,063,284    |
|  |            |              | 34,653,516   |
|  | <b>Par</b> |              |              |
| <b>Corporate Bonds</b>                                     |            | <b>(000)</b> | <b>Value</b> |
| <b>IT Services 1.2%</b>                                    |            |              |              |
| Ceridian Corp., 8.88%, 7/15/19 (a)                         | USD        | 1,760        | \$ 1,865,600 |
| Epicor Software Corp., 8.63%, 5/01/19                      |            | 720          | 756,000      |
| First Data Corp.:  |            |              |              |
| 7.38%, 6/15/19 (a)(c)                                      |            | 935          | 967,725      |
| 6.75%, 11/01/20 (a)  |            | 800          | 800,000      |
| 8.25%, 1/15/21 (a)   |            | 85           | 85,000       |
| 12.63%, 1/15/21  |            | 710          | 733,075      |
| SunGard Data Systems, Inc., 7.38%, 11/15/18                |            | 730          | 785,663      |
|  |            |              | 5,993,063    |
| <b>Life Sciences Tools &amp; Services 1.8%</b>             |            |              |              |
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16                 |            | 3,825        | 4,178,812    |
| Life Technologies Corp., 6.00%, 3/01/20 (c)                |            | 4,200        | 5,026,850    |
|  |            |              | 9,205,662    |
| <b>Machinery 1.0%</b>                                      |            |              |              |
| Ingersoll-Rand Global Holding Co. Ltd., 9.50%, 4/15/14 (c) |            | 3,400        | 3,807,330    |
| UR Merger Sub Corp. (a):                                   |            |              |              |
| 5.75%, 7/15/18   |            | 235          | 252,625      |
| 7.38%, 5/15/20   |            | 600          | 649,500      |
| 7.63%, 4/15/22   |            | 548          | 600,060      |
|  |            |              | 5,309,515    |
| <b>Media 8.4%</b>  |            |              |              |
| A&E Television Networks LLC, 3.25%, 8/22/19                |            | 1,450        | 1,475,375    |
| AMC Networks, Inc., 7.75%, 7/15/21                         |            | 395          | 447,338      |
| CCH II LLC, 13.50%, 11/30/16                               |            | 946          | 1,017,279    |
| Comcast Corp., 6.30%, 11/15/17 (c)                         |            | 3,400        | 4,221,970    |
| Cox Communications, Inc., 8.38%, 3/01/39 (a)               |            | 3,400        | 5,395,008    |
| CSC Holdings LLC, 8.63%, 2/15/19                           |            | 1,200        | 1,422,000    |
| DIRECTV Holdings LLC, 5.00%, 3/01/21                       |            | 2,575        | 2,928,115    |
| DISH DBS Corp., 7.00%, 10/01/13                            |            | 1,750        | 1,830,938    |
| Intelsat Jackson Holdings SA, 7.25%, 4/01/19               |            | 190          | 203,775      |
| Intelsat Luxembourg SA:                                    |            |              |              |
| 11.25%, 2/04/17  |            | 890          | 934,500      |
| 11.50%, 2/04/17 (e)  |            | 400          | 421,000      |
| The Interpublic Group of Cos., Inc., 10.00%, 7/15/17       |            | 1,175        | 1,296,906    |
| News America, Inc., 6.15%, 3/01/37                         |            | 2,750        | 3,452,564    |
| Time Warner Cable, Inc., 6.75%, 6/15/39                    |            | 4,050        | 5,405,798    |
| Time Warner, Inc., 7.70%, 5/01/32                          |            | 4,150        | 6,081,327    |
| Unitymedia Hessen GmbH & Co. KG (a):                       |            |              |              |
| 8.13%, 12/01/17  |            | 1,566        | 1,691,280    |
| 7.50%, 3/15/19   |            | 1,040        | 1,139,436    |
| Virgin Media Finance Plc, 4.88%, 2/15/22                   |            | 510          | 515,100      |
| Virgin Media Secured Finance Plc, 6.50%, 1/15/18           |            | 2,675        | 2,902,375    |

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|  |             |            |
|--|-------------|------------|
|  |             | 42,782,084 |
| <b>Metals &amp; Mining</b>                     | <b>2.5%</b> |            |
| AngloGold Ashanti Holdings Plc, 5.13%, 8/01/22 | 1,450       | 1,478,742  |
| ArcelorMittal, 4.25%, 3/01/16                  | 225         | 223,490    |
| Barrick Gold Corp., 2.90%, 5/30/16 (c)         | 1,150       | 1,213,349  |
| FMG Resources August 2006 Property Ltd. (a):   |             |            |
| 6.38%, 2/01/16 (c)                             | 1,655       | 1,655,000  |
| 6.88%, 4/01/22                                 | 85          | 79,900     |
| Freeport-McMoRan Copper & Gold, Inc.,          |             |            |
| 3.55%, 3/01/22                                 | 1,400       | 1,425,477  |
| Freeport-McMoRan Corp., 7.13%, 11/01/27        | 2,900       | 3,677,252  |
| New Gold, Inc., 7.00%, 4/15/20 (a)             | 130         | 137,800    |
| Novelis, Inc., 8.75%, 12/15/20                 | 975         | 1,074,938  |
| Steel Dynamics, Inc., 6.38%, 8/15/22 (a)       | 425         | 444,125    |
| Teck Resources Ltd., 10.75%, 5/15/19           | 874         | 1,052,422  |
|  |             | 12,462,495 |
| <b>Multi-Utilities</b>                         | <b>1.5%</b> |            |
| CenterPoint Energy, Inc. (c):                  |             |            |
| 5.95%, 2/01/17                                 | 3,150       | 3,679,008  |
| 6.50%, 5/01/18                                 | 3,350       | 4,078,380  |
|  |             | 7,757,388  |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust II, Inc. (PSY)**

(Percentages shown are based on Net Assets)

|   | <b>Par</b>   |              |
|---|--------------|--------------|
| <b>Corporate Bonds</b>                              | <b>(000)</b> | <b>Value</b> |
| <b>Multiline Retail 0.4%</b>                        |              |              |
| Dufry Finance SCA, 5.50%, 10/15/20 (a)              | USD 707      | \$ 719,345   |
| Walgreen Co., 3.10%, 9/15/22                        | 1,050        | 1,069,139    |
|   |              | 1,788,484    |
| <b>Oil, Gas &amp; Consumable Fuels 13.5%</b>        |              |              |
| <b>Access Midstream Partners LP:</b>                |              |              |
| 5.88%, 4/15/21                                      | 595          | 618,800      |
| 6.13%, 7/15/22                                      | 475          | 502,312      |
| Anadarko Petroleum Corp., 6.38%, 9/15/17            | 23           | 27,882       |
| Berry Petroleum Co., 6.38%, 9/15/22                 | 425          | 443,063      |
| <b>BP Capital Markets Plc (c):</b>                  |              |              |
| 3.88%, 3/10/15                                      | 1,500        | 1,611,034    |
| 3.20%, 3/11/16                                      | 1,875        | 2,016,017    |
| <b>Carrizo Oil &amp; Gas, Inc., 7.50%, 9/15/20</b>  | 475          | 484,500      |
| <b>Chesapeake Energy Corp.:</b>                     |              |              |
| 7.25%, 12/15/18 (c)                                 | 40           | 42,600       |
| 6.63%, 8/15/20 (c)                                  | 445          | 467,250      |
| 6.13%, 2/15/21                                      | 470          | 475,875      |
| Concho Resources, Inc., 5.50%, 10/01/22             | 420          | 439,950      |
| CONSOL Energy, Inc., 6.38%, 3/01/21                 | 450          | 447,750      |
| Continental Resources, Inc., 5.00%, 9/15/22         | 465          | 489,413      |
| Copano Energy LLC, 7.13%, 4/01/21                   | 500          | 526,250      |
| DCP Midstream LLC, 4.75%, 9/30/21 (a)               | 298          | 317,211      |
| Denbury Resources, Inc., 8.25%, 2/15/20             | 645          | 730,462      |
| <b>El Paso Pipeline Partners Operating Co. LLC:</b> |              |              |
| 6.50%, 4/01/20                                      | 1,530        | 1,873,395    |
| 5.00%, 10/01/21                                     | 525          | 594,430      |
| <b>Enbridge Energy Partners LP, 9.88%, 3/01/19</b>  | 2,100        | 2,862,355    |
| Energy Transfer Partners LP, 6.50%, 2/01/42         | 675          | 848,615      |
| Energy XXI Gulf Coast, Inc., 7.75%, 6/15/19         | 1,025        | 1,112,125    |
| Enterprise Products Operating LLC, 6.65%, 4/15/18   | 4,200        | 5,260,534    |
| <b>EP Energy LLC/EP Energy Finance, Inc.,</b>       |              |              |
| 6.88%, 5/01/19 (a)                                  | 475          | 513,000      |
| Forest Oil Corp., 8.50%, 2/15/14                    | 620          | 669,600      |
| Kinder Morgan Energy Partners LP, 6.85%, 2/15/20    | 4,200        | 5,364,878    |
| Kodiak Oil & Gas Corp., 8.13%, 12/01/19 (a)         | 190          | 207,100      |
| <b>Linn Energy LLC:</b>                             |              |              |
| 6.25%, 11/01/19 (a)                                 | 1,125        | 1,125,000    |
| 7.75%, 2/01/21                                      | 450          | 480,375      |
| Marathon Petroleum Corp., 3.50%, 3/01/16            | 1,375        | 1,473,260    |
| <b>MarkWest Energy Partners LP:</b>                 |              |              |
| 6.25%, 6/15/22                                      | 530          | 573,725      |
| 5.50%, 2/15/23                                      | 190          | 199,500      |
| <b>Newfield Exploration Co.:</b>                    |              |              |
| 6.88%, 2/01/20                                      | 595          | 644,087      |
| 5.63%, 7/01/24                                      | 420          | 448,350      |
| Nexen, Inc., 6.40%, 5/15/37                         | 1,380        | 1,770,926    |
| <b>Oasis Petroleum, Inc.:</b>                       |              |              |
| 7.25%, 2/01/19                                      | 270          | 288,900      |
| 6.50%, 11/01/21                                     | 305          | 322,538      |
| Offshore Group Investments Ltd., 11.50%, 8/01/15    | 352          | 386,760      |
| ONEOK Partners LP, 8.63%, 3/01/19                   | 3,400        | 4,520,038    |
| PDC Energy, Inc., 7.75%, 10/15/22 (a)               | 365          | 371,388      |
| Petrobras International Finance Co.:                |              |              |

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|   |            |           |
|---|------------|-----------|
| 3.88%, 1/27/16                                      | 3,725      | 3,957,198 |
| 5.38%, 1/27/21                                      | 2,200      | 2,494,923 |
| Petrohawk Energy Corp., 10.50%, 8/01/14             | 615        | 662,662   |
| Petroleum Geo-Services ASA, 7.38%, 12/15/18 (a)     | 445        | 472,813   |
| Pioneer Natural Resources Co., 6.88%, 5/01/18       | 490        | 602,561   |
| Plains Exploration & Production Co., 6.88%, 2/15/23 | 1,155      | 1,153,556 |
| Premier Oil Plc, 5.00%, 6/09/18                     | 3,400      | 3,485,000 |
| Range Resources Corp.:                              |            |           |
| 6.75%, 8/01/20                                      | 520        | 573,300   |
| 5.75%, 6/01/21                                      | 335        | 358,450   |
| Ruby Pipeline LLC, 6.00%, 4/01/22 (a)               | 2,975      | 3,172,867 |
| Sabine Pass Liquefied Natural Gas LP:               |            |           |
| 7.50%, 11/30/16                                     | 1,775      | 1,939,187 |
| 6.50%, 11/01/20 (a)                                 | 575        | 586,500   |
|   | <b>Par</b> |           |

|                        |              |              |
|------------------------|--------------|--------------|
| <b>Corporate Bonds</b> | <b>(000)</b> | <b>Value</b> |
|------------------------|--------------|--------------|

|  |  |  |
|--|--|--|
| <b>Oil, Gas &amp; Consumable Fuels (concluded)</b> |  |  |
|--|--|--|

|  |         |            |
|--|---------|------------|
| SandRidge Energy, Inc.:                        |         |            |
| 7.50%, 3/15/21 (a)                             | USD 330 | \$ 343,200 |
| 7.50%, 3/15/21                                 | 200     | 208,000    |
| 8.13%, 10/15/22 (a)                            | 220     | 236,500    |
| 7.50%, 2/15/23 (a)                             | 755     | 781,425    |
| SESI LLC, 7.13%, 12/15/21                      | 435     | 485,025    |
| SM Energy Co.:                                 |         |            |
| 6.63%, 2/15/19                                 | 220     | 230,450    |
| 6.50%, 11/15/21                                | 345     | 363,113    |
| 6.50%, 1/01/23                                 | 215     | 224,675    |
| Targa Resources Partners LP, 6.88%, 2/01/21    | 375     | 406,875    |
| Tennessee Gas Pipeline Co. LLC, 8.00%, 2/01/16 | 831     | 997,748    |
| Tesoro Corp., 5.38%, 10/01/22                  | 615     | 641,137    |
| Western Gas Partners LP, 5.38%, 6/01/21        | 1,525   | 1,757,090  |
| The Williams Cos., Inc., 8.75%, 3/15/32        | 711     | 1,018,436  |

68,703,939

|   |  |  |
|---|--|--|
| <b>Paper &amp; Forest Products 2.1%</b> |  |  |
|---|--|--|

|   |       |           |
|---|-------|-----------|
| Boise Paper Holdings LLC:               |       |           |
| 9.00%, 11/01/17                         | 120   | 132,000   |
| 8.00%, 4/01/20                          | 480   | 525,600   |
| International Paper Co.:                |       |           |
| 7.50%, 8/15/21                          | 3,325 | 4,415,603 |
| 7.30%, 11/15/39                         | 3,400 | 4,722,488 |
| Longview Fibre Paper & Packaging, Inc., |       |           |
| 8.00%, 6/01/16 (a)                      | 330   | 344,025   |
| PH Glatfelter Co., 5.38%, 10/15/20 (a)  | 465   | 471,394   |

10,611,110

|                             |  |  |
|-----------------------------|--|--|
| <b>Pharmaceuticals 2.3%</b> |  |  |
|-----------------------------|--|--|

|   |           |           |
|---|-----------|-----------|
| Capsugel Finance Co. SCA, 9.88%, 8/01/19 (a)  | EUR 300   | 440,367   |
| Merck & Co., Inc., 6.50%, 12/01/33 (c)        | USD 2,070 | 3,076,631 |
| Pfizer, Inc., 7.20%, 3/15/39 (c)              | 1,425     | 2,278,746 |
| Roche Holdings, Inc., 7.00%, 3/01/39 (a)(c)   | 1,825     | 2,826,620 |
| Valeant Pharmaceuticals International (a):    |           |           |
| 6.50%, 7/15/16                                | 117       | 123,142   |
| 6.38%, 10/15/20                               | 700       | 736,750   |
| Watson Pharmaceuticals, Inc., 3.25%, 10/01/22 | 2,240     | 2,308,295 |

11,790,551

|   |  |  |
|---|--|--|
| <b>Real Estate Investment Trusts (REITs) 2.8%</b> |  |  |
|---|--|--|

|   |       |           |
|---|-------|-----------|
| AvalonBay Communities, Inc., 6.10%, 3/15/20 (c) | 3,400 | 4,203,746 |
| Developers Diversified Realty Corp.:            |       |           |
| 4.75%, 4/15/18                                  | 645   | 723,845   |
| 7.88%, 9/01/20                                  | 775   | 1,007,926 |
| ERP Operating LP, 5.75%, 6/15/17                | 3,405 | 4,024,856 |
| HCP, Inc., 5.38%, 2/01/21                       | 1,025 | 1,186,411 |
| UDR, Inc., 4.25%, 6/01/18                       | 1,475 | 1,635,597 |
|   | 1,135 | 1,263,888 |

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Ventas Realty LP/Ventas Capital Corp.,  
4.75%, 6/01/21

14,046,269

**Real Estate Management & Development 0.4%**

Lennar Corp., 4.75%, 11/15/22 (a) 535 529,650

Realogy Corp. (a)(c):

7.88%, 2/15/19 495 532,125

7.63%, 1/15/20 620 695,950

Shea Homes LP, 8.63%, 5/15/19 480 534,000

2,291,725

**Road & Rail 1.3%**

The Hertz Corp., 6.75%, 4/15/19 338 358,703

Norfolk Southern Corp., 6.00%, 3/15/2105 (c) 5,000 6,254,415

6,613,118

**Semiconductors & Semiconductor Equipment 0.5%**

KLA-Tencor Corp., 6.90%, 5/01/18 1,928 2,323,786

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust II, Inc. (PSY)**

(Percentages shown are based on Net Assets)

|   | Par     | Value        |
|---|---------|--------------|
|   | (000)   |              |
| <b>Corporate Bonds</b>  |         |              |
| <b>Software 0.5%</b>  |         |              |
| Infor US, Inc., 9.38%, 4/01/19  | USD 960 | \$ 1,060,800 |
| Nuance Communications, Inc., 5.38%, 8/15/20 (a)                                 | 670     | 683,400      |
| Symantec Corp., 2.75%, 6/15/17  | 600     | 622,951      |
|   |         | 2,367,151    |
| <b>Specialty Retail 1.5%</b>  |         |              |
| AutoNation, Inc., 6.75%, 4/15/18  | 1,965   | 2,205,712    |
| Limited Brands, Inc., 7.00%, 5/01/20  | 980     | 1,118,425    |
| QVC, Inc. (a):  |         |              |
| 7.38%, 10/15/20   | 105     | 116,365      |
| 5.13%, 7/02/22  | 1,510   | 1,578,841    |
| Sally Holdings LLC, 6.88%, 11/15/19   | 595     | 659,706      |
| VF Corp., 5.95%, 11/01/17 (c)   | 1,475   | 1,753,023    |
|   |         | 7,432,072    |
| <b>Tobacco 2.2%</b>   |         |              |
| Altria Group, Inc., 10.20%, 2/06/39   | 3,929   | 6,902,302    |
| BAT International Finance Plc, 3.25%, 6/07/22 (a)(c)                            | 1,425   | 1,480,280    |
| Lorillard Tobacco Co., 3.50%, 8/04/16   | 2,450   | 2,603,431    |
|   |         | 10,986,013   |
| <b>Trading Companies &amp; Distributors 0.3%</b>                                |         |              |
| Doric Nimrod Air Finance Alpha Ltd. Pass Through Trust, Series 2012-1, Class A, |         |              |
| 5.13%, 11/30/24 (a)   | 1,390   | 1,445,600    |
| <b>Transportation Infrastructure 1.0%</b>                                       |         |              |
| Penske Truck Leasing Co. LP/PTL Finance Corp. (a):                              |         |              |
| 3.75%, 5/11/17  | 3,150   | 3,216,317    |
| 4.88%, 7/11/22  | 1,650   | 1,686,848    |
|   |         | 4,903,165    |
| <b>Wireless Telecommunication Services 4.7%</b>                                 |         |              |
| America Movil SAB de CV (c):  |         |              |
| 2.38%, 9/08/16  | 2,675   | 2,796,239    |
| 3.13%, 7/16/22  | 1,025   | 1,056,967    |
| American Tower Corp.:   |         |              |
| 4.50%, 1/15/18  | 1,925   | 2,131,676    |
| 5.90%, 11/01/21   | 1,295   | 1,551,038    |
| Cricket Communications, Inc., 7.75%, 5/15/16                                    | 670     | 708,525      |
| Crown Castle International Corp.:   |         |              |
| 9.00%, 1/15/15  | 890     | 952,300      |
| 5.25%, 1/15/23 (a)  | 560     | 579,600      |
| Crown Castle Towers LLC (a):  |         |              |
| 5.50%, 1/15/37  | 1,175   | 1,341,866    |
| 6.11%, 1/15/40  | 1,300   | 1,581,668    |
| Digicel Group Ltd., 8.25%, 9/30/20 (a)  | 1,080   | 1,163,700    |
| SBA Tower Trust, 5.10%, 4/15/42 (a)   | 4,225   | 4,693,126    |
| Sprint Capital Corp., 6.88%, 11/15/28   | 480     | 490,800      |
| Sprint Nextel Corp. (a):  |         |              |
| 9.00%, 11/15/18   | 1,545   | 1,908,075    |
| 7.00%, 3/01/20  | 2,670   | 3,097,200    |
|   |         | 24,052,780   |

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**Total Corporate Bonds 114.2%** 579,207,842

**Floating Rate Loan Interests 0.1% (b)**

**Oil, Gas & Consumable Fuels 0.1%**

Chesapeake Energy Corp., Unsecured Term Loan, 8.50%, 12/01/17 177 176,973

**Preferred Securities**

**Capital Trusts**

**Capital Markets 3.5%**

Ameriprise Financial, Inc., 7.52%, 6/01/66 (b) 2,500 2,762,500

RBS Capital Trust II, 6.43% (b)(f) 1,250 1,050,000

**Capital Trusts**

**Par  
(000) Value**

**Capital Markets (concluded)**

State Street Capital Trust IV, 1.39%, 6/01/67 (b) USD 18,235 \$ 13,983,874

17,796,374

**Commercial Banks 3.0%**

Barclays Bank Plc, 7.43% (a)(b)(f) 650 676,000

BNP Paribas SA, 7.20% (a)(b)(c)(f) 1,500 1,477,500

Credit Agricole SA, 8.38% (a)(b)(c)(f) 1,475 1,500,812

HSBC Capital Funding LP/Jersey Channel Islands, 10.18% (a)(c)(f) 4,835 6,623,950

M&T Capital Trust II, 8.28%, 6/01/27 3,630 3,711,675

National City Preferred Capital Trust I, 12.00% (b)(f) 1,100 1,112,617

15,102,554

**Diversified Financial Services 1.9%**

General Electric Capital Corp., 6.25% (b)(c) 2,700 2,943,081

JPMorgan Chase Capital XXIII, 1.43%, 5/15/77 (b)(c) 8,775 6,483,690

9,426,771

**Electric Utilities 0.6%**

PPL Capital Funding, Inc., 6.70%, 3/30/67 (b) 3,000 3,161,250

**Insurance 9.4%**

ACE Capital Trust II, 9.70%, 4/01/30 (c) 2,500 3,654,002

The Allstate Corp., 6.50%, 5/15/67 (b) 5,000 5,375,000

American General Capital II, 8.50%, 7/01/30 100 122,500

American International Group, Inc., 8.18%, 5/15/68 (b) 900 1,122,750

Aon Corp., 8.21%, 1/01/27 2,500 3,134,660

AXA SA, 6.38% (a)(b)(f) 3,000 2,805,000

Bank One Capital III, 8.75%, 9/01/30 2,000 2,867,446

The Chubb Corp., 6.38%, 3/29/67 (b) 2,000 2,170,000

Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b) 2,925 4,358,250

Lincoln National Corp., 7.00%, 5/17/66 (b) 3,350 3,433,750

MetLife, Inc., 6.40%, 12/15/66 3,325 3,614,365

Mitsui Sumitomo Insurance Co. Ltd., 7.00%, 3/15/72 (a)(b) 1,420 1,620,347

Northwestern Mutual Life Insurance Co., 6.06%, 3/30/40 (a)(c) 3,800 4,995,165

Principal Life Insurance Co., 8.00%, 3/01/44 (a)(c) 2,500 2,756,100

Reinsurance Group of America, Inc., 6.75%, 12/15/65 (b) 3,000 3,035,247

Swiss Re Solutions Holding Corp., 7.75%, 6/15/30 (c) 2,000 2,601,570

47,666,152

**Multi-Utilities 1.3%**

Dominion Resources Capital Trust I, 7.83%, 12/01/27 2,500 2,536,083

Dominion Resources, Inc., 7.50%, 6/30/66 (b) 3,900 4,290,000

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|  |              |             |
|--|--------------|-------------|
|  |              | 6,826,083   |
| <b>Oil, Gas &amp; Consumable Fuels</b>                             | <b>1.3%</b>  |             |
| Enterprise Products Operating LLC, Series A,<br>8.38%, 8/01/66 (b) | 2,000        | 2,280,000   |
| TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b)                     | 4,000        | 4,298,524   |
|  |              | 6,578,524   |
| <b>Road &amp; Rail</b>   | <b>0.8%</b>  |             |
| BNSF Funding Trust I, 6.61%, 12/15/55                              | 3,750        | 4,209,375   |
| <b>Total Capital Trusts</b>  | <b>21.8%</b> | 110,767,083 |

| Preferred Stocks                   | Shares      |         |
|------------------------------------|-------------|---------|
| <b>Auto Components</b>             | <b>0.1%</b> |         |
| Dana Holding Corp., 4.00% (a)(d)   | 4,000       | 448,500 |
| <b>Capital Markets</b>             | <b>0.2%</b> |         |
| RBS Capital Funding Trust V, 5.90% | 40,000      | 735,600 |

See Notes to Financial Statements.



**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust II, Inc. (PSY)**

(Percentages shown are based on Net Assets)

| <b>Preferred Stocks</b>   | <b>Shares</b> | <b>Value</b>       |
|---|---------------|--------------------|
| <b>Diversified Financial Services 0.4%</b>                                      |               |                    |
| Ally Financial, Inc., 7.00% (a)   | 2,190         | \$ 2,110,339       |
| <b>Thriffs &amp; Mortgage Finance 0.0%</b>                                      |               |                    |
| Fannie Mae, Series S, 8.25% (b)(g)  | 14,000        | 23,800             |
| Freddie Mac, Series Z, 8.38% (b)(g)   | 14,000        | 24,360             |
|   |               | 48,160             |
| <b>Wireless Telecommunication Services 0.6%</b>                                 |               |                    |
| Centaur Funding Corp., 9.08% (a)  | 2,423         | 3,073,424          |
| <b>Total Preferred Stocks 1.3%</b>  |               | <b>6,416,023</b>   |
| <b>Trust Preferreds</b>   |               |                    |
| <b>Diversified Financial Services 0.4%</b>                                      |               |                    |
| GMAC Capital Trust I, Series 2, 8.13%, 2/15/40                                  | 74,940        | 1,926,796          |
| <b>Machinery 0.3%</b>   |               |                    |
| Stanley Black & Decker, Inc., 5.75%, 7/25/52                                    | 70,000        | 1,809,500          |
| <b>Total Trust Preferreds 0.7%</b>  |               | <b>3,736,296</b>   |
| <b>Total Preferred Securities 23.8%</b>   |               | <b>120,919,402</b> |
|   | <b>Par</b>    |                    |
|   | <b>(000)</b>  |                    |
| <b>Taxable Municipal Bonds 0.9%</b>   |               |                    |
| Metropolitan Transportation Authority, RB, Build America Bonds, 6.55%, 11/15/31 | USD 3,450     | 4,344,033          |
| <b>US Government Sponsored Agency Securities 0.3%</b>                           |               |                    |
| <b>Agency Obligations 0.3%</b>  |               |                    |
| Fannie Mae, 1.93%, 10/09/19 (c)(h)  | 1,670         | 1,461,672          |
| <b>US Treasury Obligations</b>  |               |                    |
| <b>US Treasury Bonds (c):</b>   |               |                    |
| 3.75%, 8/15/41  | 1,470         | 1,750,908          |
| 3.13%, 11/15/41   | 990           | 1,050,637          |
| 3.00%, 5/15/42  | 5,010         | 5,175,175          |
| <b>US Treasury Notes:</b>   |               |                    |
| 0.88%, 12/31/16 (c)   | 3,847         | 3,893,583          |
| 0.63%, 5/31/17 (c)  | 10,380        | 10,371,084         |
| 2.00%, 2/15/22  | 145           | 150,154            |
| 1.63%, 8/15/22 (c)  | 1,555         | 1,546,496          |
| <b>Total US Treasury Obligations 4.7%</b>                                       |               | <b>23,938,037</b>  |
| <b>Total Long-Term Investments</b>  |               | <b>735,230,212</b> |
| <b>(Cost \$671,038,679) 145.0%</b>  |               |                    |
| <b>Short-Term Securities</b>  |               |                    |
|   | <b>Shares</b> |                    |
| BlackRock Liquidity Funds, TempFund, Institutional Class, 0.17% (i)(j)          | 1,125,074     | 1,125,074          |
| <b>Total Short-Term Securities</b>  |               | <b>1,125,074</b>   |
| <b>(Cost \$1,125,074) 0.2%</b>  |               |                    |

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| Options Purchased   | Contracts                    |                |
|---|------------------------------|----------------|
| <b>Exchange-Traded Put Options 0.1%</b>   |                              |                |
| Euro-Dollar 3-Year Mid-Curve Options, Strike Price USD 98.88, Expires 3/15/13   | 940                          | 387,750        |
|   | <b>Notional Amount (000)</b> | <b>Value</b>   |
| <b>Options Purchased</b>  |                              |                |
| <b>Over-the-Counter Interest Rate Put Swaptions 0.0%</b>  |                              |                |
| Pay a fixed rate of 0.71% and receive a floating rate based on 3-month LIBOR, Expires 6/28/13, Broker Deutsche Bank AG          | USD 36,800                   | \$ 30,835      |
| Pay a fixed rate of 4.50% and receive a floating rate based on 6-month EURIBOR, Expires 9/16/13, Broker Credit Suisse Group AG  | EUR 5,300                    | 7,183          |
| Pay a fixed rate of 4.50% and receive a floating rate based on 6-month EURIBOR, Expires 10/21/13, Broker Citibank, Inc.         | 5,000                        | 9,346          |
| Pay a fixed rate of 4.50% and receive a floating rate based on 6-month EURIBOR, Expires 12/12/13, Broker Credit Suisse Group AG | 4,000                        | 11,430         |
| Pay a fixed rate of 4.50% and receive a floating rate based on 3-month LIBOR, Expires 2/02/17, Broker Deutsche Bank AG          | USD 4,800                    | 110,537        |
|   |                              | 169,331        |
| <b>Total Options Purchased</b>  |                              |                |
| <b>(Cost \$1,082,667) 0.1%</b>  |                              | 557,081        |
| <b>Total Investments Before Options Written</b>   |                              |                |
| <b>(Cost \$673,246,420) 145.3%</b>  |                              | 736,912,367    |
| <b>Options Written</b>  |                              |                |
| <b>Over-the-Counter Interest Rate Call Swaptions (0.0)%</b>   |                              |                |
| Pay a fixed rate of 2.34% and receive a floating rate based on 3-month LIBOR, Expires 5/07/13, Broker Morgan Stanley            | 700                          | (35,844)       |
| Pay a fixed rate of 2.33% and receive a floating rate based on 3-month LIBOR, Expires 10/02/14, Broker Credit Suisse Group AG   | 4,000                        | (171,934)      |
|   |                              | (207,778)      |
| <b>Over-the-Counter Interest Rate Put Swaptions (0.1)%</b>  |                              |                |
| Receive a fixed rate of 2.34% and pay a floating rate based on 3-month LIBOR, Expires 5/07/13, Broker Morgan Stanley            | 700                          | (5,574)        |
| Receive a fixed rate of 2.33% and pay a floating rate based on 3-month LIBOR, Expires 10/02/14, Broker Credit Suisse Group AG   | 4,000                        | (161,598)      |
| Receive a fixed rate of 6.00% and pay a floating rate based on 3-month LIBOR, Expires 2/02/17, Broker Deutsche Bank AG          | 9,600                        | (99,160)       |
|   |                              | (266,332)      |
| <b>Total Options Written</b>  |                              |                |
| <b>(Premiums Received \$576,825) (0.1)%</b>   |                              | (474,110)      |
| <b>Total Investments, Net of Options Written 145.2%</b>   |                              | 736,438,257    |
| <b>Liabilities in Excess of Other Assets (45.2)%</b>  |                              | (229,092,778)  |
| <b>Net Assets 100.0%</b>  |                              | \$ 507,345,479 |

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. 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) Convertible security.

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

(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.

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust II, Inc. (PSY)**

(i) Investments in issuers considered to be an affiliate of the Fund during the year ended October 31, 2012, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

| <b>Affiliate</b>   | <b>Shares<br/>Held at<br/>October 31,<br/>2011</b> | <b>Net<br/>Activity</b> | <b>Shares<br/>Held at<br/>October 31,<br/>2012</b> | <b>Income</b> |
|--|--|-------------------------|--|---------------|
| BlackRock Liquidity Funds, TempFund, Institutional Class | 405,708  | 719,366                 | 1,125,074  | \$ 4,796      |

(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.

Reverse repurchase agreements outstanding as of October 31, 2012 were as follows:

| <b>Counterparty</b>                | <b>Interest<br/>Rate</b> | <b>Trade<br/>Date</b> | <b>Maturity<br/>Date</b> | <b>Face<br/>Value</b> | <b>Face Value<br/>Including<br/>Accrued<br/>Interest</b> |
|------------------------------------|--------------------------|-----------------------|--------------------------|-----------------------|--|
| UBS Securities LLC                 | 0.32%                    | 3/13/12               | Open                     | \$ 2,326,500          | \$ 2,331,318   |
| UBS Securities LLC                 | 0.37%                    | 3/13/12               | Open                     | 5,480,125             | 5,491,695  |
| UBS Securities LLC                 | 0.38%                    | 3/13/12               | Open                     | 4,216,375             | 4,226,745  |
| UBS Securities LLC                 | 0.38%                    | 3/27/12               | Open                     | 3,765,500             | 3,774,205  |
| Barclays Capital, Inc.             | 0.35%                    | 4/18/12               | Open                     | 30,366,910            | 30,425,072   |
| Barclays Capital, Inc.             | 0.35%                    | 4/24/12               | Open                     | 1,740,594             | 1,743,826  |
| Deutsche Bank Securities, Inc.     | 0.12%                    | 4/24/12               | Open                     | 3,875,853             | 3,878,320  |
| UBS Securities LLC                 | 0.34%                    | 4/24/12               | Open                     | 1,325,250             | 1,327,641  |
| BNP Paribas Securities Corp.       | 0.19%                    | 4/25/12               | Open                     | 1,655,588             | 1,657,248  |
| BNP Paribas Securities Corp.       | 0.23%                    | 4/25/12               | Open                     | 1,329,737             | 1,331,352  |
| UBS Securities LLC                 | 0.34%                    | 4/25/12               | Open                     | 6,396,376             | 6,407,853  |
| BNP Paribas Securities Corp.       | 0.35%                    | 4/26/12               | Open                     | 2,775,000             | 2,780,099  |
| BNP Paribas Securities Corp.       | 0.37%                    | 4/26/12               | Open                     | 4,364,000             | 4,372,477  |
| UBS Securities LLC                 | 0.00%                    | 5/07/12               | Open                     | 381,875               | 381,875  |
| UBS Securities LLC                 | 0.25%                    | 5/07/12               | Open                     | 1,278,750             | 1,280,331  |
| UBS Securities LLC                 | 0.35%                    | 5/07/12               | Open                     | 3,876,000             | 3,882,708  |
| UBS Securities LLC                 | 0.38%                    | 5/07/12               | Open                     | 17,664,000            | 17,697,189   |
| UBS Securities LLC                 | 0.25%                    | 5/10/12               | Open                     | 842,435               | 843,453  |
| Deutsche Bank Securities, Inc.     | 0.19%                    | 5/29/12               | Open                     | 1,046,925             | 1,047,787  |
| UBS Securities LLC                 | 0.34%                    | 5/31/12               | Open                     | 3,339,375             | 3,344,232  |
| UBS Securities LLC                 | 0.32%                    | 6/29/12               | Open                     | 2,390,000             | 2,392,656  |
| Bank of America Merrill Lynch      | 0.10%                    | 7/02/12               | Open                     | 10,367,025            | 10,370,538   |
| Credit Suisse Securities (USA) LLC | 0.35%                    | 7/03/12               | Open                     | 3,162,500             | 3,166,220  |
| Credit Suisse Securities (USA) LLC | 0.35%                    | 7/13/12               | Open                     | 3,447,150             | 3,450,870  |
| Barclays Capital, Inc.             | 0.35%                    | 7/25/12               | Open                     | 4,245,085             | 4,249,171  |
| Credit Suisse Securities (USA) LLC | 0.35%                    | 7/25/12               | Open                     | 1,955,531             | 1,957,413  |
| UBS Securities LLC                 | 0.33%                    | 7/25/12               | Open                     | 2,254,350             | 2,256,396  |
| Credit Suisse Securities (USA) LLC | 0.35%                    | 7/27/12               | Open                     | 979,875               | 980,799  |
| UBS Securities LLC                 | 0.34%                    | 7/27/12               | Open                     | 1,163,250             | 1,164,316  |
| Credit Suisse Securities (USA) LLC | 0.35%                    | 7/30/12               | Open                     | 1,160,062             | 1,161,123  |

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|                                    |         |          |      |            |            |
|------------------------------------|---------|----------|------|------------|------------|
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/10/12  | Open | 33,903,560 | 33,930,918 |
| Credit Suisse Securities (USA) LLC | 0.38%   | 8/10/12  | Open | 18,940,519 | 18,957,112 |
| Barclays Capital, Inc.             | 0.35%   | 8/13/12  | Open | 717,187    | 717,745    |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/13/12  | Open | 3,422,969  | 3,425,631  |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/20/12  | Open | 3,984,937  | 3,987,765  |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/23/12  | Open | 1,350,187  | 1,351,106  |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/30/12  | Open | 2,014,550  | 2,015,783  |
| UBS Securities LLC                 | 0.34%   | 9/04/12  | Open | 522,500    | 522,786    |
| UBS Securities LLC                 | 0.35%   | 9/04/12  | Open | 5,819,850  | 5,823,132  |
| Barclays Capital, Inc.             | (0.25)% | 9/06/12  | Open | 68,000     | 67,974     |
| Credit Suisse Securities (USA) LLC | (0.25)% | 9/06/12  | Open | 389,931    | 389,780    |
| Deutsche Bank Securities, Inc.     | (1.00)% | 9/19/12  | Open | 634,419    | 633,679    |
| UBS Securities LLC                 | 0.34%   | 9/24/12  | Open | 2,733,750  | 2,734,731  |
| UBS Securities LLC                 | 0.36%   | 9/24/12  | Open | 2,332,000  | 2,332,886  |
| Credit Suisse Securities (USA) LLC | 0.35%   | 9/28/12  | Open | 3,676,250  | 3,677,465  |
| Credit Suisse Securities (USA) LLC | 0.35%   | 10/02/12 | Open | 1,015,875  | 1,016,171  |

See Notes to Financial Statements.

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**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust II, Inc.**  
**(PSY)**

Reverse repurchase agreements outstanding as of October 31, 2012 were as follows (concluded):

| <b>Counterparty</b>                | <b>Interest Rate</b> | <b>Trade Date</b> | <b>Maturity Date</b> | <b>Face Value</b>     | <b>Face Value Including Accrued Interest</b> |
|------------------------------------|----------------------|-------------------|----------------------|-----------------------|--|
| UBS Securities LLC                 | 0.10%                | 10/02/12          | Open                 | \$ 2,024,490          | \$ 2,024,653                                 |
| Citigroup Global Markets, Inc.     | (0.75)%              | 10/04/12          | Open                 | 913,012               | 912,499                                      |
| Credit Suisse Securities (USA) LLC | 0.35%                | 10/09/12          | Open                 | 1,309,000             | 1,309,293                                    |
| Barclays Capital, Inc.             | 0.40%                | 10/10/12          | Open                 | 1,525,000             | 1,525,373                                    |
| UBS Securities LLC                 | (0.50)%              | 10/16/12          | Open                 | 1,300,850             | 1,300,570                                    |
| BNP Paribas Securities Corp.       | 0.26%                | 10/17/12          | Open                 | 5,116,463             | 5,117,017                                    |
| Deutsche Bank Securities, Inc.     | (0.63)%              | 10/24/12          | 12/31/22             | 457,256               | 457,193                                      |
| Credit Suisse Securities (USA) LLC | 0.35%                | 10/24/12          | Open                 | 1,867,500             | 1,867,645                                    |
| BNP Paribas Securities Corp.       | 0.27%                | 10/25/12          | Open                 | 148,806               | 148,814                                      |
| Deutsche Bank Securities, Inc.     | 0.14%                | 10/25/12          | Open                 | 1,529,731             | 1,529,773                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 10/29/12          | Open                 | 7,127,188             | 7,127,395                                    |
| Deutsche Bank Securities, Inc.     | 0.00%                | 10/31/12          | Open                 | 1,500,575             | 1,500,575                                    |
| <b>Total</b>                       |                      |                   |                      | <b>\$ 235,518,351</b> | <b>\$ 235,780,392</b>                        |

Financial futures contracts purchased as of October 31, 2012 were as follows:

| <b>Contracts</b> | <b>Issue</b>            | <b>Exchange</b>        | <b>Expiration</b> | <b>Notional Value</b> | <b>Unrealized Appreciation (Depreciation)</b> |
|------------------|-------------------------|------------------------|-------------------|-----------------------|---|
| 185              | 2-Year US Treasury Note | Chicago Board of Trade | December 2012     | USD 40,760,703        | \$ (17,351)                                   |
| 83               | 90-Day Euro-Dollar      | Chicago Mercantile     | March 2016        | USD 20,524,863        | 17,158  |
| <b>Total</b>     |                         |                        |                   |                       | <b>\$ (193)</b>                               |

Financial futures contracts sold as of October 31, 2012 were as follows:

| <b>Contracts</b> | <b>Issue</b>                | <b>Exchange</b>        | <b>Expiration</b> | <b>Notional Value</b> | <b>Unrealized Appreciation (Depreciation)</b> |
|------------------|-----------------------------|------------------------|-------------------|-----------------------|---|
| 191              | 5-Year US Treasury Note     | Chicago Board of Trade | December 2012     | USD 23,731,750        | \$ (29,543)                                   |
| 496              | 10-Year US Treasury Note    | Chicago Board of Trade | December 2012     | USD 65,983,500        | (172,063)                                     |
| 41               | 30-Year US Treasury Bond    | Chicago Board of Trade | December 2012     | USD 6,121,813         | 17,763  |
| 1                | Euro-Bund                   | Eurex                  | December 2012     | USD 183,638           | (701)   |
| 65               | Ultra Long US Treasury Bond | Chicago Board of Trade | December 2012     | USD 10,731,094        | 130,384                                       |
| <b>Total</b>     |                             |                        |                   |                       | <b>\$ (54,160)</b>                            |

Foreign currency exchange contracts as of October 31, 2012 were as follows:

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| Currency Purchased | Currency Sold | Counterparty | Settlement Date | Unrealized Appreciation |
|--------------------|---------------|--------------|-----------------|-------------------------|
| USD 298,616        | EUR 230,000   | UBS AG       | 1/23/13         | \$ 254                  |
| USD 908,658        | EUR 700,000   | UBS AG       | 1/23/13         | 599                     |
| USD 579,640        | EUR 442,000   | UBS AG       | 1/23/13         | 6,265                   |
| <b>Total</b>       |               |              |                 | \$ 7,118                |

Credit default swaps on single-name issues buy protection outstanding as of October 31, 2012 were as follows:

| Issuer                 | Pay Fixed Rate | Counterparty               | Expiration Date | Notional Amount (000) | Unrealized Appreciation (Depreciation) |
|------------------------|----------------|----------------------------|-----------------|-----------------------|--|
| Southwest Airlines Co. | 1.00%          | Goldman Sachs Group, Inc.  | 12/20/16        | USD 1,185             | \$ (34,368)                            |
| Southwest Airlines Co. | 1.00%          | Royal Bank of Scotland Plc | 12/20/16        | USD 1,185             | (38,473)                               |
| STMicroelectronics NV  | 1.00%          | Barclays Plc               | 6/20/17         | EUR 1,215             | 10,668                                 |
| Cigna Corp.            | 1.00%          | Goldman Sachs Group, Inc.  | 9/20/17         | USD 2,275             | (27,992)                               |
| General Dynamic Corp.  | 1.00%          | Credit Suisse Group AG     | 9/20/17         | USD 1,655             | (1,756)                                |
| Hewlett-Packard Co.    | 1.00%          | Citigroup, Inc.            | 9/20/17         | USD 900               | 15,969                                 |
| Hewlett-Packard Co.    | 1.00%          | Credit Suisse Group AG     | 9/20/17         | USD 810               | 43,923                                 |
| Hewlett-Packard Co.    | 1.00%          | JPMorgan Chase & Co.       | 9/20/17         | USD 150               | 7,343                                  |
| Humana, Inc.           | 1.00%          | Goldman Sachs Group, Inc.  | 9/20/17         | USD 2,275             | (6,836)                                |
| Lockheed Martin Corp.  | 1.00%          | Credit Suisse Group AG     | 9/20/17         | USD 1,655             | (16,275)                               |
| Northrop Grumman Corp. | 1.00%          | Credit Suisse Group AG     | 9/20/17         | USD 1,400             | (7,525)                                |
| Raytheon Co.           | 1.00%          | Credit Suisse Group AG     | 9/20/17         | USD 1,400             | (4,828)                                |
| Viacom, Inc.           | 1.00%          | Credit Suisse Group AG     | 9/20/17         | USD 3,600             | (32,036)                               |
| <b>Total</b>           |                |                            |                 |                       | \$ (92,186)                            |

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Schedule of Investments (continued)

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

Credit default swaps on single-name issues sold protection outstanding as of October 31, 2012 were as follows:

| <b>Issuer</b>             | <b>Receive<br/>Fixed<br/>Rate</b> | <b>Counterparty</b>       | <b>Expiration<br/>Date</b> | <b>Issuer<br/>Credit<br/>Rating<sup>1</sup></b> | <b>Notional<br/>Amount<br/>(000)<sup>2</sup></b> | <b>Unrealized<br/>Appreciation</b> |
|---------------------------|-----------------------------------|---------------------------|----------------------------|---|--|------------------------------------|
| Anadarko Petroleum Corp.  | 1.00%                             | UBS AG                    | 6/20/17                    | BBB-  | USD 994  | \$ 31,055                          |
| Comcast Corp.             | 1.00%                             | Credit Suisse Group AG    | 9/20/17                    | BBB+  | USD 3,600  | 41,875                             |
| United Health Group, Inc. | 1.00%                             | Goldman Sachs Group, Inc. | 9/20/17                    | A   | USD 2,275  | 36,445                             |
| WellPoint, Inc.           | 1.00%                             | Goldman Sachs Group, Inc. | 9/20/17                    | A-  | USD 2,275  | 12,850                             |
| MetLife, Inc.             | 1.00%                             | Deutsche Bank AG          | 3/20/18                    | A-  | USD 900  | 77                                 |
| <b>Total</b>              |                                   |                           |                            |   |  | \$ 122,302                         |

<sup>1</sup> Using S&P's rating.<sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

Interest rate swaps outstanding as of October 31, 2012 were as follows:

| <b>Fixed<br/>Rate</b> | <b>Floating<br/>Rate</b> | <b>Counterparty/<br/>Exchange</b> | <b>Expiration<br/>Date</b> | <b>Notional<br/>Amount<br/>(000)</b> | <b>Unrealized<br/>Appreciation<br/>(Depreciation)</b> |
|-----------------------|--------------------------|-----------------------------------|----------------------------|--------------------------------------|---|
| 0.44% <sup>3</sup>    | 3-month LIBOR            | Chicago Mercantile                | 8/29/14                    | USD 16,500                           | \$ (17,258)   |
| 2.06% <sup>4</sup>    | 3-month LIBOR            | Credit Suisse Group AG            | 5/08/22                    | USD 100                              | 3,573   |
| 1.80% <sup>4</sup>    | 3-month LIBOR            | Citigroup, Inc.                   | 6/01/22                    | USD 100                              | 1,162   |
| 2.48% <sup>3</sup>    | 3-month LIBOR            | Credit Suisse Group AG            | 7/05/42                    | USD 2,200                            | 52,079  |
| 2.26% <sup>3</sup>    | 3-month LIBOR            | Goldman Sachs Group, Inc.         | 7/26/42                    | USD 1,100                            | 79,389  |
| 2.46% <sup>3</sup>    | 3-month LIBOR            | Deutsche Bank AG                  | 8/07/42                    | USD 5,100                            | 140,425   |
| 2.52% <sup>3</sup>    | 3-month LIBOR            | Citigroup, Inc.                   | 8/10/42                    | USD 2,500                            | 38,926  |
| 2.71% <sup>3</sup>    | 3-month LIBOR            | Credit Suisse Group AG            | 8/21/42                    | USD 600                              | (14,435)  |
| <b>Total</b>          |                          |                                   |                            |                                      | \$ 283,861  |

<sup>3</sup> Fund pays the fixed rate and receives the floating rate.<sup>4</sup> Fund pays the floating rate and receives the fixed rate.



**Fair Value Measurements** Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques 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 that the Fund has the ability to access

**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)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. 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 is not necessarily an indication of the risks associated with 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 Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of October 31, 2012:

|   | Level 1      | Level 2      | Level 3      | Total        |
|---|--------------|--------------|--------------|--------------|
| <b>Assets:</b>                                      |              |              |              |              |
| Investments:  |              |              |              |              |
| Long-Term Investments:                              |              |              |              |              |
| Asset-Backed Securities                             |              | \$ 2,784,003 | \$ 2,398,250 | \$ 5,182,253 |
| Corporate Bonds                                     |              | 574,247,467  | 4,960,375    | 579,207,842  |
| Floating Rate Loan Interests                        |              | 176,973      |              | 176,973      |
| Preferred Securities                                | \$ 2,710,556 | 118,208,846  |              | 120,919,402  |
| Taxable Municipal Bonds                             |              | 4,344,033    |              | 4,344,033    |
| US Govern-<br>ment Spon-<br>sored Agency Securities |              | 1,461,672    |              | 1,461,672    |
| US Treasury Obligations                             |              | 23,938,037   |              | 23,938,037   |

|                       |              |                |              |                |
|-----------------------|--------------|----------------|--------------|----------------|
| Short-Term Securities | 1,125,074    |                |              | 1,125,074      |
| <b>Total</b>          | \$ 3,835,630 | \$ 725,161,031 | \$ 7,358,625 | \$ 736,355,286 |

See Notes to Financial Statements.

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**Table of Contents**

Schedule of Investments (concluded)

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

|   | Level 1    | Level 2    | Level 3 | Total      |
|---|------------|------------|---------|------------|
| <b>Derivative Financial Instruments<sup>1</sup></b> |            |            |         |            |
| <b>Assets:</b>                                      |            |            |         |            |
| Credit contracts                                    |            | \$ 200,205 |         | \$ 200,205 |
| Foreign currency exchange contracts                 |            | 7,118      |         | 7,118      |
| Interest rate contracts                             | \$ 553,055 | 484,885    |         | 1,037,940  |
| <b>Liabilities:</b>                                 |            |            |         |            |
| Credit contracts                                    |            | (170,089)  |         | (170,089)  |
| Interest rate contracts                             | (219,658)  | (505,803)  |         | (725,461)  |
| <b>Total</b>  | \$ 333,397 | \$ 16,316  |         | \$ 349,713 |

<sup>1</sup> 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.

Certain of the Fund's assets and liabilities are held at carrying amount or face value, which approximates fair value for financial statement purposes. As of October 31, 2012, such assets and liabilities are categorized within the disclosure hierarchy as follows:

|   | Level 1      | Level 2          | Level 3 | Total            |
|---|--------------|------------------|---------|------------------|
| <b>Assets:</b>  |              |                  |         |                  |
| Foreign currency at value                                     | \$ 3,738     |                  |         | \$ 3,738         |
| Cash pledged as collateral for financial futures contracts    | 868,000      |                  |         | 868,000          |
| Cash pledged as collateral for swaps                          | 160,000      |                  |         | 160,000          |
| <b>Liabilities:</b>   |              |                  |         |                  |
| Reverse repurchase agreements                                 |              | \$ (235,518,351) |         | (235,518,351)    |
| Cash received as collateral for reverse repurchase agreements |              | (3,336,000)      |         | (3,336,000)      |
| Cash received as collateral for swaps                         |              | (600,000)        |         | (600,000)        |
| <b>Total</b>  | \$ 1,031,738 | \$ (239,454,351) |         | \$ (238,422,613) |

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2012.

Certain of the Fund's investments and derivative financial instruments are categorized as Level 3 and were valued utilizing transaction prices or third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in the unobservable inputs could result in a significantly lower or higher value in such Level 3 investments and 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. The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

|  | <b>Asset-Backed<br/>Securities</b> | <b>Corporate<br/>Bonds</b> | <b>Total</b>        |
|--|------------------------------------|----------------------------|---------------------|
| <b>Assets:</b>   |                                    |                            |                     |
| Opening balance, as of<br>October 31, 2011                         | \$ 2,053,750                       | \$ 3,536,000               | \$ 5,589,750        |
| Transfers into Level 3 <sup>2</sup>                                |                                    |                            |                     |
| Transfers out of Level 3 <sup>2</sup>                              |                                    |                            |                     |
| Accrued discounts/premiums   | 37,775                             |                            | 37,775              |
| Net realized gain (loss)   |                                    |                            |                     |
| Net change in unrealized<br>appreciation/depreciation <sup>3</sup> | 306,725                            | (25,625)                   | 281,100             |
| Purchases  |                                    | 1,450,000                  | 1,450,000           |
| Sales  |                                    |                            |                     |
| <b>Closing Balance, as of<br/>October 31, 2012</b>                 | <b>\$ 2,398,250</b>                | <b>\$ 4,960,375</b>        | <b>\$ 7,358,625</b> |

<sup>2</sup> Transfers into and transfers out of Level 3 represent the values as of the beginning of the reporting period.

<sup>3</sup> 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 as of October 31, 2012 was \$281,100. The following table is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used in determining fair value:

|   | <b>Credit<br/>Contracts</b> |
|---|-----------------------------|
| <b>Assets:</b>  |                             |
| Opening balance, as of October 31, 2011                         | \$ 5,018                    |
| Transfers into Level 3 <sup>2</sup>                             |                             |
| Transfers out of Level 3 <sup>2</sup>                           |                             |
| Accrued discounts/premiums                                      |                             |
| Net realized gain (loss)  |                             |
| Net change in unrealized appreciation/depreciation <sup>4</sup> | (5,018)                     |
| Purchases   |                             |

Issues<sup>5</sup>

Sales

Settlements<sup>6</sup>

**Closing Balance, as of October 31, 2012**

<sup>4</sup> 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 as of October 31, 2012 was \$0.

<sup>5</sup> Issues represent upfront cash received on certain derivative financial instruments.

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

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments** October 31, 2012**BlackRock Credit Allocation Income Trust III (BPP)**

(Percentages shown are based on Net Assets)

|   | Par       | Value        |
|---|-----------|--------------|
|   | (000)     |              |
| <b>Asset-Backed Securities 0.5%</b>   |           |              |
| Atrium CDO Corp., Series 5A, Class A4,<br>0.82%, 7/20/20 (a)(b)                 | USD 1,300 | \$ 1,176,500 |
| <b>Corporate Bonds</b>  |           |              |
| <b>Aerospace &amp; Defense 0.8%</b>   |           |              |
| BE Aerospace, Inc., 5.25%, 4/01/22  | 825       | 860,062      |
| Huntington Ingalls Industries, Inc.:  |           |              |
| 6.88%, 3/15/18  | 290       | 313,200      |
| 7.13%, 3/15/21  | 300       | 322,500      |
| Kratos Defense & Security Solutions, Inc.,<br>10.00%, 6/01/17                   | 460       | 496,800      |
|   |           | 1,992,562    |
| <b>Airlines 0.5%</b>  |           |              |
| American Airlines Pass-Through Trust, Series 2011-2, Class A, 8.63%, 10/15/21   | 103       | 108,068      |
| Continental Airlines Pass-Through Trust, Series 2009-2, Class B, 9.25%, 5/10/17 | 606       | 662,095      |
| Delta Air Lines Pass-Through Trust, Series 2002-1,<br>Class G-1, 6.72%, 1/02/23 | 520       | 571,836      |
|   |           | 1,341,999    |
| <b>Auto Components 1.0%</b>   |           |              |
| Delphi Corp., 6.13%, 5/15/21  | 280       | 309,400      |
| Ford Motor Co., 7.45%, 7/16/31  | 560       | 708,400      |
| Icahn Enterprises LP:   |           |              |
| 7.75%, 1/15/16  | 290       | 303,050      |
| 8.00%, 1/15/18  | 1,130     | 1,214,750    |
|   |           | 2,535,600    |
| <b>Beverages 0.7%</b>   |           |              |
| Anheuser-Busch InBev Worldwide, Inc.,<br>1.38%, 7/15/17 (c)                     | 500       | 507,538      |
| Constellation Brands, Inc., 7.25%, 5/15/17                                      | 955       | 1,124,512    |
|   |           | 1,632,050    |
| <b>Building Products 0.3%</b>   |           |              |
| Building Materials Corp. of America (a):  |           |              |
| 7.00%, 2/15/20  | 180       | 195,300      |
| 6.75%, 5/01/21  | 520       | 566,800      |
|   |           | 762,100      |
| <b>Capital Markets 4.8%</b>   |           |              |
| Ameriprise Financial, Inc., 5.30%, 3/15/20 (c)                                  | 1,500     | 1,773,441    |
| E*Trade Financial Corp., 12.50%, 11/30/17                                       | 900       | 1,019,250    |
| The Goldman Sachs Group, Inc. (c):  |           |              |
| 6.25%, 9/01/17  | 625       | 734,397      |
| 6.15%, 4/01/18  | 250       | 292,760      |
| 5.75%, 1/24/22  | 800       | 928,702      |
| 6.25%, 2/01/41  | 2,150     | 2,552,557    |
| Morgan Stanley:   |           |              |
| 0.82%, 10/15/15   | 1,325     | 1,277,447    |
| 5.63%, 9/23/19 (c)  | 1,020     | 1,132,684    |

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UBS AG:

|                    |       |           |
|--------------------|-------|-----------|
| 2.25%, 1/28/14 (c) | 775   | 786,765   |
| 7.63%, 8/17/22     | 1,200 | 1,294,088 |

11,792,091

**Chemicals 2.3%**

|  |     |         |
|--|-----|---------|
| Ashland, Inc., 4.75%, 8/15/22 (a)              | 250 | 255,000 |
| Celanese US Holdings LLC, 5.88%, 6/15/21       | 760 | 846,450 |
| Hexion US Finance Corp., 6.63%, 4/15/20        | 220 | 219,450 |
| Huntsman International LLC, 8.63%, 3/15/21 (c) | 285 | 324,188 |
| INEOS Finance Plc (a):                         |     |         |
| 8.38%, 2/15/19                                 | 155 | 162,750 |
| 7.50%, 5/01/20                                 | 285 | 288,563 |

Par

**Corporate Bonds**

(000)

Value

**Chemicals (concluded)**

|  |     |     |    |           |
|--|-----|-----|----|-----------|
| Linde Finance BV, 7.38%, 7/14/66 (b)                         | EUR | 381 | \$ | 577,785   |
| LyondellBasell Industries NV, 5.75%, 4/15/24 (c)             | USD | 915 |    | 1,059,112 |
| MPM Escrow LLC/MPM Finance Escrow Corp., 8.88%, 10/15/20 (a) |     | 150 |    | 147,000   |
| Nufarm Australia Ltd., 6.38%, 10/15/19 (a)                   |     | 140 |    | 143,500   |
| Rockwood Specialties Group, Inc., 4.63%, 10/15/20            |     | 820 |    | 844,600   |
| Tronox Finance LLC, 6.38%, 8/15/20 (a)                       |     | 745 |    | 743,137   |

5,611,535

**Commercial Banks 5.4%**

|  |  |       |  |           |
|--|--|-------|--|-----------|
| Amsouth Bank, Series AI, 4.85%, 4/01/13      |  | 525   |  | 532,219   |
| Asciano Finance Ltd., 5.00%, 4/07/18 (a)     |  | 425   |  | 458,075   |
| Associated Banc-Corp, 5.13%, 3/28/16 (c)     |  | 1,070 |  | 1,173,269 |
| BBVA US Senior SAU, 4.66%, 10/09/15 (c)      |  | 1,200 |  | 1,211,863 |
| Branch Banking & Trust Co. (b):              |  |       |  |           |
| 0.72%, 9/13/16                               |  | 550   |  | 534,536   |
| 0.73%, 5/23/17                               |  | 325   |  | 312,175   |
| CIT Group, Inc.:                             |  |       |  |           |
| 4.25%, 8/15/17                               |  | 660   |  | 677,033   |
| 5.25%, 3/15/18                               |  | 580   |  | 616,250   |
| 5.50%, 2/15/19 (a)                           |  | 500   |  | 533,125   |
| 5.00%, 8/15/22                               |  | 200   |  | 207,245   |
| Discover Bank, 8.70%, 11/18/19               |  | 550   |  | 719,137   |
| HSBC Finance Corp., 6.68%, 1/15/21 (c)       |  | 750   |  | 887,501   |
| Regions Financial Corp.:                     |  |       |  |           |
| 4.88%, 4/26/13 (c)                           |  | 1,225 |  | 1,244,906 |
| 5.75%, 6/15/15                               |  | 850   |  | 930,750   |
| RESPARCS Funding LP I, 8.00% (d)             |  | 4,000 |  | 962,000   |
| Santander Holdings USA, Inc., 3.00%, 9/24/15 |  | 550   |  | 560,529   |
| Wachovia Bank NA, 6.60%, 1/15/38 (c)         |  | 1,150 |  | 1,630,186 |

13,190,799

**Commercial Services & Supplies 4.0%**

|   |  |       |  |           |
|---|--|-------|--|-----------|
| ADS Waste Holdings, Inc., 8.25%, 10/01/20 (a) |  | 144   |  | 149,040   |
| The ADT Corp., 4.88%, 7/15/42 (a)             |  | 645   |  | 688,328   |
| Aviation Capital Group Corp. (a):             |  |       |  |           |
| 7.13%, 10/15/20 (c)                           |  | 4,500 |  | 4,747,490 |
| 6.75%, 4/06/21                                |  | 1,125 |  | 1,168,774 |
| Casella Waste Systems, Inc., 7.75%, 2/15/19   |  | 167   |  | 163,660   |
| Clean Harbors, Inc., 5.25%, 8/01/20 (a)       |  | 224   |  | 229,600   |
| Corrections Corp. of America, 7.75%, 6/01/17  |  | 1,600 |  | 1,710,000 |
| Covanta Holding Corp., 6.38%, 10/01/22        |  | 320   |  | 348,248   |
| HDTFS, Inc. (a):                              |  |       |  |           |
| 5.88%, 10/15/20                               |  | 175   |  | 176,750   |
| 6.25%, 10/15/22                               |  | 225   |  | 228,094   |
| Mobile Mini, Inc., 7.88%, 12/01/20            |  | 135   |  | 145,969   |

9,755,953

**Communications Equipment 0.9%**

|                                  |  |     |  |         |
|----------------------------------|--|-----|--|---------|
| Avaya, Inc., 9.75%, 11/01/15 (c) |  | 400 |  | 356,000 |
|----------------------------------|--|-----|--|---------|

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|   |       |           |
|---|-------|-----------|
| Brocade Communications Systems, Inc.,<br>6.88%, 1/15/20 (c) | 1,450 | 1,569,625 |
| Zayo Group LLC/Zayo Capital, Inc., 8.13%, 1/01/20           | 340   | 372,300   |
|   |       | 2,297,925 |
| <b>Computers &amp; Peripherals 0.0%</b>                     |       |           |
| NCR Corp., 5.00%, 7/15/22 (a)                               | 70    | 71,488    |
| <b>Construction Materials 0.4%</b>                          |       |           |
| HD Supply, Inc. (a):  |       |           |
| 8.13%, 4/15/19  | 430   | 473,000   |
| 11.50%, 7/15/20   | 600   | 631,500   |
|   |       | 1,104,500 |

See Notes to Financial Statements.



**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust III (BPP)**

(Percentages shown are based on Net Assets)

|   | Par       | Value        |
|---|-----------|--------------|
|   | (000)     |              |
| <b>Corporate Bonds</b>  |           |              |
| <b>Consumer Finance 5.5%</b>                                  |           |              |
| American Express Credit Corp., 2.75%, 9/15/15 (c)             | USD 2,900 | \$ 3,057,090 |
| Capital One Bank USA NA, 8.80%, 7/15/19                       | 1,625     | 2,162,854    |
| Daimler Finance North America LLC,<br>2.63%, 9/15/16 (a)(c)   | 1,650     | 1,721,580    |
| Experian Finance Plc, 2.38%, 6/15/17 (a)(c)                   | 350       | 358,318      |
| Ford Motor Credit Co. LLC:                                    |           |              |
| 8.00%, 12/15/16   | 585       | 708,453      |
| 5.88%, 8/02/21  | 1,420     | 1,634,992    |
| Inmarsat Finance Plc, 7.38%, 12/01/17 (a)                     | 870       | 937,425      |
| SLM Corp., 6.25%, 1/25/16                                     | 2,365     | 2,554,318    |
| Toll Brothers Finance Corp., 5.88%, 2/15/22                   | 200       | 226,098      |
|   |           | 13,361,128   |
| <b>Containers &amp; Packaging 1.3%</b>                        |           |              |
| Ardagh Packaging Finance Plc (a):                             |           |              |
| 7.38%, 10/15/17   | 200       | 214,750      |
| 9.13%, 10/15/20   | 205       | 214,225      |
| Ball Corp.:   |           |              |
| 7.13%, 9/01/16  | 850       | 913,750      |
| 6.75%, 9/15/20  | 1,070     | 1,174,325    |
| Crown Americas LLC, 6.25%, 2/01/21                            | 400       | 441,500      |
| Smurfit Kappa Acquisitions, 4.88%, 9/15/18 (a)                | 240       | 240,000      |
|   |           | 3,198,550    |
| <b>Diversified Financial Services 9.3%</b>                    |           |              |
| Ally Financial, Inc.:   |           |              |
| 4.50%, 2/11/14  | 400       | 412,000      |
| 8.30%, 2/12/15  | 780       | 873,795      |
| 8.00%, 11/01/31   | 810       | 963,900      |
| Bank of America Corp. (c):                                    |           |              |
| 3.75%, 7/12/16  | 925       | 991,258      |
| 5.30%, 3/15/17  | 2,440     | 2,739,327    |
| 5.00%, 5/13/21  | 3,625     | 4,089,286    |
| Blackstone Holdings Finance Co. LLC,<br>4.75%, 2/15/23 (a)(c) | 400       | 429,034      |
| Citigroup, Inc. (c):  |           |              |
| 6.38%, 8/12/14  | 625       | 681,041      |
| 4.59%, 12/15/15   | 475       | 518,188      |
| 8.50%, 5/22/19  | 464       | 618,710      |
| Countrywide Financial Corp., 6.25%, 5/15/16 (c)               | 1,569     | 1,729,353    |
| DPL, Inc., 7.25%, 10/15/21                                    | 520       | 586,300      |
| General Motors Financial Co., Inc., 6.75%, 6/01/18            | 250       | 277,163      |
| ING Bank NV, 5.00%, 6/09/21 (a)(c)                            | 1,150     | 1,298,764    |
| Intesa Sanpaolo SpA, 2.38%, 12/21/12 (c)                      | 1,700     | 1,700,010    |
| LeasePlan Corp. NV, 3.00%, 10/23/17 (a)(b)(c)                 | 975       | 986,239      |
| Moody s Corp., 6.06%, 9/07/17                                 | 1,500     | 1,644,596    |
| Reynolds American, Inc., 3.25%, 11/01/22                      | 900       | 910,282      |
| Reynolds Group Issuer, Inc.:                                  |           |              |
| 7.13%, 4/15/19  | 115       | 122,475      |
| 7.88%, 8/15/19  | 320       | 347,200      |
| 9.88%, 8/15/19  | 145       | 151,887      |
| 5.75%, 10/15/20 (a)   | 700       | 707,000      |
| WGM Acquisition Corp., 9.50%, 6/15/16                         | 100       | 109,875      |

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|   |             |              |              |
|---|-------------|--------------|--------------|
|   |             |              | 22,887,683   |
| <b>Diversified Telecommunication Services</b>                                     | <b>4.1%</b> |              |              |
| AT&T, Inc., 6.30%, 1/15/38 (c)  |             | 2,000        | 2,677,804    |
| Level 3 Financing, Inc.:  |             |              |              |
| 8.13%, 7/01/19  |             | 1,577        | 1,683,447    |
| 8.63%, 7/15/20  |             | 370          | 403,300      |
| Telecom Italia Capital SA, 6.18%, 6/18/14   |             | 500          | 530,323      |
| Telefonica Emisiones SAU, 5.46%, 2/16/21  |             | 660          | 670,725      |
| Verizon Communications, Inc. (c):   |             |              |              |
| 1.95%, 3/28/14  |             | 1,775        | 1,812,415    |
| 7.35%, 4/01/39  |             | 1,150        | 1,771,043    |
| Windstream Corp., 7.88%, 11/01/17   |             | 400          | 445,500      |
|   |             |              | 9,994,557    |
|   |             | <b>Par</b>   |              |
| <b>Corporate Bonds</b>  |             | <b>(000)</b> | <b>Value</b> |
| <b>Electric Utilities</b>   | <b>3.2%</b> |              |              |
| CMS Energy Corp., 5.05%, 3/15/22  |             | USD 550      | \$ 614,377   |
| Duke Energy Corp., 3.55%, 9/15/21   |             | 825          | 884,223      |
| FirstEnergy Solutions Corp., 6.05%, 8/15/21                                       |             | 500          | 577,775      |
| Great Plains Energy, Inc., 5.29%, 6/15/22   |             | 800          | 917,105      |
| Mirant Mid Atlantic Pass Through Trust, Series B, 9.13%, 6/30/17                  |             | 248          | 270,901      |
| Nisource Finance Corp.:   |             |              |              |
| 6.40%, 3/15/18  |             | 500          | 608,600      |
| 5.25%, 2/15/43  |             | 280          | 314,015      |
| Oncor Electric Delivery Co. LLC (c):  |             |              |              |
| 4.10%, 6/01/22  |             | 600          | 642,877      |
| 5.30%, 6/01/42  |             | 400          | 455,309      |
| Progress Energy, Inc., 7.00%, 10/30/31 (c)  |             | 2,000        | 2,669,548    |
|   |             |              | 7,954,730    |
| <b>Electronic Equipment, Instruments &amp; Components</b>                         | <b>0.3%</b> |              |              |
| Jabil Circuit, Inc., 8.25%, 3/15/18   |             | 400          | 472,000      |
| NXP BV, 3.09%, 10/15/13 (b)   |             | 198          | 197,753      |
|   |             |              | 669,753      |
| <b>Energy Equipment &amp; Services</b>  | <b>3.9%</b> |              |              |
| Atwood Oceanics, Inc., 6.50%, 2/01/20   |             | 55           | 59,125       |
| Cie Générale de Géophysique-Veritas,<br>6.50%, 6/01/21                            |             | 340          | 358,700      |
| Energy Transfer Partners LP, 5.20%, 2/01/22                                       |             | 1,500        | 1,721,865    |
| EnSCO Plc, 4.70%, 3/15/21 (c)   |             | 960          | 1,105,452    |
| FTS International Services LLC/FTS International Bonds, Inc., 8.13%, 11/15/18 (a) |             | 382          | 399,190      |
| Hornbeck Offshore Services, Inc., 5.88%, 4/01/20                                  |             | 135          | 137,363      |
| Key Energy Services, Inc., 6.75%, 3/01/21   |             | 360          | 358,200      |
| MEG Energy Corp. (a):   |             |              |              |
| 6.50%, 3/15/21  |             | 465          | 498,713      |
| 6.38%, 1/30/23  |             | 110          | 117,700      |
| Oil States International, Inc., 6.50%, 6/01/19                                    |             | 245          | 260,313      |
| Peabody Energy Corp., 6.25%, 11/15/21 (c)   |             | 755          | 779,537      |
| Precision Drilling Corp., 6.50%, 12/15/21   |             | 210          | 222,075      |
| Seadrill Ltd., 5.63%, 9/15/17 (a)   |             | 1,175        | 1,175,000    |
| Transocean, Inc.:   |             |              |              |
| 2.50%, 10/15/17   |             | 200          | 202,556      |
| 6.50%, 11/15/20   |             | 545          | 662,135      |
| 6.38%, 12/15/21   |             | 660          | 803,110      |
| 6.80%, 3/15/38  |             | 475          | 590,407      |
|   |             |              | 9,451,441    |
| <b>Food Products</b>  | <b>1.3%</b> |              |              |
| Kraft Foods Group, Inc., 5.00%, 6/04/42 (a)                                       |             | 625          | 729,919      |
| Mondelez International, Inc.:   |             |              |              |
| 6.50%, 8/11/17  |             | 800          | 988,101      |
| 6.13%, 8/23/18  |             | 800          | 995,462      |

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|   |       |           |
|---|-------|-----------|
| Post Holdings, Inc., 7.38%, 2/15/22 (a)               | 442   | 469,072   |
|   |       | 3,182,554 |
| <b>Gas Utilities 0.2%</b>                             |       |           |
| El Paso Natural Gas Co. LLC, 8.63%, 1/15/22           | 335   | 458,286   |
| <b>Health Care Equipment &amp; Supplies 0.6%</b>      |       |           |
| Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a)     | 1,000 | 1,147,500 |
| Teleflex, Inc., 6.88%, 6/01/19                        | 240   | 258,000   |
|   |       | 1,405,500 |
| <b>Health Care Providers &amp; Services 4.1%</b>      |       |           |
| Aviv Healthcare Properties LP, 7.75%, 2/15/19         | 220   | 231,825   |
| CHS/Community Health Systems, Inc.,<br>5.13%, 8/15/18 | 230   | 238,625   |
| HCA, Inc.:<br>8.50%, 4/15/19                          | 105   | 117,994   |
| 6.50%, 2/15/20  | 1,075 | 1,187,875 |
| 7.25%, 9/15/20  | 1,645 | 1,819,781 |
| 4.75%, 5/01/23  | 360   | 360,000   |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust III (BPP)**

(Percentages shown are based on Net Assets)

|  | Par     | Value      |
|--|---------|------------|
| Corporate Bonds  | (000)   |            |
| <b>Health Care Providers &amp; Services (concluded)</b>      |         |            |
| INC Research LLC, 11.50%, 7/15/19 (a)                        | USD 340 | \$ 341,700 |
| inVentiv Health, Inc., 10.00%, 8/15/18 (a)                   | 25      | 22,625     |
| Tenet Healthcare Corp.:                                      |         |            |
| 10.00%, 5/01/18  | 745     | 849,300    |
| 8.88%, 7/01/19   | 550     | 614,625    |
| 4.75%, 6/01/20 (a)   | 456     | 452,010    |
| UnitedHealth Group, Inc., 6.88%, 2/15/38 (c)                 | 1,725   | 2,444,787  |
| Verisk Analytics, Inc., 4.13%, 9/12/22                       | 200     | 204,203    |
| WellPoint, Inc.:   |         |            |
| 3.30%, 1/15/23 (c)   | 525     | 543,052    |
| 2.75%, 10/15/42 (a)(e)                                       | 700     | 729,750    |
|  |         | 10,158,152 |
| <b>Health Care Technology 1.4%</b>                           |         |            |
| Amgen, Inc.:   |         |            |
| 5.15%, 11/15/41 (c)  | 2,015   | 2,321,715  |
| 5.65%, 6/15/42   | 20      | 24,559     |
| 5.38%, 5/15/43 (c)   | 825     | 990,499    |
|  |         | 3,336,773  |
| <b>Household Durables 0.5%</b>                               |         |            |
| Beazer Homes USA, Inc., 6.63%, 4/15/18 (a)                   | 335     | 358,450    |
| DR Horton, Inc., 4.38%, 9/15/22                              | 300     | 300,750    |
| Standard Pacific Corp., 8.38%, 1/15/21                       | 435     | 504,600    |
|  |         | 1,163,800  |
| <b>Independent Power Producers &amp; Energy Traders 1.8%</b> |         |            |
| The AES Corp.:   |         |            |
| 9.75%, 4/15/16   | 480     | 574,200    |
| 7.38%, 7/01/21   | 70      | 78,225     |
| Calpine Corp. (a):   |         |            |
| 7.25%, 10/15/17  | 198     | 209,880    |
| 7.50%, 2/15/21   | 90      | 97,875     |
| Energy Future Intermediate Holding Co. LLC,                  |         |            |
| 10.00%, 12/01/20   | 915     | 999,637    |
| Exelon Generation Co. LLC, Series C,                         |         |            |
| 4.25%, 6/15/22 (a)   | 1,137   | 1,216,988  |
| GenOn REMA LLC, 9.68%, 7/02/26                               | 240     | 256,800    |
| Laredo Petroleum, Inc.:                                      |         |            |
| 9.50%, 2/15/19   | 140     | 158,900    |
| 7.38%, 5/01/22   | 130     | 141,700    |
| NRG Energy, Inc., 6.63%, 3/15/23 (a)                         | 255     | 262,650    |
| QEP Resources, Inc.:   |         |            |
| 5.38%, 10/01/22  | 280     | 294,000    |
| 5.25%, 5/01/23   | 145     | 151,163    |
|  |         | 4,442,018  |
| <b>Insurance 6.0%</b>  |         |            |
| American International Group, Inc. (c):                      |         |            |
| 3.80%, 3/22/17   | 725     | 782,150    |
| 8.25%, 8/15/18   | 300     | 389,714    |
| 6.40%, 12/15/20  | 1,235   | 1,516,701  |
| Aon Corp., 5.00%, 9/30/20 (c)                                | 1,500   | 1,728,327  |

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|   |              |       |              |
|---|--------------|-------|--------------|
| Fairfax Financial Holdings Ltd., 5.80%, 5/15/21 (a)           |              | 525   | 537,893      |
| Forethought Financial Group, Inc.,<br>8.63%, 4/15/21 (a)      |              | 525   | 667,412      |
| Genworth Financial, Inc., 7.63%, 9/24/21 (c)                  |              | 480   | 504,860      |
| Manulife Financial Corp., 4.90%, 9/17/20 (c)                  |              | 1,075 | 1,194,377    |
| MPL 2 Acquisition Canco, Inc., 9.88%, 8/15/18 (a)             |              | 210   | 191,625      |
| Nippon Life Insurance Co., 5.00%, 10/18/42 (a)(b)             |              | 1,525 | 1,573,289    |
| Principal Financial Group, Inc., 8.88%, 5/15/19 (c)           |              | 475   | 631,142      |
| Prudential Financial, Inc.:                                   |              |       |              |
| 6.63%, 12/01/37 (c)   |              | 1,725 | 2,215,842    |
| 5.88%, 9/15/42 (b)  |              | 600   | 631,500      |
| XL Group Ltd., 5.75%, 10/01/21 (c)                            |              | 1,740 | 2,061,258    |
|   |              |       | 14,626,090   |
|   | <b>Par</b>   |       |              |
| <b>Corporate Bonds</b>  | <b>(000)</b> |       | <b>Value</b> |
| <b>IT Services 1.2%</b>                                       |              |       |              |
| Ceridian Corp., 8.88%, 7/15/19 (a)                            | USD          | 845   | \$ 895,700   |
| Epicor Software Corp., 8.63%, 5/01/19                         |              | 340   | 357,000      |
| First Data Corp.:   |              |       |              |
| 7.38%, 6/15/19 (a)(c)   |              | 455   | 470,925      |
| 6.75%, 11/01/20 (a)   |              | 380   | 380,000      |
| 8.25%, 1/15/21 (a)  |              | 40    | 40,000       |
| 12.63%, 1/15/21   |              | 340   | 351,050      |
| SunGard Data Systems, Inc., 7.38%, 11/15/18                   |              | 350   | 376,687      |
|   |              |       | 2,871,362    |
| <b>Life Sciences Tools &amp; Services 1.8%</b>                |              |       |              |
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16                    |              | 1,830 | 1,999,275    |
| Life Technologies Corp., 6.00%, 3/01/20                       |              | 2,000 | 2,393,738    |
|   |              |       | 4,393,013    |
| <b>Machinery 1.1%</b>   |              |       |              |
| Ingersoll-Rand Global Holding Co. Ltd.,<br>9.50%, 4/15/14 (c) |              | 1,725 | 1,931,660    |
| UR Merger Sub Corp. (a):                                      |              |       |              |
| 5.75%, 7/15/18  |              | 114   | 122,550      |
| 7.38%, 5/15/20  |              | 290   | 313,925      |
| 7.63%, 4/15/22  |              | 267   | 292,365      |
|   |              |       | 2,660,500    |
| <b>Media 9.3%</b>   |              |       |              |
| A&E Television Networks LLC, 3.25%, 8/22/19                   |              | 690   | 702,075      |
| AMC Networks, Inc., 7.75%, 7/15/21                            |              | 190   | 215,175      |
| CCH II LLC, 13.50%, 11/30/16                                  |              | 461   | 495,248      |
| Comcast Corp., 6.30%, 11/15/17 (c)                            |              | 1,725 | 2,142,029    |
| Cox Communications, Inc., 8.38%, 3/01/39 (a)                  |              | 1,725 | 2,737,173    |
| CSC Holdings LLC, 8.63%, 2/15/19                              |              | 580   | 687,300      |
| DIRECTV Holdings LLC, 5.00%, 3/01/21                          |              | 1,250 | 1,421,415    |
| DISH DBS Corp., 7.00%, 10/01/13                               |              | 850   | 889,313      |
| Intelsat Jackson Holdings SA, 7.25%, 4/01/19                  |              | 150   | 160,875      |
| Intelsat Luxembourg SA:                                       |              |       |              |
| 11.25%, 2/04/17   |              | 430   | 451,500      |
| 11.50%, 2/04/17 (f)   |              | 190   | 199,975      |
| The Interpublic Group of Cos., Inc., 10.00%, 7/15/17          |              | 575   | 634,656      |
| The New York Times Co., 6.63%, 12/15/16                       |              | 1,725 | 1,901,812    |
| News America, Inc., 6.15%, 3/01/37 (c)                        |              | 1,325 | 1,663,508    |
| Time Warner Cable, Inc., 6.75%, 6/15/39                       |              | 1,950 | 2,602,792    |
| Time Warner, Inc., 7.70%, 5/01/32                             |              | 2,000 | 2,930,760    |
| Unitymedia Hessen GmbH & Co. KG (a):                          |              |       |              |
| 8.13%, 12/01/17   |              | 763   | 824,040      |
| 7.50%, 3/15/19  |              | 500   | 547,806      |
| Virgin Media Finance Plc, 4.88%, 2/15/22                      |              | 245   | 247,450      |
| Virgin Media Secured Finance Plc, 6.50%, 1/15/18              |              | 1,300 | 1,410,500    |

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|   |       | 22,865,402 |
|---|-------|------------|
| <b>Metals &amp; Mining 2.3%</b>                         |       |            |
| AngloGold Ashanti Holdings Plc, 5.13%, 8/01/22          | 700   | 713,876    |
| ArcelorMittal, 4.25%, 3/01/16                           | 100   | 99,329     |
| Barrick Gold Corp., 2.90%, 5/30/16 (c)                  | 550   | 580,297    |
| FMG Resources August 2006 Property Ltd. (a):            |       |            |
| 6.38%, 2/01/16  | 785   | 785,000    |
| 6.88%, 4/01/22 (c)                                      | 40    | 37,600     |
| Freeport-McMoRan Copper & Gold, Inc.,<br>3.55%, 3/01/22 | 675   | 687,284    |
| Freeport-McMoRan Corp., 7.13%, 11/01/27                 | 1,400 | 1,775,225  |
| New Gold, Inc., 7.00%, 4/15/20 (a)                      | 65    | 68,900     |
| Novelis, Inc., 8.75%, 12/15/20                          | 470   | 518,175    |
| Steel Dynamics, Inc., 6.38%, 8/15/22 (a)                | 205   | 214,225    |
| Teck Resources Ltd., 10.75%, 5/15/19                    | 190   | 228,787    |
|   |       | 5,708,698  |

See Notes to Financial Statements.

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## Schedule of Investments (continued)

## BlackRock Credit Allocation Income Trust III (BPP)

(Percentages shown are based on Net Assets)

|   | Par       |              |
|---|-----------|--------------|
|   | (000)     | Value        |
| <b>Corporate Bonds</b>                            |           |              |
| <b>Multi-Utilities 1.5%</b>                       |           |              |
| CenterPoint Energy, Inc.:                         |           |              |
| 5.95%, 2/01/17                                    | USD 1,500 | \$ 1,751,909 |
| 6.50%, 5/01/18                                    | 1,600     | 1,947,883    |
|   |           | 3,699,792    |
| <b>Multiline Retail 0.4%</b>                      |           |              |
| Dufty Finance SCA, 5.50%, 10/15/20 (a)            | 403       | 410,037      |
| Walgreen Co., 3.10%, 9/15/22                      | 500       | 509,114      |
|   |           | 919,151      |
| <b>Oil, Gas &amp; Consumable Fuels 13.5%</b>      |           |              |
| Access Midstream Partners LP:                     |           |              |
| 5.88%, 4/15/21                                    | 285       | 296,400      |
| 6.13%, 7/15/22                                    | 230       | 243,225      |
| Berry Petroleum Co., 6.38%, 9/15/22               | 205       | 213,713      |
| BP Capital Markets Plc (c):                       |           |              |
| 3.88%, 3/10/15                                    | 700       | 751,816      |
| 3.20%, 3/11/16                                    | 925       | 994,568      |
| Carrizo Oil & Gas, Inc., 7.50%, 9/15/20           | 225       | 229,500      |
| Chesapeake Energy Corp.:                          |           |              |
| 7.25%, 12/15/18                                   | 20        | 21,300       |
| 6.63%, 8/15/20 (c)                                | 215       | 225,750      |
| 6.13%, 2/15/21 (c)                                | 215       | 217,687      |
| Concho Resources, Inc., 5.50%, 10/01/22           | 205       | 214,738      |
| CONSOL Energy, Inc., 6.38%, 3/01/21               | 220       | 218,900      |
| Continental Resources, Inc., 5.00%, 9/15/22       | 225       | 236,812      |
| Copano Energy LLC, 7.13%, 4/01/21                 | 240       | 252,600      |
| DCP Midstream LLC, 4.75%, 9/30/21 (a)             | 158       | 168,186      |
| Denbury Resources, Inc., 8.25%, 2/15/20           | 310       | 351,075      |
| El Paso Pipeline Partners Operating Co. LLC:      |           |              |
| 6.50%, 4/01/20                                    | 680       | 832,620      |
| 5.00%, 10/01/21                                   | 300       | 339,674      |
| Enbridge Energy Partners LP, 9.88%, 3/01/19       | 1,000     | 1,363,026    |
| Energy Transfer Partners LP, 6.50%, 2/01/42       | 230       | 289,158      |
| Energy XXI Gulf Coast, Inc., 7.75%, 6/15/19       | 500       | 542,500      |
| Enterprise Products Operating LLC, 6.65%, 4/15/18 | 2,000     | 2,505,016    |
| EP Energy LLC/EP Energy Finance, Inc.,            |           |              |
| 6.88%, 5/01/19 (a)                                | 230       | 248,400      |
| Forest Oil Corp., 8.50%, 2/15/14                  | 300       | 324,000      |
| Kinder Morgan Energy Partners LP,                 |           |              |
| 6.85%, 2/15/20 (c)                                | 2,000     | 2,554,704    |
| Kodiak Oil & Gas Corp., 8.13%, 12/01/19 (a)       | 90        | 98,100       |
| Linn Energy LLC:                                  |           |              |
| 6.25%, 11/01/19 (a)                               | 545       | 545,000      |
| 7.75%, 2/01/21                                    | 220       | 234,850      |
| Marathon Petroleum Corp., 3.50%, 3/01/16          | 650       | 696,450      |
| MarkWest Energy Partners LP:                      |           |              |
| 6.25%, 6/15/22                                    | 255       | 276,037      |
| 5.50%, 2/15/23                                    | 90        | 94,500       |
| Newfield Exploration Co.:                         |           |              |
| 6.88%, 2/01/20                                    | 275       | 297,687      |
| 5.63%, 7/01/24                                    | 200       | 213,500      |
| Nexen, Inc., 6.40%, 5/15/37                       | 670       | 859,798      |

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|   |            |           |
|---|------------|-----------|
| Oasis Petroleum, Inc.:                              |            |           |
| 7.25%, 2/01/19                                      | 130        | 139,100   |
| 6.50%, 11/01/21                                     | 145        | 153,338   |
| Offshore Group Investments Ltd., 11.50%, 8/01/15    | 169        | 185,689   |
| ONEOK Partners LP, 8.63%, 3/01/19                   | 1,725      | 2,293,255 |
| PDC Energy, Inc., 7.75%, 10/15/22 (a)               | 175        | 178,063   |
| Petrobras International Finance Co.:                |            |           |
| 3.88%, 1/27/16                                      | 1,800      | 1,912,203 |
| 5.38%, 1/27/21                                      | 1,075      | 1,219,110 |
| Petrohawk Energy Corp., 10.50%, 8/01/14             | 300        | 323,250   |
| Petroleum Geo-Services ASA, 7.38%, 12/15/18 (a)     | 310        | 329,375   |
| Pioneer Natural Resources Co., 6.88%, 5/01/18       | 240        | 295,132   |
| Plains Exploration & Production Co., 6.88%, 2/15/23 | 560        | 559,300   |
| Premier Oil Plc, 5.00%, 6/09/18                     | 1,625      | 1,665,625 |
|   | <b>Par</b> |           |

| Corporate Bonds | (000) | Value |
|-----------------|-------|-------|
|-----------------|-------|-------|

### Oil, Gas & Consumable Fuels (concluded)

|  |         |            |
|--|---------|------------|
| Range Resources Corp.:                         |         |            |
| 6.75%, 8/01/20                                 | USD 255 | \$ 281,137 |
| 5.75%, 6/01/21                                 | 160     | 171,200    |
| Ruby Pipeline LLC, 6.00%, 4/01/22 (a)          | 1,425   | 1,519,777  |
| Sabine Pass Liquefied Natural Gas LP:          |         |            |
| 7.50%, 11/30/16                                | 855     | 934,087    |
| 6.50%, 11/01/20 (a)                            | 275     | 280,500    |
| SandRidge Energy, Inc.:                        |         |            |
| 7.50%, 3/15/21 (a)                             | 160     | 166,400    |
| 7.50%, 3/15/21                                 | 95      | 98,800     |
| 8.13%, 10/15/22 (a)                            | 105     | 112,875    |
| 7.50%, 2/15/23 (a)                             | 360     | 372,600    |
| SESI LLC, 7.13%, 12/15/21                      | 210     | 234,150    |
| SM Energy Co.:                                 |         |            |
| 6.63%, 2/15/19                                 | 110     | 115,225    |
| 6.50%, 11/15/21                                | 165     | 173,663    |
| 6.50%, 1/01/23                                 | 105     | 109,725    |
| Targa Resources Partners LP, 6.88%, 2/01/21    | 180     | 195,300    |
| Tennessee Gas Pipeline Co. LLC, 8.00%, 2/01/16 | 400     | 480,264    |
| Tesoro Corp., 5.38%, 10/01/22                  | 295     | 307,537    |
| Western Gas Partners LP, 5.38%, 6/01/21        | 725     | 835,338    |
| The Williams Cos., Inc., 8.75%, 3/15/32        | 422     | 604,472    |

33,197,780

### Paper & Forest Products 2.7%

|   |       |           |
|---|-------|-----------|
| Boise Paper Holdings LLC:               |       |           |
| 9.00%, 11/01/17                         | 60    | 66,000    |
| 8.00%, 4/01/20                          | 235   | 257,325   |
| International Paper Co. (c):            |       |           |
| 7.50%, 8/15/21                          | 1,625 | 2,158,002 |
| 8.70%, 6/15/38                          | 900   | 1,380,758 |
| 7.30%, 11/15/39                         | 1,725 | 2,395,968 |
| Longview Fibre Paper & Packaging, Inc., |       |           |
| 8.00%, 6/01/16 (a)                      | 160   | 166,800   |
| PH Glatfelter Co., 5.38%, 10/15/20 (a)  | 225   | 228,094   |

6,652,947

### Pharmaceuticals 1.9%

|   |       |           |
|---|-------|-----------|
| Merck & Co., Inc., 6.50%, 12/01/33            |       |           |
|   | 990   | 1,471,432 |
| Pfizer, Inc., 7.20%, 3/15/39 (c)              | 235   | 375,793   |
| Roche Holdings, Inc., 7.00%, 3/01/39 (a)(c)   | 865   | 1,339,741 |
| Valeant Pharmaceuticals International (a):    |       |           |
| 6.50%, 7/15/16                                | 59    | 62,097    |
| 6.38%, 10/15/20                               | 340   | 357,850   |
| Watson Pharmaceuticals, Inc., 3.25%, 10/01/22 | 1,080 | 1,112,928 |

4,719,841

### Professional Services 0.0%

|                                       |     |         |
|---------------------------------------|-----|---------|
| FTI Consulting, Inc., 7.75%, 10/01/16 | 100 | 102,750 |
|---------------------------------------|-----|---------|



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### Real Estate Investment Trusts (REITs) 2.9%

|   |       |           |
|---|-------|-----------|
| AvalonBay Communities, Inc., 6.10%, 3/15/20 (c) | 1,725 | 2,132,783 |
| Developers Diversified Realty Corp.:            |       |           |
| 4.75%, 4/15/18                                  | 315   | 353,506   |
| 7.88%, 9/01/20                                  | 375   | 487,706   |
| ERP Operating LP, 5.75%, 6/15/17 (c)            | 1,715 | 2,027,204 |
| HCP, Inc., 5.38%, 2/01/21                       | 500   | 578,737   |
| UDR, Inc., 4.25%, 6/01/18                       | 725   | 803,937   |
| Ventas Realty LP/Ventas Capital Corp.,          |       |           |
| 4.75%, 6/01/21                                  | 550   | 612,457   |

6,996,330

### Real Estate Management & Development 0.3%

|                                      |     |         |
|--------------------------------------|-----|---------|
| Lennar Corp., 4.75%, 11/15/22 (a)    | 260 | 257,400 |
| Realogy Corp., 7.63%, 1/15/20 (a)(c) | 295 | 331,137 |
| Shea Homes LP, 8.63%, 5/15/19        | 230 | 255,875 |

844,412

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust III (BPP)**

(Percentages shown are based on Net Assets)

|   | Par     | Value      |
|---|---------|------------|
| Corporate Bonds   | (000)   |            |
| <b>Road &amp; Rail 1.4%</b>   |         |            |
| The Hertz Corp., 6.75%, 4/15/19   | USD 188 | \$ 199,515 |
| Norfolk Southern Corp., 6.00%, 3/15/2105 (c)  | 2,500   | 3,127,207  |
|   |         | 3,326,722  |
| <b>Semiconductors &amp; Semiconductor Equipment 0.5%</b>  |         |            |
| KLA-Tencor Corp., 6.90%, 5/01/18  | 918     | 1,106,450  |
| <b>Software 0.4%</b>  |         |            |
| Infor US, Inc., 9.38%, 4/01/19  | 220     | 243,100    |
| Nuance Communications, Inc., 5.38%, 8/15/20 (a)   | 330     | 336,600    |
| Symantec Corp., 2.75%, 6/15/17  | 300     | 311,476    |
|   |         | 891,176    |
| <b>Specialty Retail 1.5%</b>  |         |            |
| AutoNation, Inc., 6.75%, 4/15/18  | 940     | 1,055,150  |
| Limited Brands, Inc., 7.00%, 5/01/20  | 470     | 536,387    |
| QVC, Inc. (a):  |         |            |
| 7.38%, 10/15/20   | 50      | 55,412     |
| 5.13%, 7/02/22  | 710     | 742,369    |
| Sally Holdings LLC, 6.88%, 11/15/19   | 290     | 321,538    |
| VF Corp., 5.95%, 11/01/17 (c)   | 725     | 861,655    |
|   |         | 3,572,511  |
| <b>Tobacco 2.7%</b>   |         |            |
| Altria Group, Inc., 10.20%, 2/06/39   | 1,919   | 3,371,219  |
| BAT International Finance Plc, 3.25%, 6/07/22 (a)(c)  | 675     | 701,185    |
| Lorillard Tobacco Co., 3.50%, 8/04/16   | 1,175   | 1,248,584  |
| Philip Morris International, Inc., 2.50%, 5/16/16 (c)   | 1,225   | 1,292,740  |
|   |         | 6,613,728  |
| <b>Trading Companies &amp; Distributors 0.2%</b>  |         |            |
| Doric Nimrod Air Finance Alpha Ltd. Pass Through Trust, Series 2012-1, Class A, 5.13%, 11/30/24 (a) | 465     | 483,600    |
| <b>Transportation Infrastructure 0.9%</b>   |         |            |
| Penske Truck Leasing Co. LP/PTL Finance Corp. (a):  |         |            |
| 3.75%, 5/11/17  | 1,475   | 1,506,053  |
| 4.88%, 7/11/22  | 800     | 817,866    |
|   |         | 2,323,919  |
| <b>Wireless Telecommunication Services 5.3%</b>   |         |            |
| America Movil SAB de CV, 2.38%, 9/08/16 (c)   | 1,780   | 1,860,675  |
| <b>American Tower Corp.:</b>  |         |            |
| 4.50%, 1/15/18  | 925     | 1,024,312  |
| 5.05%, 9/01/20  | 500     | 561,848    |
| Cricket Communications, Inc., 7.75%, 5/15/16  | 325     | 343,688    |
| <b>Crown Castle International Corp.:</b>  |         |            |
| 9.00%, 1/15/15  | 430     | 460,100    |
| 5.25%, 1/15/23 (a)  | 270     | 279,450    |
| <b>Crown Castle Towers LLC (a):</b>   |         |            |
| 5.50%, 1/15/37  | 575     | 656,658    |
| 4.17%, 8/15/37  | 1,000   | 1,098,263  |
| 6.11%, 1/15/40  | 625     | 760,417    |
| Digicel Group Ltd., 8.25%, 9/30/20 (a)  | 520     | 560,300    |

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|  |              |              |
|--|--------------|--------------|
| SBA Tower Trust, 5.10%, 4/15/42 (a)                              | 2,500        | 2,776,997    |
| Sprint Capital Corp., 6.88%, 11/15/28                            | 230          | 235,175      |
| Sprint Nextel Corp. (a):   |              |              |
| 9.00%, 11/15/18  | 630          | 778,050      |
| 7.00%, 3/01/20   | 1,290        | 1,496,400    |
|  |              | 12,892,333   |
| <b>Total Corporate Bonds 116.4%</b>                              |              | 285,222,034  |
|  | <b>Par</b>   |              |
| <b>Floating Rate Loan Interests 0.0% (b)</b>                     | <b>(000)</b> | <b>Value</b> |
| <b>Oil, Gas &amp; Consumable Fuels 0.0%</b>                      |              |              |
| Chesapeake Energy Corp., Unsecured Term Loan, 8.50%, 12/01/17    | USD 85       | \$ 85,435    |
| <b>Preferred Securities</b>                                      |              |              |
| <b>Capital Trusts</b>  |              |              |
| <b>Capital Markets 3.3%</b>                                      |              |              |
| RBS Capital Trust II, 6.43% (b)(d)                               | 625          | 525,000      |
| State Street Capital Trust IV, 1.39%, 6/01/67 (b)                | 9,675        | 7,419,467    |
|  |              | 7,944,467    |
| <b>Commercial Banks 2.3%</b>                                     |              |              |
| Barclays Bank Plc (a)(b)(d):                                     |              |              |
| 5.93%(c)   | 1,700        | 1,666,000    |
| 7.43%  | 325          | 338,000      |
| BNP Paribas SA, 7.20% (a)(b)(c)(d)                               | 700          | 689,500      |
| Credit Agricole SA, 8.38% (a)(b)(c)(d)                           | 725          | 737,688      |
| National City Preferred Capital Trust I, 12.00% (b)(d)           | 600          | 606,882      |
| NBP Capital Trust III, 7.38% (d)                                 | 2,000        | 1,630,000    |
|  |              | 5,668,070    |
| <b>Consumer Finance 0.3%</b>                                     |              |              |
| Capital One Capital V, 10.25%, 8/15/39                           | 750          | 772,500      |
| <b>Diversified Financial Services 4.2%</b>                       |              |              |
| General Electric Capital Corp., 6.25% (b)(c)                     | 1,300        | 1,417,039    |
| JPMorgan Chase Capital XXI, Series U,<br>1.26%, 1/15/87          | 7,125        | 5,401,526    |
| JPMorgan Chase Capital XXIII, 1.43%, 5/15/77 (b)                 | 4,790        | 3,539,245    |
|  |              | 10,357,810   |
| <b>Electric Utilities 0.4%</b>                                   |              |              |
| PPL Capital Funding, Inc., 6.70%, 3/30/67 (b)                    | 900          | 948,375      |
| <b>Insurance 8.1%</b>  |              |              |
| The Allstate Corp., 6.50%, 5/15/67 (b)                           | 900          | 967,500      |
| American General Capital II, 8.50%, 7/01/30                      | 100          | 122,500      |
| American International Group, Inc.,<br>8.18%, 5/15/68 (b)        | 400          | 499,000      |
| AXA SA, 6.38% (a)(b)(d)  | 900          | 841,500      |
| The Chubb Corp., 6.38%, 3/29/67 (b)                              | 900          | 976,500      |
| Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b)               | 900          | 1,341,000    |
| Lincoln National Corp., 7.00%, 5/17/66 (b)                       | 900          | 922,500      |
| MetLife, Inc., 6.40%, 12/15/66                                   | 1,400        | 1,521,838    |
| Mitsui Sumitomo Insurance Co. Ltd.,<br>7.00%, 3/15/72 (a)(b)     | 700          | 798,763      |
| Northwestern Mutual Life Insurance Co.,<br>6.06%, 3/30/40 (a)(c) | 1,800        | 2,366,130    |
| Prudential Plc, 6.50% (d)  | 6,000        | 5,970,000    |
| Reinsurance Group of America, Inc.,<br>6.75%, 12/15/65 (b)       | 1,300        | 1,315,274    |
| Swiss Re Capital I LP, 6.85% (a)(b)(d)                           | 1,000        | 1,043,227    |
| ZFS Finance USA Trust II, 6.45%, 12/15/65 (a)(b)                 | 1,150        | 1,236,250    |
|  |              | 19,921,982   |

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|  |              |     |                   |
|--|--------------|-----|-------------------|
| <b>Oil, Gas &amp; Consumable Fuels</b>         | <b>0.4%</b>  |     |                   |
| TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b) |              | 900 | 967,168           |
| <b>Total Capital Trusts</b>                    | <b>19.0%</b> |     | <b>46,580,372</b> |

|                                       |             |               |                  |
|---------------------------------------|-------------|---------------|------------------|
| <b>Preferred Stocks</b>               |             | <b>Shares</b> |                  |
| <b>Capital Markets</b>                | <b>0.1%</b> |               |                  |
| RBS Capital Funding Trust V, 5.90%    |             | 15,000        | 275,850          |
| <b>Diversified Financial Services</b> | <b>0.5%</b> |               |                  |
| Ally Financial, Inc., 7.00% (a)       |             | 1,170         | 1,127,441        |
| <b>Total Preferred Stocks</b>         | <b>0.6%</b> |               | <b>1,403,291</b> |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust III (BPP)**

(Percentages shown are based on Net Assets)

| <b>Trust Preferreds</b>  | <b>Shares</b>          | <b>Value</b> |
|--|------------------------|--------------|
| <b>Diversified Financial Services 0.4%</b>   |                        |              |
| GMAC Capital Trust I, Series 2, 8.13%, 2/15/40   | 35,090                 | \$ 902,205   |
| <b>Machinery 0.3%</b>  |                        |              |
| Stanley Black & Decker, Inc., 5.75%, 7/25/52   | 30,000                 | 775,500      |
| <b>Total Trust Preferreds 0.7%</b>   |                        | 1,677,705    |
| <b>Total Preferred Securities 20.3%</b>  |                        | 49,661,368   |
|  | <b>Par</b>             |              |
|  | <b>(000)</b>           |              |
| <b>Taxable Municipal Bonds 0.8%</b>  |                        |              |
| Metropolitan Transportation Authority, RB, Build America Bonds, 6.55%, 11/15/31  | USD 1,675              | 2,109,059    |
| <b>US Government Sponsored Agency Securities 0.3%</b>  |                        |              |
| <b>Agency Obligations 0.3%</b>   |                        |              |
| Fannie Mae, 1.93%, 10/09/19 (c)(g)   | 805                    | 704,579      |
| <b>US Treasury Obligations</b>   |                        |              |
| <b>US Treasury Bonds (c):</b>  |                        |              |
| 3.75%, 8/15/41   | 713                    | 849,250      |
| 3.13%, 11/15/41  | 335                    | 355,519      |
| 3.13%, 2/15/42   | 1,600                  | 1,696,000    |
| 3.00%, 5/15/42   | 2,750                  | 2,840,665    |
| <b>US Treasury Notes (c):</b>  |                        |              |
| 0.88%, 12/31/16  | 9,300                  | 9,412,614    |
| 0.63%, 5/31/17   | 455                    | 454,609      |
| 1.63%, 8/15/22   | 750                    | 745,898      |
| <b>Total US Treasury Obligations 6.7%</b>  |                        | 16,354,555   |
| <b>Total Long-Term Investments</b>   |                        |              |
| <b>(Cost \$331,179,901) 145.0%</b>   |                        | 355,313,530  |
| <b>Short-Term Securities</b>   | <b>Shares</b>          |              |
| BlackRock Liquidity Funds, TempFund, Institutional Class, 0.17% (h)(i)   | 4,101,982              | 4,101,982    |
| <b>Total Short-Term Securities</b>   |                        |              |
| <b>(Cost \$4,101,982) 1.7%</b>   |                        | 4,101,982    |
| <b>Options Purchased</b>   | <b>Contracts</b>       |              |
| <b>Exchange-Traded Put Options 0.1%</b>  |                        |              |
| Euro-Dollar 3-Year Mid-Curve Options, Strike Price USD 98.88, Expires 3/15/13  | 452                    | 186,450      |
|  | <b>Notional Amount</b> |              |
|  | <b>(000)</b>           |              |
| <b>Over-the-Counter Interest Rate Call Swaptions 0.0%</b>  |                        |              |
| Receive a fixed rate of 2.61% and pay a floating rate based on 3-month LIBOR, expires 1/13/14, Broker Credit Suisse Group AG | 500                    | 32,372       |
| <b>Over-the-Counter Interest Rate Put Swaptions 0.0%</b>   |                        |              |
|  | 17,900                 | 14,998       |

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Pay a fixed rate of 0.71% and receive a floating rate based on 3-month LIBOR, Expires

6/28/13, Broker Deutsche Bank AG

Pay a fixed rate of 2.61% and receive a floating rate based on 3-month LIBOR, Expires

1/13/14, Broker Credit Suisse Group AG

|   |     | Notional<br>Amount (000) |    | Value       |
|---|-----|--------------------------|----|-------------|
|   | 500 |                          |    | 8,398       |
| <b>Options Purchased</b>  |     |                          |    |             |
| <b>Over-the-Counter Interest Rate Put Swaptions (concluded)</b>   |     |                          |    |             |
| Pay a fixed rate of 4.50% and receive a floating rate based on 3-month LIBOR,<br>Expires 2/02/17, Broker Deutsche Bank AG | USD | 2,300                    | \$ | 52,966      |
|   |     |                          |    | 76,362      |
| <b>Total Options Purchased</b>  |     |                          |    | 295,184     |
| <b>(Cost \$391,631) 0.1%</b>  |     |                          |    |             |
| <b>Total Investments Before Options Written</b>   |     |                          |    | 359,710,696 |
| <b>(Cost \$335,673,514) 146.8%</b>  |     |                          |    |             |

### Options Written

#### Over-the-Counter Interest Rate Call Swaptions (0.5)%

Pay a fixed rate of 4.75% and receive a floating rate based on 3-month LIBOR,  
Expires 3/24/14, Broker Citigroup, Inc.

5,000

(1,199,084)

Pay a fixed rate of 2.33% and receive a floating rate based on 3-month LIBOR,  
Expires 10/02/14, Broker Credit Suisse Group AG

1,900

(81,669)

(1,280,753)

#### Over-the-Counter Interest Rate Put Swaptions (0.1)%

Receive a fixed rate of 4.75% and pay a floating rate based on 3-month LIBOR,  
Expires 3/24/14, Broker Citigroup, Inc.

5,000

(8,864)

Receive a fixed rate of 2.33% and pay a floating rate based on 3-month LIBOR,  
Expires 10/02/14, Broker Credit Suisse Group AG

1,900

(76,759)

Receive a fixed rate of 6.00% and pay a floating rate based on 3-month LIBOR,  
Expires 2/02/17, Broker Deutsche Bank AG

4,600

(47,514)

(133,137)

### Total Options Written

**(Premiums Received \$838,575) (0.6)%**

(1,413,890)

**Total Investments, Net of Options Written 146.2%**

358,296,806

**Liabilities in Excess of Other Assets (46.2)%**

(113,236,395)

**Net Assets 100.0%**

\$ 245,060,411

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. 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) Security is perpetual in nature and has no stated maturity date.

(e) Convertible security.

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

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

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust III (BPP)**

(h) Investments in issuers considered to be an affiliate of the Fund during the year ended October 31, 2012, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

| <b>Affiliate</b>  | <b>Shares Held at October 31, 2011</b> | <b>Net Activity</b> | <b>Shares Held at October 31, 2012</b> | <b>Income</b> |
|---|--|---------------------|--|---------------|
| BlackRock Liquidity Funds, TempFund Institutional Class | 2,459,914                              | 1,642,068           | 4,101,982                              | \$ 2,279      |

(i) 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, 2012 were as follows:

| <b>Counterparty</b>                | <b>Interest Rate</b> | <b>Trade Date</b> | <b>Maturity Date</b> | <b>Face Value</b> | <b>Face Value Including Accrued Interest</b> |
|------------------------------------|----------------------|-------------------|----------------------|-------------------|--|
| Barclays Capital, Inc.             | 0.35%                | 4/03/12           | Open                 | \$ 7,494,796      | \$ 7,509,372                                 |
| BNP Paribas Securities Corp.       | 0.10%                | 4/03/12           | Open                 | 778,952           | 779,411                                      |
| BNP Paribas Securities Corp.       | 0.11%                | 4/03/12           | Open                 | 628,000           | 628,407                                      |
| UBS Securities LLC                 | 0.30%                | 4/04/12           | Open                 | 2,403,400         | 2,407,626                                    |
| UBS Securities LLC                 | 0.31%                | 4/04/12           | Open                 | 477,375           | 478,242                                      |
| UBS Securities LLC                 | 0.35%                | 4/04/12           | Open                 | 8,701,750         | 8,719,601                                    |
| UBS Securities LLC                 | 0.38%                | 4/04/12           | Open                 | 6,419,250         | 6,433,548                                    |
| Barclays Capital, Inc.             | 0.35%                | 4/25/12           | Open                 | 2,072,063         | 2,075,890                                    |
| UBS Securities LLC                 | 0.25%                | 5/01/12           | Open                 | 589,750           | 590,504                                      |
| UBS Securities LLC                 | 0.37%                | 5/01/12           | Open                 | 1,726,188         | 1,729,452                                    |
| UBS Securities LLC                 | 0.38%                | 5/01/12           | Open                 | 1,515,125         | 1,518,068                                    |
| UBS Securities LLC                 | 0.00%                | 5/07/12           | Open                 | 174,687           | 174,687                                      |
| Barclays Capital, Inc.             | 0.35%                | 5/08/12           | Open                 | 812,250           | 813,640                                      |
| UBS Securities LLC                 | 0.25%                | 5/10/12           | Open                 | 409,955           | 410,450                                      |
| UBS Securities LLC                 | 0.34%                | 5/11/12           | Open                 | 1,061,562         | 1,063,307                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 5/14/12           | Open                 | 796,875           | 798,200                                      |
| UBS Securities LLC                 | 0.34%                | 5/14/12           | Open                 | 3,515,590         | 3,521,268                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 5/15/12           | Open                 | 803,344           | 804,671                                      |
| Credit Suisse Securities (USA) LLC | 0.35%                | 5/18/12           | Open                 | 1,726,600         | 1,729,403                                    |
| BNP Paribas Securities Corp.       | 0.21%                | 5/21/12           | Open                 | 1,714,000         | 1,715,640                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 5/22/12           | Open                 | 1,224,344         | 1,226,284                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 5/24/12           | Open                 | 821,062           | 822,348                                      |
| Deutsche Bank Securities, Inc.     | 0.19%                | 5/29/12           | Open                 | 354,262           | 354,554                                      |
| UBS Securities LLC                 | 0.34%                | 5/31/12           | Open                 | 1,608,750         | 1,611,090                                    |
| Barclays Capital, Inc.             | 0.35%                | 6/05/12           | Open                 | 2,906,466         | 2,910,676                                    |
| Bank of America Merrill Lynch      | 0.20%                | 6/12/12           | Open                 | 438,350           | 438,696                                      |
| Credit Suisse Securities (USA) LLC | 0.35%                | 6/20/12           | Open                 | 1,967,144         | 1,969,706                                    |
| Credit Suisse Securities (USA) LLC | 0.38%                | 6/20/12           | Open                 | 9,375,219         | 9,388,480                                    |
| Deutsche Bank Securities, Inc.     | 0.26%                | 7/05/12           | Open                 | 9,404,625         | 9,412,708                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 7/11/12           | Open                 | 553,437           | 554,046                                      |
| Credit Suisse Securities (USA) LLC | 0.35%                | 7/13/12           | Open                 | 1,748,700         | 1,750,587                                    |
| Credit Suisse Securities (USA) LLC | 0.30%                | 7/25/12           | Open                 | 2,932,625         | 2,935,020                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 7/25/12           | Open                 | 2,960,594         | 2,963,422                                    |



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|                                    |         |          |      |           |           |
|------------------------------------|---------|----------|------|-----------|-----------|
| Credit Suisse Securities (USA) LLC | 0.35%   | 7/26/12  | Open | 1,981,581 | 1,983,469 |
| Credit Suisse Securities (USA) LLC | 0.35%   | 7/31/12  | Open | 597,906   | 598,447   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/10/12  | Open | 1,515,469 | 1,516,692 |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/16/12  | Open | 3,663,676 | 3,666,417 |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/20/12  | Open | 1,934,875 | 1,936,248 |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/22/12  | Open | 648,000   | 648,447   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 8/30/12  | Open | 997,250   | 997,861   |
| Credit Suisse Securities (USA) LLC | 0.35%   | 9/04/12  | Open | 2,119,129 | 2,120,324 |
| UBS Securities LLC                 | 0.34%   | 9/04/12  | Open | 275,000   | 275,151   |
| Barclays Capital, Inc.             | (0.25)% | 9/06/12  | Open | 32,000    | 31,988    |
| Credit Suisse Securities (USA) LLC | (0.25)% | 9/06/12  | Open | 188,394   | 188,320   |
| Barclays Capital, Inc.             | 0.35%   | 9/19/12  | Open | 1,027,200 | 1,027,629 |
| Deutsche Bank Securities, Inc.     | (1.00)% | 9/19/12  | Open | 303,881   | 303,527   |
| UBS Securities LLC                 | 0.34%   | 9/24/12  | Open | 1,316,250 | 1,316,722 |
| UBS Securities LLC                 | 0.36%   | 9/24/12  | Open | 1,134,200 | 1,134,631 |
| Credit Suisse Securities (USA) LLC | 0.35%   | 9/27/12  | Open | 1,104,681 | 1,105,057 |
| Credit Suisse Securities (USA) LLC | 0.35%   | 9/28/12  | Open | 1,172,938 | 1,173,325 |
| Deutsche Bank Securities, Inc.     | (1.50)% | 10/01/12 | Open | 1,479,000 | 1,477,726 |
| UBS Securities LLC                 | 0.10%   | 10/02/12 | Open | 982,710   | 982,789   |

See Notes to Financial Statements.

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**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust III (BPP)**

Reverse repurchase agreements outstanding as of October 31, 2012 were as follows (concluded):

| Counterparty                       | Interest Rate | Trade Date | Maturity Date | Face Value            | Face Value Including Accrued Interest |
|------------------------------------|---------------|------------|---------------|-----------------------|---------------------------------------|
| Citigroup Global Markets, Inc.     | (0.75)%       | 10/04/12   | Open          | \$ 451,800            | \$ 451,546                            |
| Barclays Capital, Inc.             | 0.40%         | 10/10/12   | Open          | 732,000               | 732,179                               |
| UBS Securities LLC                 | (0.50)%       | 10/16/12   | Open          | 596,725               | 596,596                               |
| Credit Suisse Securities (USA) LLC | 0.35%         | 10/18/12   | Open          | 1,100,325             | 1,100,475                             |
| UBS Securities LLC                 | 0.32%         | 10/23/12   | Open          | 1,420,250             | 1,420,351                             |
| BNP Paribas Securities Corp.       | 0.26%         | 10/25/12   | Open          | 2,801,563             | 2,801,704                             |
| Deutsche Bank Securities, Inc.     | 0.14%         | 10/25/12   | Open          | 737,812               | 737,833                               |
| Credit Suisse Securities (USA) LLC | 0.35%         | 10/29/12   | Open          | 887,250               | 887,276                               |
| Credit Suisse Securities (USA) LLC | 0.35%         | 10/30/12   | Open          | 5,084,626             | 5,084,675                             |
| Deutsche Bank Securities, Inc.     | 0.00%         | 10/31/12   | Open          | 728,575               | 728,575                               |
| <b>Total</b>                       |               |            |               | <b>\$ 117,132,156</b> | <b>\$ 117,264,984</b>                 |

Financial futures contracts purchased as of October 31, 2012 were as follows:

| Contracts    | Issue                    | Exchange               | Expiration    | Notional Value | Unrealized Appreciation (Depreciation) |
|--------------|--------------------------|------------------------|---------------|----------------|--|
| 94           | 2-Year US Treasury Note  | Chicago Board of Trade | December 2012 | USD 20,710,844 | \$ (8,805)                             |
| 19           | 30-Year US Treasury Bond | Chicago Board of Trade | December 2012 | USD 2,836,938  | (8,345)                                |
| 40           | 90-Day Euro-Dollar       | Chicago Mercantile     | March 2016    | USD 9,891,500  | 8,269                                  |
| <b>Total</b> |                          |                        |               |                | <b>\$ (8,881)</b>                      |

Financial futures contracts sold as of October 31, 2012 were as follows:

| Contracts    | Issue                       | Exchange               | Expiration    | Notional Value | Unrealized Appreciation (Depreciation) |
|--------------|-----------------------------|------------------------|---------------|----------------|--|
| 110          | 5-Year US Treasury Note     | Chicago Board of Trade | December 2012 | USD 13,667,500 | \$ (16,445)                            |
| 257          | 10-Year US Treasury Note    | Chicago Board of Trade | December 2012 | USD 34,189,031 | (79,914)                               |
| 17           | Ultra Long US Treasury Bond | Chicago Board of Trade | December 2012 | USD 2,806,594  | 34,101                                 |
| <b>Total</b> |                             |                        |               |                | <b>\$ (62,258)</b>                     |

Foreign currency exchange contracts as of October 31, 2012 were as follows:

| Currency Purchased | Currency Sold | Counterparty | Settlement Date | Unrealized Appreciation (Depreciation) |
|--------------------|---------------|--------------|-----------------|--|
|--------------------|---------------|--------------|-----------------|--|

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|              |           |     |           |        |         |    |          |
|--------------|-----------|-----|-----------|--------|---------|----|----------|
| USD          | 155,800   | EUR | 120,000   | UBS AG | 1/23/13 | \$ | 132      |
| USD          | 441,348   | EUR | 340,000   | UBS AG | 1/23/13 |    | 291      |
| USD          | 3,491,650 | AUD | 3,400,000 | UBS AG | 1/31/13 |    | (12,860) |
| <b>Total</b> |           |     |           |        |         | \$ | (12,437) |

Credit default swaps on single-name issues buy protection outstanding as of October 31, 2012 were as follows:

| Issuer                 | Pay<br>Fixed<br>Rate | Counterparty               | Expiration<br>Date | Notional<br>Amount<br>(000) | Unrealized<br>Appreciation<br>(Depreciation) |
|------------------------|----------------------|----------------------------|--------------------|-----------------------------|--|
| The New York Times Co. | 1.00%                | Barclays Plc               | 12/20/16           | USD 1,725                   | \$ 739                                       |
| Southwest Airlines Co. | 1.00%                | Goldman Sachs Group, Inc.  | 12/20/16           | USD 570                     | (16,531)                                     |
| Southwest Airlines Co. | 1.00%                | Royal Bank of Scotland Plc | 12/20/16           | USD 570                     | (18,506)                                     |
| General Dynamic Corp.  | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 800                     | (848)  |
| Hewlett-Packard Co.    | 1.00%                | Citigroup, Inc.            | 9/20/17            | USD 425                     | 7,541  |
| Hewlett-Packard Co.    | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 390                     | 21,148                                       |
| Hewlett-Packard Co.    | 1.00%                | JPMorgan Chase & Co.       | 9/20/17            | USD 300                     | 14,687                                       |
| Lockheed Martin Corp.  | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 800                     | (7,867)                                      |
| Northrop Grumman Corp. | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 675                     | (3,628)                                      |
| Raytheon Co.           | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 675                     | (2,328)                                      |
| Viacom, Inc.           | 1.00%                | Credit Suisse Group AG     | 9/20/17            | USD 1,775                   | (15,796)                                     |
| <b>Total</b>           |                      |                            |                    |                             | \$ (21,389)                                  |

See Notes to Financial Statements.

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Schedule of Investments (continued)

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

Credit default swaps on single-name issues sold protection outstanding as of October 31, 2012 were as follows:

| <b>Issuer</b>            | <b>Receive<br/>Fixed<br/>Rate</b> | <b>Counterparty</b>    | <b>Expiration<br/>Date</b> | <b>Issuer<br/>Credit<br/>Rating<sup>1</sup></b> | <b>Notional<br/>Amount<br/>(000)<sup>2</sup></b> | <b>Unrealized<br/>Appreciation</b> |
|--------------------------|-----------------------------------|------------------------|----------------------------|---|--|------------------------------------|
| Anadarko Petroleum Corp. | 1.00%                             | Credit Suisse Group AG | 6/20/17                    | BBB-  | USD 495  | \$ 13,454                          |
| Comcast Corp.            | 1.00%                             | Credit Suisse Group AG | 9/20/17                    | BBB+  | USD 1,775  | 20,647                             |
| MetLife, Inc.            | 1.00%                             | Deutsche Bank AG       | 3/20/18                    | A-  | USD 425  | 36                                 |
| <b>Total</b>             |                                   |                        |                            |   |  | \$ 34,137                          |

<sup>1</sup> Using S&P's rating.

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

Interest rate swaps outstanding as of October 31, 2012 were as follows:

| <b>Fixed<br/>Rate</b> | <b>Floating<br/>Rate</b> | <b>Counterparty/Exchange</b> | <b>Expiration<br/>Date</b> | <b>Notional<br/>Amount<br/>(000)</b> | <b>Unrealized<br/>Appreciation<br/>(Depreciation)</b> |
|-----------------------|--------------------------|------------------------------|----------------------------|--------------------------------------|---|
| 0.44% <sup>3</sup>    | 3-month LIBOR            | Chicago Mercantile           | 8/29/14                    | USD 9,300                            | \$ (9,727)  |
| 2.05% <sup>4</sup>    | 3-month LIBOR            | Credit Suisse Group AG       | 5/02/22                    | USD 1,100                            | 38,148  |
| 2.06% <sup>4</sup>    | 3-month LIBOR            | Credit Suisse Group AG       | 5/08/22                    | USD 3,400                            | 121,475   |
| 1.76% <sup>4</sup>    | 3-month LIBOR            | Citigroup, Inc.              | 6/25/22                    | USD 1,100                            | 7,940   |
| 2.48% <sup>3</sup>    | 3-month LIBOR            | Credit Suisse Group AG       | 7/05/42                    | USD 1,100                            | 26,040  |
| 2.26% <sup>3</sup>    | 3-month LIBOR            | Goldman Sachs Group, Inc.    | 7/26/42                    | USD 500                              | 36,085  |
| 2.46% <sup>3</sup>    | 3-month LIBOR            | Deutsche Bank AG             | 8/07/42                    | USD 2,500                            | 68,836  |
| 2.52% <sup>3</sup>    | 3-month LIBOR            | Citigroup, Inc.              | 8/10/42                    | USD 1,200                            | 18,685  |
| 2.71% <sup>3</sup>    | 3-month LIBOR            | Credit Suisse Group AG       | 8/21/42                    | USD 200                              | (4,812)   |
| <b>Total</b>          |                          |                              |                            |                                      | \$ 302,670  |

<sup>3</sup> Fund pays the fixed rate and receives the floating rate.

<sup>4</sup> Fund pays the floating rate and receives the fixed rate.

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques 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 that the Fund has the ability to access

**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)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. 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 is not necessarily an indication of the risks associated with 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 Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of October 31, 2012:

|  | Level 1      | Level 2        | Level 3      | Total          |
|--|--------------|----------------|--------------|----------------|
| <b>Assets:</b>                                 |              |                |              |                |
| Investments:                                   |              |                |              |                |
| Long-Term Investments:                         |              |                |              |                |
| Asset-Backed Securities                        |              |                | \$ 1,176,500 | \$ 1,176,500   |
| Corporate Bonds                                |              | \$ 282,854,334 | 2,367,700    | 285,222,034    |
| Floating Rate Loan Interests                   |              | 85,435         |              | 85,435         |
| Preferred Securities                           | \$ 1,178,055 | 48,483,313     |              | 49,661,368     |
| Taxable Municipal Bonds                        |              | 2,109,059      |              | 2,109,059      |
| US Govern-<br>ment Sponsored Agency Securities |              | 704,579        |              | 704,579        |
| US Treasury Obligations                        |              | 16,354,555     |              | 16,354,555     |
| Short-Term Securities                          | 4,101,982    |                |              | 4,101,982      |
| <b>Total</b>                                   | \$ 5,280,037 | \$ 350,591,275 | \$ 3,544,200 | \$ 359,415,512 |

|   | Level 1           | Level 2               | Level 3 | Total               |
|---|-------------------|-----------------------|---------|---------------------|
| <b>Derivative Financial Instruments<sup>1</sup></b> |                   |                       |         |                     |
| <b>Assets:</b>                                      |                   |                       |         |                     |
| Credit contracts                                    |                   | \$ 78,252             |         | \$ 78,252           |
| Foreign currency exchange contracts                 |                   | 423                   |         | 423                 |
| Interest rate contracts                             | \$ 228,820        | 425,943               |         | 654,763             |
| <b>Liabilities:</b>                                 |                   |                       |         |                     |
| Credit contracts                                    |                   | (65,504)              |         | (65,504)            |
| Foreign currency exchange contracts                 |                   | (12,860)              |         | (12,860)            |
| Interest rate contracts                             | (113,509)         | (1,428,429)           |         | (1,541,938)         |
| <b>Total</b>  | <b>\$ 115,311</b> | <b>\$ (1,002,175)</b> |         | <b>\$ (886,864)</b> |

<sup>1</sup> 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.

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Schedule of Investments (concluded)

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

Certain of the Fund's assets and liabilities are held at carrying amount or face value, which approximates fair value for financial statement purposes. As of October 31, 2012, such assets and liabilities are categorized within the disclosure hierarchy as follows:

|   | Level 1           | Level 2                 | Level 3 | Total                   |
|---|-------------------|-------------------------|---------|-------------------------|
| <b>Assets:</b>  |                   |                         |         |                         |
| Foreign currency at value                                     | \$ 10,231         |                         |         | \$ 10,231               |
| Cash pledged as collateral for financial futures contracts    | 266,000           |                         |         | 266,000                 |
| Cash pledged as collateral for swaps                          | 571,000           |                         |         | 571,000                 |
| <b>Liabilities:</b>   |                   |                         |         |                         |
| Reverse repurchase agreements                                 |                   | \$ (117,132,156)        |         | (117,132,156)           |
| Cash received as collateral for reverse repurchase agreements |                   | (1,297,000)             |         | (1,297,000)             |
| <b>Total</b>  | <b>\$ 847,231</b> | <b>\$ (118,429,156)</b> |         | <b>\$ (117,581,925)</b> |

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2012.

Certain of the Fund's investments and derivative financial instruments are categorized as Level 3 and were valued utilizing transaction prices, third party pricing information or net asset value without adjustment. Such valuations are based on unobservable inputs. A significant change in the unobservable inputs could result in a significantly lower or higher value in such Level 3 investments and 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. The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

|   | Asset-Backed Securities | Corporate Bonds | Total        |
|---|-------------------------|-----------------|--------------|
| <b>Assets:</b>                          |                         |                 |              |
| Opening balance, as of October 31, 2011 | \$ 1,007,500            | \$ 1,690,000    | \$ 2,697,500 |
| Transfers into Level 3 <sup>1</sup>     |                         |                 |              |
| Transfers out of Level 3 <sup>1</sup>   |                         |                 |              |
| Accrued discounts/premiums              | 18,531                  |                 | 18,531       |

|   |                     |                     |                     |
|---|---------------------|---------------------|---------------------|
| Net realized gain (loss)  |                     |                     |                     |
| Net change in unrealized appreciation/depreciation <sup>2</sup> | 150,469             | (12,300)            | 138,169             |
| Purchases   |                     | 690,000             | 690,000             |
| Sales   |                     |                     |                     |
| <b>Closing Balance, as of October 31, 2012</b>                  | <b>\$ 1,176,500</b> | <b>\$ 2,367,700</b> | <b>\$ 3,544,200</b> |

<sup>1</sup> Transfers into and transfers out of Level 3 represent the values as of the beginning of the reporting period.

<sup>2</sup> 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 as of October 31, 2012 was \$138,169. The following table is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used in determining fair value:

|   | <b>Credit<br/>Contracts</b> |
|---|-----------------------------|
| <b>Assets:</b>  |                             |
| Opening balance, as of October 31, 2011                         | \$ 2,351                    |
| Transfers into Level 3 <sup>1</sup>                             |                             |
| Transfers out of Level 3 <sup>1</sup>                           |                             |
| Accrued discounts/premiums                                      |                             |
| Net realized gain (loss)  |                             |
| Net change in unrealized appreciation/depreciation <sup>3</sup> | (2,351)                     |
| Purchases   |                             |
| Issues <sup>4</sup>   |                             |
| Sales   |                             |
| Settlements <sup>5</sup>  |                             |
| <b>Closing Balance, as of October 31, 2012</b>                  |                             |

<sup>3</sup> 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 as of October 31, 2012 was \$0.

<sup>4</sup> Issues represent upfront cash received on certain derivative financial instruments.

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



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(Percentages shown are based on Net Assets)

|  | Par       | Value            |
|--|-----------|------------------|
|  | (000)     |                  |
| <b>Asset-Backed Securities</b>   |           |                  |
| 321 Henderson Receivables I LLC, Series 2012-1A, Class A, 4.21%, 2/16/65 (a)       | USD 1,687 | \$ 1,771,365     |
| Atrium CDO Corp., Series 5A, Class A4,<br>0.82%, 7/20/20 (a)(b)                    | 4,400     | 3,982,000        |
| SLM Student Loan Trust, Series 2004-B, Class A2, 0.59%, 6/15/21 (b)                | 3,235     | 3,158,293        |
| <b>Total Asset-Backed Securities 1.1%</b>  |           | <b>8,911,658</b> |
| <b>Corporate Bonds</b>   |           |                  |
| <b>Aerospace &amp; Defense 0.9%</b>  |           |                  |
| BE Aerospace, Inc., 5.25%, 4/01/22   | 2,815     | 2,934,638        |
| Huntington Ingalls Industries, Inc.:<br>6.88%, 3/15/18                             | 990       | 1,069,200        |
| 7.13%, 3/15/21   | 960       | 1,032,000        |
| Kratos Defense & Security Solutions, Inc., 10.00%, 6/01/17                         | 1,662     | 1,794,960        |
|  |           | <b>6,830,798</b> |
| <b>Airlines 0.6%</b>   |           |                  |
| American Airlines Pass-Through Trust,<br>Series 2011-2, Class A, 8.63%, 10/15/21   | 385       | 402,799          |
| Continental Airlines Pass-Through Trust,<br>Series 2009-2, Class B, 9.25%, 5/10/17 | 1,740     | 1,900,855        |
| Delta Air Lines Pass-Through Trust, Series 2002-1, Class G-1, 6.72%, 1/02/23       | 1,949     | 2,144,383        |
|  |           | <b>4,448,037</b> |
| <b>Auto Components 1.0%</b>  |           |                  |
| Delphi Corp., 6.13%, 5/15/21   | 950       | 1,049,750        |
| Ford Motor Co., 7.45%, 7/16/31   | 1,750     | 2,213,750        |
| Icahn Enterprises LP:<br>7.75%, 1/15/16  | 1,180     | 1,233,100        |
| 8.00%, 1/15/18   | 3,020     | 3,246,500        |
|  |           | <b>7,743,100</b> |
| <b>Beverages 0.7%</b>  |           |                  |
| Anheuser-Busch InBev Worldwide, Inc.,<br>1.38%, 7/15/17 (c)                        | 1,650     | 1,674,874        |
| Constellation Brands, Inc., 7.25%, 5/15/17   | 3,230     | 3,803,325        |
|  |           | <b>5,478,199</b> |
| <b>Building Products 0.3%</b>  |           |                  |
| Building Materials Corp. of America (a):<br>7.00%, 2/15/20                         | 790       | 857,150          |
| 6.75%, 5/01/21   | 1,770     | 1,929,300        |
|  |           | <b>2,786,450</b> |
| <b>Capital Markets 5.4%</b>  |           |                  |
| Ameriprise Financial, Inc., 5.30%, 3/15/20 (c)                                     | 4,500     | 5,320,323        |
| E*Trade Financial Corp., 12.50%, 11/30/17  | 2,565     | 2,904,862        |
| The Goldman Sachs Group, Inc. (c):<br>6.15%, 4/01/18                               | 800       | 936,831          |
| 7.50%, 2/15/19   | 5,165     | 6,450,057        |
| 5.75%, 1/24/22   | 2,800     | 3,250,456        |
| 6.25%, 2/01/41   | 7,350     | 8,726,185        |

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|  |     |              |              |
|--|-----|--------------|--------------|
| Morgan Stanley, 5.63%, 9/23/19 (c)                           |     | 5,750        | 6,385,225    |
| UBS AG:  |     |              |              |
| 2.25%, 1/28/14 (c)   |     | 2,678        | 2,718,655    |
| 5.88%, 7/15/16   |     | 1,575        | 1,763,477    |
| 7.63%, 8/17/22   |     | 4,000        | 4,313,628    |
|  |     |              | 42,769,699   |
| <b>Chemicals 2.2%</b>  |     |              |              |
| Ashland, Inc., 4.75%, 8/15/22 (a)                            |     | 855          | 872,100      |
| Celanese US Holdings LLC, 5.88%, 6/15/21                     |     | 2,560        | 2,851,200    |
| Hexion US Finance Corp., 6.63%, 4/15/20                      |     | 750          | 748,125      |
|  |     | <b>Par</b>   |              |
|  |     |              |              |
| <b>Corporate Bonds</b>                                       |     | <b>(000)</b> | <b>Value</b> |
|  |     |              |              |
| <b>Chemicals (concluded)</b>                                 |     |              |              |
| Huntsman International LLC, 8.63%, 3/15/21 (c)               | USD | 980          | \$ 1,114,750 |
| INEOS Finance Plc (a):                                       |     |              |              |
| 8.38%, 2/15/19   |     | 535          | 561,750      |
| 7.50%, 5/01/20   |     | 1,050        | 1,063,125    |
| LyondellBasell Industries NV, 5.75%, 4/15/24 (c)             |     | 3,125        | 3,617,187    |
| MPM Escrow LLC/MPM Finance Escrow Corp., 8.88%, 10/15/20 (a) |     | 505          | 494,900      |
| Nufarm Australia Ltd., 6.38%, 10/15/19 (a)                   |     | 485          | 497,125      |
| Rockwood Specialties Group, Inc., 4.63%, 10/15/20            |     | 2,785        | 2,868,550    |
| Tronox Finance LLC, 6.38%, 8/15/20 (a)                       |     | 2,550        | 2,543,625    |
|  |     |              | 17,232,437   |
| <b>Commercial Banks 5.2%</b>                                 |     |              |              |
| Amsouth Bank, Series AI, 4.85%, 4/01/13                      |     | 1,800        | 1,824,750    |
| Asciano Finance Ltd., 5.00%, 4/07/18 (a)                     |     | 1,475        | 1,589,789    |
| Associated Banc-Corp, 5.13%, 3/28/16 (c)                     |     | 3,645        | 3,996,790    |
| BBVA US Senior SAU, 4.66%, 10/09/15 (c)                      |     | 4,100        | 4,140,533    |
| Branch Banking & Trust Co. (b)(c):                           |     |              |              |
| 0.72%, 9/13/16   |     | 1,850        | 1,797,985    |
| 0.73%, 5/23/17   |     | 1,100        | 1,056,593    |
| CIT Group, Inc.:   |     |              |              |
| 4.25%, 8/15/17   |     | 2,240        | 2,297,808    |
| 5.25%, 3/15/18   |     | 1,980        | 2,103,750    |
| 5.50%, 2/15/19 (a)   |     | 1,720        | 1,833,950    |
| 5.00%, 8/15/22   |     | 710          | 735,722      |
| Discover Bank, 8.70%, 11/18/19                               |     | 1,950        | 2,549,668    |
| HSBC Finance Corp., 6.68%, 1/15/21 (c)                       |     | 2,525        | 2,987,921    |
| Regions Financial Corp.:                                     |     |              |              |
| 4.88%, 4/26/13   |     | 4,150        | 4,217,437    |
| 5.75%, 6/15/15   |     | 3,000        | 3,285,000    |
| Santander Holdings USA, Inc., 3.00%, 9/24/15                 |     | 1,825        | 1,859,936    |
| Wachovia Bank NA, 6.60%, 1/15/38 (c)                         |     | 3,680        | 5,216,595    |
|  |     |              | 41,494,227   |
| <b>Commercial Services &amp; Supplies 4.1%</b>               |     |              |              |
| ADS Waste Holdings, Inc., 8.25%, 10/01/20 (a)                |     | 491          | 508,185      |
| The ADT Corp., 4.88%, 7/15/42 (a)                            |     | 2,250        | 2,401,146    |
| Aviation Capital Group Corp. (a):                            |     |              |              |
| 7.13%, 10/15/20 (c)  |     | 15,000       | 15,824,968   |
| 6.75%, 4/06/21   |     | 3,850        | 3,999,803    |
| Casella Waste Systems, Inc., 7.75%, 2/15/19                  |     | 610          | 597,800      |
| Clean Harbors, Inc., 5.25%, 8/01/20 (a)                      |     | 764          | 783,100      |
| Corrections Corp. of America, 7.75%, 6/01/17                 |     | 4,835        | 5,167,406    |
| Covanta Holding Corp., 6.38%, 10/01/22                       |     | 1,105        | 1,202,543    |
| HDTFS, Inc. (a):   |     |              |              |
| 5.88%, 10/15/20  |     | 605          | 611,050      |
| 6.25%, 10/15/22  |     | 760          | 770,450      |
| Mobile Mini, Inc., 7.88%, 12/01/20                           |     | 455          | 491,969      |
|  |     |              | 32,358,420   |
| <b>Communications Equipment 0.8%</b>                         |     |              |              |

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|   |       |           |
|---|-------|-----------|
| Avaya, Inc., 9.75%, 11/01/15 (c)                            | 1,400 | 1,246,000 |
| Brocade Communications Systems, Inc.,<br>6.88%, 1/15/20 (c) | 3,580 | 3,875,350 |
| Zayo Group LLC/Zayo Capital, Inc.,<br>8.13%, 1/01/20        | 1,180 | 1,292,100 |
|   |       | 6,413,450 |
| <b>Computers &amp; Peripherals 0.0%</b>                     |       |           |
| NCR Corp., 5.00%, 7/15/22 (a)                               | 230   | 234,888   |
| <b>Construction Materials 0.5%</b>                          |       |           |
| HD Supply, Inc. (a):  |       |           |
| 8.13%, 4/15/19  | 1,490 | 1,639,000 |
| 11.50%, 7/15/20   | 2,055 | 2,162,888 |
|   |       | 3,801,888 |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust IV (BTZ)**

(Percentages shown are based on Net Assets)

|   | Par       |               |
|---|-----------|---------------|
|   | (000)     | Value         |
| <b>Corporate Bonds</b>  |           |               |
| <b>Consumer Finance 5.4%</b>                                  |           |               |
| American Express Credit Corp.,<br>2.75%, 9/15/15 (c)          | USD 9,850 | \$ 10,383,565 |
| Capital One Bank USA NA, 8.80%, 7/15/19                       | 3,950     | 5,257,399     |
| Daimler Finance North America LLC,<br>2.63%, 9/15/16 (a)(c)   | 5,675     | 5,921,193     |
| Experian Finance Plc, 2.38%, 6/15/17 (a)(c)                   | 1,250     | 1,279,705     |
| Ford Motor Credit Co. LLC:<br>8.00%, 12/15/16                 | 2,195     | 2,658,211     |
| 5.88%, 8/02/21  | 4,730     | 5,446,136     |
| Inmarsat Finance Plc, 7.38%, 12/01/17 (a)                     | 2,515     | 2,709,912     |
| SLM Corp., 6.25%, 1/25/16                                     | 8,205     | 8,861,810     |
| Toll Brothers Finance Corp., 5.88%, 2/15/22                   | 680       | 768,732       |
|   |           | 43,286,663    |
| <b>Containers &amp; Packaging 1.2%</b>                        |           |               |
| Ardagh Packaging Finance Plc (a):<br>7.38%, 10/15/17          | 383       | 411,246       |
| 7.38%, 10/15/17   | 210       | 225,750       |
| 9.13%, 10/15/20   | 490       | 512,050       |
| Ball Corp.:<br>7.13%, 9/01/16                                 | 2,000     | 2,150,000     |
| 6.75%, 9/15/20  | 3,575     | 3,923,562     |
| Crown Americas LLC, 6.25%, 2/01/21                            | 1,350     | 1,490,063     |
| Smurfit Kappa Acquisitions, 4.88%, 9/15/18 (a)                | 810       | 810,000       |
|   |           | 9,522,671     |
| <b>Diversified Financial Services 10.6%</b>                   |           |               |
| Ally Financial, Inc.:<br>4.50%, 2/11/14                       | 1,500     | 1,545,000     |
| 8.30%, 2/12/15  | 2,890     | 3,237,522     |
| 8.00%, 11/01/31   | 2,515     | 2,992,850     |
| Bank of America Corp. (c):<br>3.75%, 7/12/16                  | 2,855     | 3,059,504     |
| 5.30%, 3/15/17  | 6,505     | 7,303,001     |
| 5.00%, 5/13/21  | 12,100    | 13,649,756    |
| Blackstone Holdings Finance Co. LLC,<br>4.75%, 2/15/23 (a)(c) | 1,375     | 1,474,803     |
| Citigroup, Inc. (c):<br>6.38%, 8/12/14                        | 2,150     | 2,342,780     |
| 4.59%, 12/15/15   | 1,575     | 1,718,204     |
| 4.45%, 1/10/17  | 1,520     | 1,679,217     |
| Countrywide Financial Corp., 6.25%, 5/15/16 (c)               | 6,500     | 7,164,306     |
| DPL, Inc., 7.25%, 10/15/21                                    | 1,785     | 2,012,587     |
| General Motors Financial Co., Inc.,<br>6.75%, 6/01/18         | 830       | 920,180       |
| ING Bank NV, 5.00%, 6/09/21 (a)(c)                            | 3,950     | 4,460,972     |
| Intesa Sanpaolo SpA, 2.38%, 12/21/12                          | 5,800     | 5,800,035     |
| LeasePlan Corp. NV, 3.00%, 10/23/17 (a)(b)(c)                 | 3,325     | 3,363,329     |
| Macquarie Bank Ltd., 5.00%, 2/22/17 (a)(c)                    | 2,325     | 2,525,252     |
| Moody s Corp., 6.06%, 9/07/17                                 | 10,000    | 10,963,974    |
| Reynolds American, Inc., 3.25%, 11/01/22                      | 3,025     | 3,059,558     |
| Reynolds Group Issuer, Inc.:<br>7.13%, 4/15/19                | 420       | 447,300       |

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|   |     |              |              |
|---|-----|--------------|--------------|
| 7.88%, 8/15/19  |     | 1,165        | 1,264,025    |
| 9.88%, 8/15/19  |     | 515          | 539,462      |
| 5.75%, 10/15/20 (a)   |     | 2,500        | 2,525,000    |
| 6.88%, 2/15/21  |     | 255          | 270,938      |
| WMG Acquisition Corp., 9.50%, 6/15/16   |     | 340          | 373,575      |
|   |     |              | 84,693,130   |
| <b>Diversified Telecommunication Services 4.4%</b>                                |     |              |              |
| AT&T, Inc. (c):   |     |              |              |
| 2.40%, 8/15/16  |     | 1,525        | 1,611,809    |
| 6.30%, 1/15/38  |     | 5,000        | 6,694,510    |
| Level 3 Financing, Inc.:  |     |              |              |
| 8.13%, 7/01/19  |     | 5,547        | 5,921,422    |
| 8.63%, 7/15/20  |     | 1,070        | 1,166,300    |
|   |     | <b>Par</b>   |              |
| <b>Corporate Bonds</b>  |     | <b>(000)</b> | <b>Value</b> |
| <b>Diversified Telecommunication Services (concluded)</b>                         |     |              |              |
| Telecom Italia Capital SA, 6.18%, 6/18/14   | USD | 1,650        | \$ 1,750,066 |
| Telefonica Emisiones SAU, 5.46%, 2/16/21  |     | 2,250        | 2,286,563    |
| Verizon Communications, Inc. (c):   |     |              |              |
| 1.95%, 3/28/14  |     | 8,525        | 8,704,698    |
| 7.35%, 4/01/39  |     | 3,640        | 5,605,735    |
| Windstream Corp., 7.88%, 11/01/17   |     | 990          | 1,102,613    |
|   |     |              | 34,843,716   |
| <b>Electric Utilities 4.5%</b>  |     |              |              |
| CMS Energy Corp., 5.05%, 3/15/22  |     | 1,850        | 2,066,541    |
| Dominion Resources, Inc., 8.88%, 1/15/19 (c)                                      |     | 8,000        | 10,834,832   |
| Duke Energy Corp., 3.55%, 9/15/21 (c)   |     | 2,825        | 3,027,793    |
| FirstEnergy Solutions Corp., 6.05%, 8/15/21                                       |     | 1,800        | 2,079,990    |
| Great Plains Energy, Inc., 5.29%, 6/15/22   |     | 2,725        | 3,123,888    |
| Mirant Mid Atlantic Pass Through Trust, Series B, 9.13%, 6/30/17                  |     | 857          | 936,675      |
| Nisource Finance Corp.:   |     |              |              |
| 6.40%, 3/15/18  |     | 1,760        | 2,142,272    |
| 5.25%, 2/15/43  |     | 1,020        | 1,143,912    |
| Oncor Electric Delivery Co. LLC (c):  |     |              |              |
| 4.10%, 6/01/22  |     | 2,050        | 2,196,497    |
| 5.30%, 6/01/42  |     | 1,350        | 1,536,670    |
| Progress Energy, Inc., 7.00%, 10/30/31 (c)  |     | 5,000        | 6,673,870    |
|   |     |              | 35,762,940   |
| <b>Electronic Equipment, Instruments &amp; Components 0.3%</b>                    |     |              |              |
| Jabil Circuit, Inc., 8.25%, 3/15/18   |     | 1,200        | 1,416,000    |
| NXP BV, 3.09%, 10/15/13 (b)   |     | 664          | 663,170      |
|   |     |              | 2,079,170    |
| <b>Energy Equipment &amp; Services 4.0%</b>                                       |     |              |              |
| Atwood Oceanics, Inc., 6.50%, 2/01/20   |     | 185          | 198,875      |
| Cie Générale de Géophysique-Veritas,<br>6.50%, 6/01/21                            |     |              |              |
|   |     | 1,150        | 1,213,250    |
| Energy Transfer Partners LP, 5.20%, 2/01/22                                       |     | 5,000        | 5,739,550    |
| EnSCO Plc, 4.70%, 3/15/21   |     | 3,255        | 3,748,175    |
| FTS International Services LLC/FTS International Bonds, Inc., 8.13%, 11/15/18 (a) |     | 1,305        | 1,363,725    |
| Hornbeck Offshore Services, Inc.,<br>5.88%, 4/01/20                               |     |              |              |
|   |     | 465          | 473,138      |
| Key Energy Services, Inc., 6.75%, 3/01/21   |     | 1,240        | 1,233,800    |
| MEG Energy Corp. (a):   |     |              |              |
| 6.50%, 3/15/21  |     | 1,580        | 1,694,550    |
| 6.38%, 1/30/23  |     | 370          | 395,900      |
| Oil States International, Inc., 6.50%, 6/01/19                                    |     | 835          | 887,188      |
| Peabody Energy Corp., 6.25%, 11/15/21 (c)   |     | 2,575        | 2,658,687    |
| Precision Drilling Corp., 6.50%, 12/15/21   |     | 700          | 740,250      |
| Seadrill Ltd., 5.63%, 9/15/17 (a)   |     | 3,820        | 3,820,000    |
| Transocean, Inc.:   |     |              |              |
| 2.50%, 10/15/17   |     | 600          | 607,668      |
| 6.50%, 11/15/20   |     | 1,860        | 2,259,762    |

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|   |       |            |
|---|-------|------------|
| 6.38%, 12/15/21                             | 2,300 | 2,798,718  |
| 6.80%, 3/15/38                              | 1,625 | 2,019,813  |
|   |       | 31,853,049 |
| <b>Food &amp; Staples Retailing 0.4%</b>    |       |            |
| Wal-Mart Stores, Inc., 5.25%, 9/01/35 (c)   | 2,650 | 3,315,007  |
| <b>Food Products 1.2%</b>                   |       |            |
| Kraft Foods Group, Inc., 5.00%, 6/04/42 (a) | 2,750 | 3,211,645  |
| Mondelez International, Inc.:               |       |            |
| 6.50%, 8/11/17                              | 1,985 | 2,451,725  |
| 6.13%, 8/23/18                              | 1,990 | 2,476,211  |
| Post Holdings, Inc., 7.38%, 2/15/22 (a)     | 1,497 | 1,588,691  |
|   |       | 9,728,272  |
| <b>Gas Utilities 0.2%</b>                   |       |            |
| El Paso Natural Gas Co. LLC, 8.63%, 1/15/22 | 1,150 | 1,573,220  |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust IV (BTZ)**

(Percentages shown are based on Net Assets)

|   | Par       |  | Value        |
|---|-----------|--|--------------|
|   | (000)     |  |              |
| <b>Corporate Bonds</b>  |           |  |              |
| <b>Health Care Equipment &amp; Supplies 0.7%</b>                |           |  |              |
| Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a)               | USD 4,250 |  | \$ 4,876,875 |
| Teleflex, Inc., 6.88%, 6/01/19                                  | 815       |  | 876,125      |
|   |           |  | 5,753,000    |
| <b>Health Care Providers &amp; Services 3.9%</b>                |           |  |              |
| Aviv Healthcare Properties LP, 7.75%, 2/15/19                   | 765       |  | 806,119      |
| CHS/Community Health Systems, Inc.,<br>5.13%, 8/15/18           | 795       |  | 824,813      |
| HCA, Inc.:  |           |  |              |
| 8.50%, 4/15/19  | 265       |  | 297,794      |
| 6.50%, 2/15/20  | 3,780     |  | 4,176,900    |
| 7.25%, 9/15/20  | 4,590     |  | 5,077,687    |
| 4.75%, 5/01/23  | 1,450     |  | 1,450,000    |
| INC Research LLC, 11.50%, 7/15/19 (a)                           | 1,155     |  | 1,160,775    |
| inVentiv Health, Inc., 10.00%, 8/15/18 (a)                      | 85        |  | 76,925       |
| Tenet Healthcare Corp.:   |           |  |              |
| 10.00%, 5/01/18   | 2,175     |  | 2,479,500    |
| 8.88%, 7/01/19  | 1,825     |  | 2,039,438    |
| 4.75%, 6/01/20 (a)  | 1,559     |  | 1,545,359    |
| UnitedHealth Group, Inc., 6.88%, 2/15/38 (c)                    | 4,075     |  | 5,775,367    |
| Verisk Analytics, Inc., 4.13%, 9/12/22                          | 800       |  | 816,810      |
| WellPoint, Inc. (c):  |           |  |              |
| 3.30%, 1/15/23  | 1,800     |  | 1,861,893    |
| 2.75%, 10/15/42 (a)(d)  | 2,325     |  | 2,423,812    |
|   |           |  | 30,813,192   |
| <b>Health Care Technology 1.4%</b>                              |           |  |              |
| Amgen, Inc.:  |           |  |              |
| 5.15%, 11/15/41 (c)   | 6,280     |  | 7,235,916    |
| 5.65%, 6/15/42  | 70        |  | 85,955       |
| 5.38%, 5/15/43 (c)  | 3,425     |  | 4,112,072    |
|   |           |  | 11,433,943   |
| <b>Household Durables 0.5%</b>                                  |           |  |              |
| Beazer Homes USA, Inc., 6.63%, 4/15/18 (a)                      | 1,140     |  | 1,219,800    |
| DR Horton, Inc., 4.38%, 9/15/22                                 | 1,050     |  | 1,052,625    |
| Standard Pacific Corp., 8.38%, 1/15/21                          | 1,480     |  | 1,716,800    |
|   |           |  | 3,989,225    |
| <b>Independent Power Producers &amp; Energy Traders 1.9%</b>    |           |  |              |
| The AES Corp.:  |           |  |              |
| 9.75%, 4/15/16  | 1,620     |  | 1,937,925    |
| 7.38%, 7/01/21  | 225       |  | 251,438      |
| Calpine Corp. (a):  |           |  |              |
| 7.25%, 10/15/17   | 657       |  | 696,420      |
| 7.50%, 2/15/21  | 310       |  | 337,125      |
| Energy Future Intermediate Holding Co. LLC,<br>10.00%, 12/01/20 | 3,135     |  | 3,424,987    |
| Exelon Generation Co. LLC, Series C,<br>4.25%, 6/15/22 (a)      | 3,855     |  | 4,126,199    |
| GenOn REMA LLC, 9.68%, 7/02/26                                  | 830       |  | 888,100      |
| Laredo Petroleum, Inc.:   |           |  |              |
| 9.50%, 2/15/19  | 460       |  | 522,100      |



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|  |              |              |
|--|--------------|--------------|
| 7.38%, 5/01/22                                 | 440          | 479,600      |
| NRG Energy, Inc., 6.63%, 3/15/23 (a)           | 875          | 901,250      |
| QEP Resources, Inc.:                           |              |              |
| 5.38%, 10/01/22                                | 944          | 991,200      |
| 5.25%, 5/01/23                                 | 490          | 510,825      |
|  |              | 15,067,169   |
| <b>Insurance 5.1%</b>                          |              |              |
| American International Group, Inc. (c):        |              |              |
| 3.80%, 3/22/17                                 | 2,500        | 2,697,068    |
| 8.25%, 8/15/18                                 | 1,050        | 1,363,999    |
| 6.40%, 12/15/20                                | 4,275        | 5,250,119    |
| Fairfax Financial Holdings Ltd.,               |              |              |
| 5.80%, 5/15/21 (a)                             | 1,875        | 1,921,046    |
|  | <b>Par</b>   |              |
| <b>Corporate Bonds</b>                         | <b>(000)</b> | <b>Value</b> |
| <b>Insurance (concluded)</b>                   |              |              |
| Forethought Financial Group, Inc.,             |              |              |
| 8.63%, 4/15/21 (a)                             | USD 1,625    | \$ 2,065,799 |
| Genworth Financial, Inc., 7.63%, 9/24/21 (c)   | 1,615        | 1,698,644    |
| Manulife Financial Corp., 4.90%, 9/17/20 (c)   | 3,650        | 4,055,325    |
| MPL 2 Acquisition Canco, Inc.,                 |              |              |
| 9.88%, 8/15/18 (a)                             | 715          | 652,438      |
| Nippon Life Insurance Co.,                     |              |              |
| 5.00%, 10/18/42 (a)(b)                         | 5,250        | 5,416,241    |
| Principal Financial Group, Inc.,               |              |              |
| 8.88%, 5/15/19 (c)                             | 1,145        | 1,521,386    |
| Prudential Financial, Inc.:                    |              |              |
| 6.63%, 12/01/37 (c)                            | 4,075        | 5,234,525    |
| 5.88%, 9/15/42 (b)                             | 4,000        | 4,210,000    |
| XL Group Ltd., 5.75%, 10/01/21 (c)             | 4,105        | 4,862,910    |
|  |              | 40,949,500   |
| <b>IT Services 1.2%</b>                        |              |              |
| Ceridian Corp., 8.88%, 7/15/19 (a)             | 2,905        | 3,079,300    |
| Epicor Software Corp., 8.63%, 5/01/19          | 1,180        | 1,239,000    |
| First Data Corp.:                              |              |              |
| 7.38%, 6/15/19 (a)(c)                          | 1,550        | 1,604,250    |
| 6.75%, 11/01/20 (a)                            | 1,325        | 1,325,000    |
| 8.25%, 1/15/21 (a)                             | 135          | 135,000      |
| 12.63%, 1/15/21                                | 1,160        | 1,197,700    |
| SunGard Data Systems, Inc., 7.38%, 11/15/18    | 1,210        | 1,302,263    |
|  |              | 9,882,513    |
| <b>Life Sciences Tools &amp; Services 1.5%</b> |              |              |
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16     | 5,480        | 5,986,900    |
| Life Technologies Corp., 6.00%, 3/01/20        | 4,800        | 5,744,971    |
|  |              | 11,731,871   |
| <b>Machinery 0.9%</b>                          |              |              |
| Ingersoll-Rand Global Holding Co. Ltd.,        |              |              |
| 9.50%, 4/15/14 (c)                             | 4,075        | 4,563,197    |
| UR Merger Sub Corp. (a):                       |              |              |
| 5.75%, 7/15/18                                 | 389          | 418,175      |
| 7.38%, 5/15/20                                 | 995          | 1,077,088    |
| 7.63%, 4/15/22                                 | 909          | 995,355      |
|  |              | 7,053,815    |
| <b>Media 7.3%</b>                              |              |              |
| A&E Television Networks LLC, 3.25%, 8/22/19    | 2,360        | 2,401,300    |
| AMC Networks, Inc., 7.75%, 7/15/21             | 655          | 741,787      |
| CCH II LLC, 13.50%, 11/30/16                   | 1,573        | 1,690,783    |
| Comcast Corp., 6.30%, 11/15/17 (c)             | 4,075        | 5,060,156    |
| Cox Communications, Inc., 8.38%, 3/01/39 (a)   | 4,075        | 6,466,076    |
| CSC Holdings LLC, 8.63%, 2/15/19               | 1,950        | 2,310,750    |

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|   |       |            |
|---|-------|------------|
| DIRECTV Holdings LLC, 5.00%, 3/01/21 (c)                | 4,150 | 4,719,098  |
| DISH DBS Corp., 7.00%, 10/01/13                         | 1,950 | 2,040,187  |
| Intelsat Jackson Holdings SA, 7.25%, 4/01/19            | 320   | 343,200    |
| Intelsat Luxembourg SA:                                 |       |            |
| 11.25%, 2/04/17   | 1,480 | 1,554,000  |
| 11.50%, 2/04/17 (e)                                     | 630   | 663,075    |
| The Interpublic Group of Cos., Inc.,<br>10.00%, 7/15/17 | 1,975 | 2,179,906  |
| News America, Inc., 6.15%, 3/01/37 (c)                  | 4,850 | 6,089,068  |
| Time Warner Cable, Inc., 6.75%, 6/15/39                 | 4,675 | 6,240,026  |
| Time Warner, Inc., 7.70%, 5/01/32 (c)                   | 4,900 | 7,180,362  |
| Unitymedia Hessen GmbH & Co. KG (a):                    |       |            |
| 8.13%, 12/01/17   | 2,115 | 2,284,200  |
| 7.50%, 3/15/19  | 1,760 | 1,928,276  |
| Virgin Media Finance Plc, 4.88%, 2/15/22                | 840   | 848,400    |
| Virgin Media Secured Finance Plc,<br>6.50%, 1/15/18     | 3,175 | 3,444,875  |
|   |       | 58,185,525 |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust IV (BTZ)**

(Percentages shown are based on Net Assets)

| <b>Corporate Bonds</b>                                  | <b>Par<br/>(000)</b> | <b>Value</b> |
|---|----------------------|--------------|
| <b>Metals &amp; Mining 2.3%</b>                         |                      |              |
| AngloGold Ashanti Holdings Plc, 5.13%, 8/01/22          | USD 2,450            | \$ 2,498,564 |
| ArcelorMittal, 4.25%, 3/01/16                           | 350                  | 347,651      |
| Barrick Gold Corp., 2.90%, 5/30/16 (c)                  | 1,925                | 2,031,041    |
| FMG Resources August 2006 Property Ltd. (a):            |                      |              |
| 6.38%, 2/01/16  | 2,660                | 2,660,000    |
| 6.88%, 4/01/22 (c)                                      | 140                  | 131,600      |
| Freeport-McMoRan Copper & Gold, Inc.,<br>3.55%, 3/01/22 | 2,300                | 2,341,855    |
| Freeport-McMoRan Corp., 7.13%, 11/01/27                 | 3,500                | 4,438,063    |
| New Gold, Inc., 7.00%, 4/15/20 (a)                      | 215                  | 227,900      |
| Novelis, Inc., 8.75%, 12/15/20                          | 1,610                | 1,775,025    |
| Steel Dynamics, Inc., 6.38%, 8/15/22 (a)                | 700                  | 731,500      |
| Teck Resources Ltd., 10.75%, 5/15/19                    | 1,000                | 1,204,144    |
|   |                      | 18,387,343   |
| <b>Multi-Utilities 1.1%</b>                             |                      |              |
| CenterPoint Energy, Inc.:                               |                      |              |
| 5.95%, 2/01/17  | 3,600                | 4,204,580    |
| 6.50%, 5/01/18  | 3,950                | 4,808,837    |
|   |                      | 9,013,417    |
| <b>Multiline Retail 0.6%</b>                            |                      |              |
| Dufry Finance SCA, 5.50%, 10/15/20 (a)                  | 940                  | 956,413      |
| JC Penney Co., Inc., 5.65%, 6/01/20 (c)                 | 2,610                | 2,424,038    |
| Walgreen Co., 3.10%, 9/15/22                            | 1,725                | 1,756,443    |
|   |                      | 5,136,894    |
| <b>Oil, Gas &amp; Consumable Fuels 13.4%</b>            |                      |              |
| Access Midstream Partners LP:                           |                      |              |
| 5.88%, 4/15/21  | 980                  | 1,019,200    |
| 6.13%, 7/15/22  | 785                  | 830,138      |
| Anadarko Petroleum Corp., 6.38%, 9/15/17                | 52                   | 63,038       |
| Berry Petroleum Co., 6.38%, 9/15/22                     | 705                  | 734,963      |
| BP Capital Markets Plc (c):                             |                      |              |
| 5.25%, 11/07/13   | 2,100                | 2,201,585    |
| 3.88%, 3/10/15  | 3,085                | 3,313,361    |
| Carrizo Oil & Gas, Inc., 7.50%, 9/15/20                 | 800                  | 816,000      |
| Chesapeake Energy Corp.:                                |                      |              |
| 7.25%, 12/15/18   | 65                   | 69,225       |
| 6.63%, 8/15/20 (c)                                      | 735                  | 771,750      |
| 6.13%, 2/15/21 (c)                                      | 765                  | 774,563      |
| Concho Resources, Inc., 5.50%, 10/01/22                 | 700                  | 733,250      |
| CONSOL Energy, Inc., 6.38%, 3/01/21                     | 745                  | 741,275      |
| Continental Resources, Inc., 5.00%, 9/15/22             | 760                  | 799,900      |
| Copano Energy LLC, 7.13%, 4/01/21                       | 835                  | 878,837      |
| DCP Midstream LLC, 4.75%, 9/30/21 (a)                   | 533                  | 567,360      |
| Denbury Resources, Inc., 8.25%, 2/15/20                 | 1,060                | 1,200,450    |
| El Paso Pipeline Partners Operating Co. LLC:            |                      |              |
| 6.50%, 4/01/20  | 2,525                | 3,091,714    |
| 5.00%, 10/01/21   | 900                  | 1,019,023    |
| Enbridge Energy Partners LP, 9.88%, 3/01/19             | 2,425                | 3,305,338    |
| Energy Transfer Partners LP, 6.50%, 2/01/42             | 1,220                | 1,533,793    |
| Energy XXI Gulf Coast, Inc., 7.75%, 6/15/19             | 1,700                | 1,844,500    |
| Enterprise Products Operating LLC,<br>6.65%, 4/15/18    | 4,800                | 6,012,038    |

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|   |              |              |
|---|--------------|--------------|
| EP Energy LLC/EP Energy Finance, Inc.,<br>6.88%, 5/01/19 (a)      | 790          | 853,200      |
| Forest Oil Corp., 8.50%, 2/15/14                                  | 1,028        | 1,110,240    |
| <b>Kinder Morgan Energy Partners LP:</b>                          |              |              |
| 6.85%, 2/15/20  | 4,800        | 6,131,290    |
| 3.95%, 9/01/22  | 2,500        | 2,732,022    |
| Kodiak Oil & Gas Corp., 8.13%, 12/01/19 (a)                       | 315          | 343,350      |
| <b>Linn Energy LLC:</b>   |              |              |
| 6.25%, 11/01/19 (a)   | 1,865        | 1,865,000    |
| 7.75%, 2/01/21  | 750          | 800,625      |
| Marathon Petroleum Corp., 3.50%, 3/01/16                          | 2,250        | 2,410,789    |
|   | <b>Par</b>   |              |
| <b>Corporate Bonds</b>  | <b>(000)</b> | <b>Value</b> |
| <b>Oil, Gas &amp; Consumable Fuels (concluded)</b>                |              |              |
| <b>MarkWest Energy Partners LP:</b>                               |              |              |
| 6.25%, 6/15/22  | USD 880      | \$ 952,600   |
| 5.50%, 2/15/23  | 275          | 288,750      |
| <b>Newfield Exploration Co.:</b>                                  |              |              |
| 6.88%, 2/01/20  | 950          | 1,028,375    |
| 5.63%, 7/01/24  | 690          | 736,575      |
| Nexen, Inc., 6.40%, 5/15/37                                       | 2,270        | 2,913,046    |
| <b>Oasis Petroleum, Inc.:</b>                                     |              |              |
| 7.25%, 2/01/19  | 450          | 481,500      |
| 6.50%, 11/01/21   | 505          | 534,038      |
| <b>Offshore Group Investments Ltd.,</b><br>11.50%, 8/01/15        | 579          | 636,176      |
| ONEOK Partners LP, 8.63%, 3/01/19                                 | 4,075        | 5,417,399    |
| PDC Energy, Inc., 7.75%, 10/15/22 (a)                             | 600          | 610,500      |
| <b>Petrobras International Finance Co.:</b>                       |              |              |
| 3.88%, 1/27/16  | 6,150        | 6,533,360    |
| 5.38%, 1/27/21  | 3,625        | 4,110,953    |
| Petrohawk Energy Corp., 10.50%, 8/01/14                           | 1,020        | 1,099,050    |
| <b>Petroleum Geo-Services ASA,</b><br>7.38%, 12/15/18 (a)         | 865          | 919,062      |
| Pioneer Natural Resources Co., 6.88%, 5/01/18                     | 820          | 1,008,368    |
| <b>Plains Exploration &amp; Production Co.,</b><br>6.88%, 2/15/23 | 1,900        | 1,897,625    |
| Premier Oil Plc, 5.00%, 6/09/18                                   | 5,650        | 5,791,250    |
| <b>Range Resources Corp.:</b>                                     |              |              |
| 6.75%, 8/01/20  | 865          | 953,662      |
| 5.75%, 6/01/21  | 550          | 588,500      |
| Ruby Pipeline LLC, 6.00%, 4/01/22 (a)                             | 4,900        | 5,225,899    |
| <b>Sabine Pass Liquefied Natural Gas LP:</b>                      |              |              |
| 7.50%, 11/30/16   | 2,915        | 3,184,637    |
| 6.50%, 11/01/20 (a)   | 935          | 953,700      |
| <b>SandRidge Energy, Inc.:</b>                                    |              |              |
| 7.50%, 3/15/21 (a)  | 545          | 566,800      |
| 7.50%, 3/15/21  | 330          | 343,200      |
| 8.13%, 10/15/22 (a)   | 325          | 349,375      |
| 7.50%, 2/15/23 (a)  | 1,235        | 1,278,225    |
| SESI LLC, 7.13%, 12/15/21   | 715          | 797,225      |
| <b>SM Energy Co.:</b>   |              |              |
| 6.63%, 2/15/19  | 365          | 382,338      |
| 6.50%, 11/15/21   | 570          | 599,925      |
| 6.50%, 1/01/23  | 360          | 376,200      |
| Targa Resources Partners LP, 6.88%, 2/01/21                       | 625          | 678,125      |
| Tennessee Gas Pipeline Co. LLC, 8.00%, 2/01/16                    | 1,376        | 1,652,107    |
| Tesoro Corp., 5.38%, 10/01/22                                     | 1,005        | 1,047,712    |
| Western Gas Partners LP, 5.38%, 6/01/21                           | 2,525        | 2,909,280    |
| The Williams Cos., Inc., 8.75%, 3/15/32                           | 1,175        | 1,683,069    |
|   |              | 107,096,423  |
| <b>Paper &amp; Forest Products 2.3%</b>                           |              |              |
| <b>Boise Paper Holdings LLC:</b>                                  |              |              |
| 9.00%, 11/01/17   | 205          | 225,500      |
| 8.00%, 4/01/20  | 795          | 870,525      |
| <b>International Paper Co.:</b>                                   |              |              |

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|   |       |            |
|---|-------|------------|
| 7.50%, 8/15/21 (c)  | 3,950 | 5,245,604  |
| 8.70%, 6/15/38  | 3,100 | 4,755,946  |
| 7.30%, 11/15/39   | 4,075 | 5,660,041  |
| Longview Fibre Paper & Packaging, Inc.,<br>8.00%, 6/01/16 (a) | 545   | 568,162    |
| PH Glatfelter Co., 5.38%, 10/15/20 (a)                        | 770   | 780,587    |
|   |       | 18,106,365 |
| <b>Pharmaceuticals 2.2%</b>                                   |       |            |
| Merck & Co., Inc., 6.50%, 12/01/33 (c)                        | 2,885 | 4,287,961  |
| Pfizer, Inc., 7.20%, 3/15/39 (c)                              | 2,130 | 3,406,125  |
| Roche Holdings, Inc., 7.00%, 3/01/39 (a)(c)                   | 3,020 | 4,677,476  |

See Notes to Financial Statements.

**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust IV (BTZ)**

(Percentages shown are based on Net Assets)

|  | <b>Par</b>   |              |
|--|--------------|--------------|
|  | <b>(000)</b> | <b>Value</b> |
| <b>Corporate Bonds</b>                                   |              |              |
| <b>Pharmaceuticals (concluded)</b>                       |              |              |
| Valeant Pharmaceuticals International (a):               |              |              |
| 6.50%, 7/15/16   | USD 214      | \$ 225,235   |
| 6.38%, 10/15/20  | 1,150        | 1,210,375    |
| Watson Pharmaceuticals, Inc., 3.25%, 10/01/22            | 3,660        | 3,771,590    |
|  |              | 17,578,762   |
| <b>Real Estate Investment Trusts (REITs) 2.5%</b>        |              |              |
| AvalonBay Communities, Inc.,                             |              |              |
| 6.10%, 3/15/20 (c)                                       | 4,075        | 5,038,314    |
| Developers Diversified Realty Corp.:                     |              |              |
| 4.75%, 4/15/18   | 1,025        | 1,150,297    |
| 7.88%, 9/01/20   | 1,325        | 1,723,227    |
| ERP Operating LP, 5.75%, 6/15/17 (c)                     | 4,080        | 4,822,736    |
| HCP, Inc., 5.38%, 2/01/21                                | 1,675        | 1,938,769    |
| UDR, Inc., 4.25%, 6/01/18                                | 2,675        | 2,966,251    |
| Ventas Realty LP/Ventas Capital Corp.,                   |              |              |
| 4.75%, 6/01/21   | 1,880        | 2,093,489    |
|  |              | 19,733,083   |
| <b>Real Estate Management &amp; Development 0.5%</b>     |              |              |
| Lennar Corp., 4.75%, 11/15/22 (a)                        | 885          | 876,150      |
| Realogy Corp. (a)(c):                                    |              |              |
| 7.88%, 2/15/19   | 815          | 876,125      |
| 7.63%, 1/15/20   | 1,025        | 1,150,562    |
| Shea Homes LP, 8.63%, 5/15/19                            | 805          | 895,563      |
|  |              | 3,798,400    |
| <b>Road &amp; Rail 1.4%</b>                              |              |              |
| The Hertz Corp., 6.75%, 4/15/19                          | 564          | 598,545      |
| Norfolk Southern Corp., 6.00%, 3/15/2105 (c)             | 8,500        | 10,632,505   |
|  |              | 11,231,050   |
| <b>Semiconductors &amp; Semiconductor Equipment 0.3%</b> |              |              |
| KLA-Tencor Corp., 6.90%, 5/01/18                         | 2,208        | 2,661,265    |
| <b>Software 0.4%</b>                                     |              |              |
| Infor US, Inc., 9.38%, 4/01/19                           | 870          | 961,350      |
| Nuance Communications, Inc.,                             |              |              |
| 5.38%, 8/15/20 (a)                                       | 1,105        | 1,127,100    |
| Symantec Corp., 2.75%, 6/15/17                           | 1,000        | 1,038,252    |
|  |              | 3,126,702    |
| <b>Specialty Retail 1.4%</b>                             |              |              |
| AutoNation, Inc., 6.75%, 4/15/18                         | 2,775        | 3,114,937    |
| Limited Brands, Inc., 7.00%, 5/01/20                     | 1,370        | 1,563,513    |
| QVC, Inc. (a):   |              |              |
| 7.38%, 10/15/20  | 175          | 193,941      |
| 5.13%, 7/02/22   | 2,470        | 2,582,607    |
| Sally Holdings LLC, 6.88%, 11/15/19                      | 990          | 1,097,663    |
| VF Corp., 5.95%, 11/01/17 (c)                            | 2,450        | 2,911,801    |
|  |              | 11,464,462   |
| <b>Tobacco 2.9%</b>                                      |              |              |

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|  |     |              |                    |
|--|-----|--------------|--------------------|
| Altria Group, Inc., 10.20%, 2/06/39  |     | 6,607        | 11,606,900         |
| BAT International Finance Plc,<br>3.25%, 6/07/22 (a)(c)  |     | 2,325        | 2,415,194          |
| Lorillard Tobacco Co., 3.50%, 8/04/16  |     | 4,150        | 4,409,894          |
| Philip Morris International, Inc.,<br>2.50%, 5/16/16 (c)   |     | 4,200        | 4,432,251          |
|  |     |              | 22,864,239         |
| <b>Trading Companies &amp; Distributors 0.3%</b>   |     |              |                    |
| Doric Nimrod Air Finance Alpha Ltd. Pass Through Trust, Series 2012-1, Class A,<br>5.13%, 11/30/24 (a) |     | 2,305        | 2,397,200          |
|  |     | <b>Par</b>   |                    |
|  |     | <b>(000)</b> | <b>Value</b>       |
| <b>Corporate Bonds</b>   |     |              |                    |
| <b>Transportation Infrastructure 1.0%</b>  |     |              |                    |
| Penske Truck Leasing Co. LP/PTL Finance Corp. (a):<br>3.75%, 5/11/17                                   | USD | 5,150        | \$ 5,258,423       |
| 4.88%, 7/11/22   |     | 2,700        | 2,760,296          |
|  |     |              | 8,018,719          |
| <b>Wireless Telecommunication Services 5.3%</b>  |     |              |                    |
| America Movil SAB de CV, 2.38%, 9/08/16 (c)  |     | 7,455        | 7,792,883          |
| American Tower Corp.:<br>4.50%, 1/15/18  |     | 3,200        | 3,543,565          |
| 5.90%, 11/01/21  |     | 2,180        | 2,611,014          |
| Cricket Communications, Inc., 7.75%, 5/15/16   |     | 780          | 824,850            |
| Crown Castle International Corp.:<br>9.00%, 1/15/15  |     | 1,185        | 1,267,950          |
| 5.25%, 1/15/23 (a)   |     | 920          | 952,200            |
| Crown Castle Towers LLC (a):<br>5.50%, 1/15/37   |     | 1,975        | 2,255,478          |
| 4.17%, 8/15/37   |     | 2,000        | 2,196,526          |
| 6.11%, 1/15/40   |     | 2,330        | 2,834,836          |
| Digicel Group Ltd., 8.25%, 9/30/20 (a)   |     | 1,585        | 1,707,837          |
| SBA Tower Trust, 5.10%, 4/15/42 (a)  |     | 6,250        | 6,942,494          |
| Sprint Capital Corp., 6.88%, 11/15/28  |     | 790          | 807,775            |
| Sprint Nextel Corp. (a):<br>9.00%, 11/15/18  |     | 2,665        | 3,291,275          |
| 7.00%, 3/01/20   |     | 4,390        | 5,092,400          |
|  |     |              | 42,121,083         |
| <b>Total Corporate Bonds 116.2%</b>  |     |              | <b>925,844,591</b> |
| <b>Floating Rate Loan Interests 0.0% (b)</b>   |     |              |                    |
| <b>Oil, Gas &amp; Consumable Fuels 0.0%</b>  |     |              |                    |
| Chesapeake Energy Corp., Unsecured Term Loan, 8.50%, 12/01/17  |     | 291          | 291,395            |
| <b>Preferred Securities</b>  |     |              |                    |
| <b>Capital Trusts</b>  |     |              |                    |
| <b>Capital Markets 3.0%</b>  |     |              |                    |
| RBS Capital Trust II, 6.43% (b)(f)   |     | 2,500        | 2,100,000          |
| State Street Capital Trust IV, 1.39%, 6/01/67 (b)  |     | 28,195       | 21,621,900         |
|  |     |              | 23,721,900         |
| <b>Commercial Banks 3.1%</b>   |     |              |                    |
| Barclays Bank Plc, 7.43% (a)(b)(f)   |     | 1,100        | 1,144,000          |
| BNP Paribas SA, 7.20% (a)(b)(c)(f)   |     | 2,500        | 2,462,500          |
| Credit Agricole SA, 8.38% (a)(b)(c)(f)   |     | 2,450        | 2,492,875          |
| HSBC Capital Funding LP/Jersey Channel Islands, 10.18% (a)(c)(f)                                       |     | 7,000        | 9,590,000          |
| National City Preferred Capital Trust I,<br>12.00% (b)(f)  |     | 3,713        | 3,755,588          |
| Standard Chartered Plc, 7.01% (a)(f)   |     | 5,000        | 5,250,000          |

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|   |             |            |
|---|-------------|------------|
|   |             | 24,694,963 |
| <b>Consumer Finance</b>                                 | <b>0.1%</b> |            |
| Capital One Capital V, 10.25%, 8/15/39                  | 1,275       | 1,313,250  |
| <b>Diversified Financial Services</b>                   | <b>3.3%</b> |            |
| General Electric Capital Corp., 6.25% (b)(c)(f)         | 4,500       | 4,905,135  |
| JPMorgan Chase Capital XXI, Series U,<br>1.26%, 1/15/87 | 12,875      | 9,760,653  |
| JPMorgan Chase Capital XXIII,<br>1.43%, 5/15/77 (b)     | 16,095      | 11,892,306 |
|   |             | 26,558,094 |
| <b>Electric Utilities</b>                               | <b>0.5%</b> |            |
| PPL Capital Funding, Inc., 6.70%, 3/30/67 (b)           | 3,900       | 4,109,625  |

See Notes to Financial Statements.



**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust IV (BTZ)**

(Percentages shown are based on Net Assets)

|  |     | <b>Par</b>   |    | <b>Value</b>       |
|--|-----|--------------|----|--------------------|
|  |     | <b>(000)</b> |    |                    |
| <b>Capital Trusts</b>  |     |              |    |                    |
| <b>Insurance 8.4%</b>  |     |              |    |                    |
| ACE Capital Trust II, 9.70%, 4/01/30 (c)                         | USD | 4,000        | \$ | 5,846,404          |
| The Allstate Corp., 6.50%, 5/15/67 (b)                           |     | 4,000        |    | 4,300,000          |
| American General Capital II, 8.50%, 7/01/30                      |     | 300          |    | 367,500            |
| American International Group, Inc.,<br>8.18%, 5/15/68 (b)        |     | 1,300        |    | 1,621,750          |
| Aon Corp., 8.21%, 1/01/27  |     | 4,000        |    | 5,015,456          |
| AXA SA, 6.46% (a)(f)   |     | 6,000        |    | 5,655,000          |
| The Chubb Corp., 6.38%, 3/29/67 (b)                              |     | 4,000        |    | 4,340,000          |
| Liberty Mutual Group, Inc.,<br>10.75%, 6/15/88 (a)(b)            |     | 4,000        |    | 5,960,000          |
| Lincoln National Corp., 7.00%, 5/17/66 (b)                       |     | 4,255        |    | 4,361,375          |
| MetLife, Inc., 6.40%, 12/15/66                                   |     | 4,550        |    | 4,945,973          |
| Mitsui Sumitomo Insurance Co. Ltd.,<br>7.00%, 3/15/72 (a)(b)     |     | 2,360        |    | 2,692,972          |
| Northwestern Mutual Life Insurance Co.,<br>6.06%, 3/30/40 (a)(c) |     | 5,500        |    | 7,229,843          |
| Reinsurance Group of America, Inc.,<br>6.75%, 12/15/65 (b)(c)    |     | 7,000        |    | 7,082,243          |
| Swiss Re Capital I LP, 6.85% (a)(b)(f)                           |     | 3,000        |    | 3,129,681          |
| ZFS Finance USA Trust II, 6.45%, 12/15/65 (a)(b)                 |     | 3,850        |    | 4,138,750          |
|  |     |              |    | 66,686,947         |
| <b>Oil, Gas &amp; Consumable Fuels 1.2%</b>                      |     |              |    |                    |
| Enterprise Products Operating LLC, Series A, 8.38%, 8/01/66 (b)  |     | 4,500        |    | 5,130,000          |
| TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b)                   |     | 4,000        |    | 4,298,524          |
|  |     |              |    | 9,428,524          |
| <b>Total Capital Trusts 19.6%</b>                                |     |              |    | <b>156,513,303</b> |
| <b>Preferred Stocks</b>  |     |              |    |                    |
| <b>Auto Components 0.1%</b>                                      |     |              |    |                    |
| Dana Holding Corp., 4.00% (a)(d)                                 |     | 7,000        |    | 784,875            |
| <b>Capital Markets 0.1%</b>                                      |     |              |    |                    |
| RBS Capital Funding Trust V, 5.90%                               |     | 60,000       |    | 1,103,400          |
| <b>Diversified Financial Services 0.4%</b>                       |     |              |    |                    |
| Ally Financial, Inc., 7.00% (a)                                  |     | 3,640        |    | 3,507,595          |
| <b>Real Estate Investment Trusts (REITs) 1.1%</b>                |     |              |    |                    |
| Sovereign Real Estate Investment Trust,<br>12.00% (a)            |     | 7,000        |    | 8,406,790          |
| <b>Thriffs &amp; Mortgage Finance 0.0%</b>                       |     |              |    |                    |
| Fannie Mae, Series S, 8.25% (b)(g)                               |     | 23,000       |    | 39,100             |
| Freddie Mac, Series Z, 8.38% (b)(g)                              |     | 23,000       |    | 40,020             |
|  |     |              |    | 79,120             |
| <b>Wireless Telecommunication Services 1.6%</b>                  |     |              |    |                    |
| Centaur Funding Corp., 9.08% (a)                                 |     | 10,000       |    | 12,684,375         |
| <b>Total Preferred Stocks 3.3%</b>                               |     |              |    | <b>26,566,155</b>  |

**Trust Preferreds**

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|  |              |         |             |
|--|--------------|---------|-------------|
| <b>Diversified Financial Services</b>          | <b>0.4%</b>  |         |             |
| GMAC Capital Trust I, Series 2, 8.13%, 2/15/40 |              | 118,500 | 3,046,775   |
| <b>Machinery</b>                               | <b>0.4%</b>  |         |             |
| Stanley Black & Decker, Inc., 5.75%, 7/25/52   |              | 113,000 | 2,921,050   |
| <b>Total Trust Preferreds</b>                  | <b>0.8%</b>  |         | 5,967,825   |
| <b>Total Preferred Securities</b>              | <b>23.7%</b> |         | 189,047,283 |

|   |             |              |              |
|---|-------------|--------------|--------------|
|   |             | <b>Par</b>   |              |
| <b>Taxable Municipal Bonds</b>  |             | <b>(000)</b> | <b>Value</b> |
| City of Chicago Illinois, Refunding RB, O Hare International Airport, Build America Bonds, 6.85%, 1/01/38 | USD         | 5,000        | \$ 5,810,750 |
| Metropolitan Transportation Authority, RB, Build America Bonds, 6.55%, 11/15/31                           |             | 4,075        | 5,130,995    |
| <b>Total Taxable Municipal Bonds</b>  | <b>1.4%</b> |              | 10,941,745   |

|  |             |       |           |
|--|-------------|-------|-----------|
| <b>US Government Sponsored Agency Securities</b> | <b>0.3%</b> |       |           |
| <b>Agency Obligations</b>                        | <b>0.3%</b> |       |           |
| Fannie Mae, 1.93%, 10/09/19 (c)(h)               |             | 2,765 | 2,420,075 |

|                                      |               |       |               |
|--------------------------------------|---------------|-------|---------------|
| <b>US Treasury Obligations</b>       |               |       |               |
| <b>US Treasury Bonds (c):</b>        |               |       |               |
| 3.75%, 8/15/41                       |               | 945   | 1,125,584     |
| 3.13%, 11/15/41                      |               | 935   | 992,269       |
| 3.00%, 5/15/42                       |               | 8,545 | 8,826,720     |
| <b>US Treasury Notes (c):</b>        |               |       |               |
| 0.88%, 12/31/16                      |               | 6,377 | 6,454,219     |
| 0.88%, 1/31/17                       |               | 6,000 | 6,070,314     |
| 0.63%, 5/31/17                       |               | 1,490 | 1,488,720     |
| 1.63%, 8/15/22                       |               | 2,440 | 2,426,656     |
| <b>Total US Treasury Obligations</b> | <b>3.5%</b>   |       | 27,384,482    |
| <b>Total Long-Term Investments</b>   |               |       | 1,164,841,229 |
| <b>(Cost \$1,079,411,083)</b>        | <b>146.2%</b> |       |               |

|  |             |               |           |
|--|-------------|---------------|-----------|
| <b>Short-Term Securities</b>   |             | <b>Shares</b> |           |
| BlackRock Liquidity Funds, TempFund, Institutional Class, 0.17% (i)(j) |             | 1,652,656     | 1,652,656 |
| <b>Total Short-Term Securities</b>                                     |             |               | 1,652,656 |
| <b>(Cost \$1,652,656)</b>  | <b>0.2%</b> |               |           |

|  |             |                        |         |
|--|-------------|------------------------|---------|
| <b>Options Purchased</b>   |             | <b>Contracts</b>       |         |
| <b>Exchange-Traded Put Options</b>   | <b>0.1%</b> |                        |         |
| Euro-Dollar 3-Year Mid-Curve Options, Strike Price USD 98.88, Expires 3/15/13  |             | 1,583                  | 652,988 |
|  |             | <b>Notional Amount</b> |         |
|  |             | <b>(000)</b>           |         |
| <b>Over-the-Counter Interest Rate Call Swaptions</b>   | <b>0.0%</b> |                        |         |
| Receive a fixed rate of 2.61% and pay a floating rate based on 3-month LIBOR, expires 1/13/14, Broker Credit Suisse Group AG | USD         | 1,900                  | 123,011 |
| <b>Over-the-Counter Interest Rate Put Swaptions</b>  | <b>0.0%</b> |                        |         |
| Pay a fixed rate of 0.71% and receive a floating rate based on 3-month LIBOR, Expires 6/28/13, Broker Deutsche Bank AG       |             | 61,000                 | 51,112  |
| Pay a fixed rate of 2.61% and receive a floating rate based on 3-month LIBOR, Expires 1/13/14, Broker Credit Suisse Group AG |             | 1,900                  | 31,912  |

See Notes to Financial Statements.



**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust IV (BTZ)**

(Percentages shown are based on Net Assets)

|  | Notional<br>Amount<br>(000) | Value          |
|--|-----------------------------|----------------|
| <b>Options Purchased</b>   |                             |                |
| <b>Over-the-Counter Interest Rate Put Swaptions (concluded)</b>  |                             |                |
| Pay a fixed rate of 4.50% and receive a floating rate based on 3-month LIBOR, Expires 2/02/17,<br>Broker Deutsche Bank AG        | USD 8,000                   | \$ 184,229     |
|  |                             | 267,253        |
| <b>Total Options Purchased</b>   |                             | 1,043,252      |
| <b>(Cost \$1,379,215) 0.1%</b>   |                             |                |
| <b>Total Investments Before Options Written</b>  |                             | 1,167,537,137  |
| <b>(Cost \$1,082,442,954) 146.5%</b>   |                             |                |
| <b>Options Written</b>   |                             |                |
| <b>Over-the-Counter Interest Rate Call Swaptions (0.5)%</b>  |                             |                |
| Pay a fixed rate of 4.75% and receive a floating rate based on 3-month LIBOR, Expires 3/24/14,<br>Broker Citigroup, Inc.         | 17,000                      | (4,076,887)    |
| Pay a fixed rate of 2.33% and receive a floating rate based on 3-month LIBOR, Expires 10/02/14,<br>Broker Credit Suisse Group AG | 6,500                       | (279,394)      |
|  |                             | (4,356,281)    |
| <b>Over-the-Counter Interest Rate Put Swaptions (0.1)%</b>   |                             |                |
| Receive a fixed rate of 4.75% and pay a floating rate based on 3-month LIBOR, Expires 3/24/14,<br>Broker Citigroup, Inc.         | 17,000                      | (30,137)       |
| Receive a fixed rate of 2.33% and pay a floating rate based on 3-month LIBOR, Expires<br>10/02/14, Broker Credit Suisse Group AG | 6,500                       | (262,596)      |
| Receive a fixed rate of 6.00% and pay a floating rate based on 3-month LIBOR, Expires 2/02/17,<br>Broker Deutsche Bank AG        | 16,000                      | (165,267)      |
|  |                             | (458,000)      |
| <b>Total Options Written</b>   |                             |                |
| <b>(Premiums Received \$2,861,625) (0.6)%</b>  |                             | (4,814,281)    |
| <b>Total Investments, Net of Options Written 145.9%</b>  |                             | 1,162,722,856  |
| <b>Liabilities in Excess of Other Assets (45.9)%</b>   |                             | (365,887,137)  |
| <b>Net Assets 100.0%</b>   |                             | \$ 796,835,719 |

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. 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) Convertible security.

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

(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 issuers considered to be an affiliate of the Fund during the year ended October 31, 2012, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

| Affiliate  | Shares<br>Held at<br>October 31,<br>2011 | Net<br>Activity | Shares<br>Held at<br>October 31,<br>2012 | Income   |
|--|--|-----------------|--|----------|
| BlackRock Liquidity Funds, TempFund, Institutional Class | 3,823,108                                | (2,170,452)     | 1,652,656                                | \$ 6,626 |

(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.

Reverse repurchase agreements outstanding as of October 31, 2012 were as follows:

| Counterparty                       | Interest<br>Rate | Trade<br>Date | Maturity<br>Date | Face Value   | Face Value<br>Including<br>Accrued<br>Interest |
|------------------------------------|------------------|---------------|------------------|--------------|--|
| UBS Securities LLC                 | 0.32%            | 3/13/12       | Open             | \$ 3,910,500 | \$ 3,922,502                                   |
| Barclays Capital, Inc.             | 0.35%            | 4/03/12       | Open             | 23,358,163   | 23,406,308                                     |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/18/12       | Open             | 1,515,469    | 1,518,371                                      |
| Credit Suisse Securities (USA) LLC | 0.38%            | 4/18/12       | Open             | 2,574,227    | 2,579,580                                      |
| UBS Securities LLC                 | 0.34%            | 4/23/12       | Open             | 4,054,350    | 4,061,702                                      |
| Credit Suisse Securities (USA) LLC | 0.35%            | 4/23/12       | Open             | 1,525,700    | 1,528,533                                      |
| BNP Paribas Securities Corp.       | 0.15%            | 4/24/12       | Open             | 2,198,175    | 2,199,924                                      |
| BNP Paribas Securities Corp.       | 0.37%            | 4/24/12       | Open             | 1,076,119    | 1,078,231                                      |
| Deutsche Bank Securities, Inc.     | 0.12%            | 4/24/12       | Open             | 6,424,828    | 6,428,918                                      |
| UBS Securities LLC                 | 0.34%            | 4/24/12       | Open             | 2,712,250    | 2,717,143                                      |
| UBS Securities LLC                 | 0.35%            | 4/25/12       | Open             | 22,754,813   | 22,796,845                                     |
| UBS Securities LLC                 | 0.38%            | 4/25/12       | Open             | 23,860,650   | 23,908,504                                     |
| Bank of America Merrill Lynch      | 0.21%            | 5/01/12       | Open             | 6,045,000    | 6,051,488                                      |
| UBS Securities LLC                 | 0.00%            | 5/07/12       | Open             | 621,563      | 621,563  |
| Barclays Capital, Inc.             | 0.35%            | 5/08/12       | Open             | 2,119,687    | 2,123,315                                      |
| UBS Securities LLC                 | 0.25%            | 5/10/12       | Open             | 1,396,550    | 1,398,238                                      |
| UBS Securities LLC                 | 0.38%            | 5/10/12       | Open             | 5,766,499    | 5,777,091                                      |
| UBS Securities LLC                 | 0.34%            | 5/11/12       | Open             | 3,604,375    | 3,610,298                                      |
| Credit Suisse Securities (USA) LLC | 0.35%            | 5/14/12       | Open             | 2,845,500    | 2,850,231                                      |
| UBS Securities LLC                 | 0.35%            | 5/14/12       | Open             | 14,475,000   | 14,499,065                                     |
| UBS Securities LLC                 | 0.37%            | 5/14/12       | Open             | 14,110,438   | 14,135,236                                     |

See Notes to Financial Statements.



**Table of Contents****Schedule of Investments (continued)****BlackRock Credit Allocation Income Trust IV (BTZ)**

Reverse repurchase agreements outstanding as of October 31, 2012 were as follows (concluded):

| <b>Counterparty</b>                | <b>Interest Rate</b> | <b>Trade Date</b> | <b>Maturity Date</b> | <b>Face Value</b>     | <b>Face Value Including Accrued Interest</b> |
|------------------------------------|----------------------|-------------------|----------------------|-----------------------|--|
| UBS Securities LLC                 | 0.38%                | 5/14/12           | Open                 | \$ 23,291,925         | \$ 23,333,967                                |
| Credit Suisse Securities (USA) LLC | 0.35%                | 5/15/12           | Open                 | 3,335,094             | 3,340,606                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 5/23/12           | Open                 | 7,212,713             | 7,224,073                                    |
| Deutsche Bank Securities, Inc.     | 0.19%                | 5/29/12           | Open                 | 988,762               | 989,577                                      |
| UBS Securities LLC                 | 0.34%                | 5/31/12           | Open                 | 5,533,125             | 5,541,173                                    |
| Bank of America Merrill Lynch      | 0.20%                | 6/12/12           | Open                 | 1,484,412             | 1,485,584                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 6/20/12           | Open                 | 13,760,262            | 13,778,189                                   |
| Credit Suisse Securities (USA) LLC | 0.38%                | 6/20/12           | Open                 | 17,310,000            | 17,334,484                                   |
| UBS Securities LLC                 | 0.35%                | 6/29/12           | Open                 | 2,670,187             | 2,673,433                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 7/13/12           | Open                 | 10,490,000            | 10,501,320                                   |
| UBS Securities LLC                 | 0.34%                | 7/16/12           | Open                 | 5,572,563             | 5,578,247                                    |
| Barclays Capital, Inc.             | 0.35%                | 7/25/12           | Open                 | 11,814,497            | 11,825,868                                   |
| Deutsche Bank Securities, Inc.     | 0.10%                | 7/25/12           | Open                 | 2,016,225             | 2,016,779                                    |
| Credit Suisse Securities (USA) LLC | 0.30%                | 7/25/12           | Open                 | 9,960,813             | 9,968,947                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 7/25/12           | Open                 | 5,999,025             | 6,004,741                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 8/10/12           | Open                 | 1,579,875             | 1,581,150                                    |
| Barclays Capital, Inc.             | 0.35%                | 8/13/12           | Open                 | 7,654,899             | 7,660,854                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 8/20/12           | Open                 | 1,282,187             | 1,283,098                                    |
| Barclays Capital, Inc.             | 0.35%                | 8/21/12           | Open                 | 4,421,375             | 4,424,470                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 8/23/12           | Open                 | 1,418,369             | 1,419,334                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 8/30/12           | Open                 | 3,287,125             | 3,289,138                                    |
| Barclays Capital, Inc.             | (0.25)%              | 9/06/12           | Open                 | 112,000               | 111,956                                      |
| Credit Suisse Securities (USA) LLC | (0.25)%              | 9/06/12           | Open                 | 644,044               | 643,793                                      |
| Deutsche Bank Securities, Inc.     | (1.00)%              | 9/19/12           | Open                 | 1,044,925             | 1,043,706                                    |
| UBS Securities LLC                 | 0.34%                | 9/24/12           | Open                 | 4,556,250             | 4,557,885                                    |
| UBS Securities LLC                 | 0.36%                | 9/24/12           | Open                 | 3,863,700             | 3,865,168                                    |
| Barclays Capital, Inc.             | 0.35%                | 9/28/12           | Open                 | 909,000               | 909,301                                      |
| Credit Suisse Securities (USA) LLC | 0.35%                | 9/28/12           | Open                 | 6,175,094             | 6,177,135                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 10/02/12          | Open                 | 5,300,000             | 5,301,546                                    |
| UBS Securities LLC                 | 0.10%                | 10/02/12          | Open                 | 3,356,250             | 3,356,520                                    |
| Citigroup Global Markets, Inc.     | (0.75)%              | 10/04/12          | Open                 | 1,520,119             | 1,519,264                                    |
| Barclays Capital, Inc.             | 0.40%                | 10/10/12          | Open                 | 2,501,000             | 2,501,611                                    |
| UBS Securities LLC                 | (0.50)%              | 10/16/12          | Open                 | 2,081,375             | 2,080,927                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 10/17/12          | Open                 | 6,159,688             | 6,160,586                                    |
| BNP Paribas Securities Corp.       | 0.35%                | 10/18/12          | Open                 | 3,188,500             | 3,188,934                                    |
| BNP Paribas Securities Corp.       | 0.37%                | 10/18/12          | Open                 | 15,335,000            | 15,337,206                                   |
| Deutsche Bank Securities, Inc.     | (0.63)%              | 10/24/12          | 12/31/22             | 752,856               | 752,752                                      |
| Barclays Capital, Inc.             | 0.35%                | 10/24/12          | Open                 | 4,981,800             | 4,982,187                                    |
| BNP Paribas Securities Corp.       | 0.26%                | 10/25/12          | Open                 | 8,705,219             | 8,705,659                                    |
| Deutsche Bank Securities, Inc.     | 0.14%                | 10/25/12          | Open                 | 2,400,350             | 2,400,415                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 10/29/12          | Open                 | 7,421,950             | 7,422,166                                    |
| Credit Suisse Securities (USA) LLC | 0.35%                | 10/30/12          | Open                 | 2,188,406             | 2,188,428                                    |
| Deutsche Bank Securities, Inc.     | 0.00%                | 10/31/12          | Open                 | 2,484,875             | 2,484,875                                    |
| <b>Total</b>                       |                      |                   |                      | <b>\$ 373,715,690</b> | <b>\$ 374,160,138</b>                        |

Financial futures contracts purchased as of October 31, 2012 were as follows:

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| Contracts    | Issue                    | Exchange               | Expiration    | Notional |            | Unrealized<br>Appreciation<br>(Depreciation) |
|--------------|--------------------------|------------------------|---------------|----------|------------|--|
|              |                          |                        |               | Value    |            |  |
| 306          | 2-Year US Treasury Note  | Chicago Board of Trade | December 2012 | USD      | 67,420,406 | \$ (46,606)                                  |
| 64           | 30-Year US Treasury Bond | Chicago Board of Trade | December 2012 | USD      | 9,556,000  | (46,622)                                     |
| 137          | 90-Day Euro-Dollar       | Chicago Mercantile     | March 2016    | USD      | 33,878,387 | 28,322                                       |
| <b>Total</b> |                          |                        |               |          |            | \$ (64,906)                                  |

Financial futures contracts sold as of October 31, 2012 were as follows:

| Contracts    | Issue                       | Exchange               | Expiration    | Notional |             | Unrealized<br>Appreciation<br>(Depreciation) |
|--------------|-----------------------------|------------------------|---------------|----------|-------------|--|
|              |                             |                        |               | Value    |             |  |
| 163          | 5-Year US Treasury Note     | Chicago Board of Trade | December 2012 | USD      | 20,252,750  | \$ (20,684)                                  |
| 926          | 10-Year US Treasury Note    | Chicago Board of Trade | December 2012 | USD      | 123,186,938 | (347,810)                                    |
| 33           | Ultra Long US Treasury Bond | Chicago Board of Trade | December 2012 | USD      | 5,448,094   | 66,195                                       |
| <b>Total</b> |                             |                        |               |          |             | \$ (302,299)                                 |

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, 2012 were as follows:

| Issuer                 | Pay Fixed Rate | Counterparty                     | Expiration Date | Notional Amount (000) | Unrealized Appreciation (Depreciation) |
|------------------------|----------------|----------------------------------|-----------------|-----------------------|--|
| Southwest Airlines Co. | 1.00%          | Goldman Sachs Group, Inc.        | 12/20/16        | USD 1,965             | \$ (56,989)                            |
| Southwest Airlines Co. | 1.00%          | Royal Bank of Scotland Group Plc | 12/20/16        | USD 1,965             | (63,797)                               |
| Cigna Corp.            | 1.00%          | Goldman Sachs Group, Inc.        | 9/20/17         | USD 4,500             | (55,369)                               |
| General Dynamic Corp.  | 1.00%          | Credit Suisse Group AG           | 9/20/17         | USD 2,740             | (2,906)                                |
| Hewlett-Packard Co.    | 1.00%          | Citigroup, Inc.                  | 9/20/17         | USD 1,475             | 26,171                                 |
| Hewlett-Packard Co.    | 1.00%          | Credit Suisse Group AG           | 9/20/17         | USD 1,335             | 72,393                                 |
| Hewlett-Packard Co.    | 1.00%          | JPMorgan Chase & Co.             | 9/20/17         | USD 1,000             | 48,956                                 |
| Humana, Inc.           | 1.00%          | Goldman Sachs Group, Inc.        | 9/20/17         | USD 4,500             | (13,521)                               |
| Lockheed Martin Corp.  | 1.00%          | Credit Suisse Group AG           | 9/20/17         | USD 2,740             | (26,945)                               |
| Northrop Grumman Corp. | 1.00%          | Credit Suisse Group AG           | 9/20/17         | USD 2,315             | (12,443)                               |
| Raytheon Co.           | 1.00%          | Credit Suisse Group AG           | 9/20/17         | USD 2,315             | (7,983)                                |
| Viacom, Inc.           | 1.00%          | Credit Suisse Group AG           | 9/20/17         | USD 5,975             | (53,171)                               |
| <b>Total</b>           |                |                                  |                 |                       | \$ (145,604)                           |

Credit default swaps on single-name issues sold protection outstanding as of October 31, 2012 were as follows:

| Issuer                    | Receive Fixed Rate | Counterparty              | Expiration Date | Issuer Credit Rating <sup>1</sup> | Notional Amount (000) <sup>2</sup> | Unrealized Appreciation |
|---------------------------|--------------------|---------------------------|-----------------|-----------------------------------|------------------------------------|-------------------------|
| Anadarko Petroleum Corp.  | 1.00%              | Credit Suisse Group AG    | 6/20/17         | BBB-                              | USD 1,685                          | \$ 45,798               |
| Comcast Corp.             | 1.00%              | Credit Suisse Group AG    | 9/20/17         | BBB+                              | USD 5,975                          | 69,501                  |
| United Health Group, Inc. | 1.00%              | Goldman Sachs Group, Inc. | 9/20/17         | A                                 | USD 4,500                          | 72,090                  |
| WellPoint, Inc.           | 1.00%              | Goldman Sachs Group, Inc. | 9/20/17         | A-                                | USD 4,500                          | 25,418                  |
| MetLife, Inc.             | 1.00%              | Deutsche Bank AG          | 3/20/18         | A-                                | USD 1,500                          | 127                     |
| <b>Total</b>              |                    |                           |                 |                                   |                                    | \$ 212,934              |

<sup>1</sup> Using S&P's rating.<sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.

Interest rate swaps outstanding as of October 31, 2012 were as follows:

| Fixed Rate         | Floating Rate | Counterparty/Exchange  | Expiration Date | Notional Amount (000) | Unrealized Appreciation (Depreciation) |
|--------------------|---------------|------------------------|-----------------|-----------------------|--|
| 0.44% <sup>3</sup> | 3-month LIBOR | Chicago Mercantile     | 8/29/14         | USD 27,000            | \$ (28,241)                            |
| 2.06% <sup>4</sup> | 3-month LIBOR | Credit Suisse Group AG | 5/08/22         | USD 11,300            | 403,726                                |
| 1.76% <sup>4</sup> | 3-month LIBOR | Citigroup, Inc.        | 6/25/22         | USD 10,500            | 75,795                                 |

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|                    |               |                           |         |     |       |                   |
|--------------------|---------------|---------------------------|---------|-----|-------|-------------------|
| 2.48% <sup>3</sup> | 3-month LIBOR | Credit Suisse Group AG    | 7/05/42 | USD | 3,700 | 87,588            |
| 2.26% <sup>3</sup> | 3-month LIBOR | Goldman Sachs Group, Inc. | 7/26/42 | USD | 1,900 | 137,125           |
| 2.46% <sup>3</sup> | 3-month LIBOR | Deutsche Bank AG          | 8/07/42 | USD | 8,400 | 231,288           |
| 2.52% <sup>3</sup> | 3-month LIBOR | Citigroup, Inc.           | 8/10/42 | USD | 4,200 | 65,396            |
| 2.71% <sup>3</sup> | 3-month LIBOR | Credit Suisse Group AG    | 8/21/42 | USD | 1,100 | (26,464)          |
| <b>Total</b>       |               |                           |         |     |       | <b>\$ 946,213</b> |

<sup>3</sup> Fund pays the fixed rate and receives the floating rate.

<sup>4</sup> Fund pays the floating rate and receives the fixed rate.

**Fair Value Measurements** Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques 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 that the Fund has the ability to access

**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)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. 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 is not necessarily an indication of the risks associated with 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.

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Schedule of Investments (concluded)

**BlackRock Credit Allocation Income Trust IV (BTZ)**

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of October 31, 2012:

|   | Level 1      | Level 2          | Level 3       | Total            |
|---|--------------|------------------|---------------|------------------|
| <b>Assets:</b>                                      |              |                  |               |                  |
| Investments:  |              |                  |               |                  |
| Long-Term Investments:                              |              |                  |               |                  |
| Asset-Backed Securities                             |              | \$ 4,929,658     | \$ 3,982,000  | \$ 8,911,658     |
| Corporate Bonds                                     |              | 917,652,041      | 8,192,550     | 925,844,591      |
| Floating Rate Loan Interests                        |              | 291,395          |               | 291,395          |
| Preferred Securities                                | \$ 4,229,295 | 184,817,988      |               | 189,047,283      |
| Taxable Municipal Bonds                             |              | 10,941,745       |               | 10,941,745       |
| US Govern-<br>ment Spon-<br>sored Agency Securities |              | 2,420,075        |               | 2,420,075        |
| US Treasury Obligations                             |              | 27,384,482       |               | 27,384,482       |
| Short-Term Securities                               | 1,652,656    |                  |               | 1,652,656        |
| <b>Total</b>  | \$ 5,881,951 | \$ 1,148,437,384 | \$ 12,174,550 | \$ 1,166,493,885 |

|   | Level 1    | Level 2        | Level 3 | Total          |
|---|------------|----------------|---------|----------------|
| <b>Derivative Financial Instruments<sup>1</sup></b> |            |                |         |                |
| <b>Assets:</b>                                      |            |                |         |                |
| Credit contracts                                    |            | \$ 360,454     |         | \$ 360,454     |
| Interest rate contracts                             | \$ 747,505 | 1,391,182      |         | 2,138,687      |
| <b>Liabilities:</b>                                 |            |                |         |                |
| Credit contracts                                    |            | (293,124)      |         | (293,124)      |
| Interest rate contracts                             | (461,722)  | (4,868,986)    |         | (5,330,708)    |
| <b>Total</b>  | \$ 285,783 | \$ (3,410,474) |         | \$ (3,124,691) |

<sup>1</sup> Derivative financial instruments are swaps, financial futures 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.

Certain of the Fund's assets and liabilities are held at carrying amount or face value, which approximates fair value for financial statement purposes. As of October 31, 2012, such assets and liabilities are categorized within the disclosure hierarchy as follows:

|   | Level 1             | Level 2                 | Level 3   | Total                |
|---|---------------------|-------------------------|-----------|----------------------|
| <b>Assets:</b>  |                     |                         |           |                      |
| Cash  | \$ 57,836           |                         | \$        | 57,836               |
| Foreign currency at value                                     | 44                  |                         |           | 44                   |
| Cash pledged as collateral for financial futures contracts    | 766,940             |                         |           | 766,940              |
| Cash pledged as collateral for swaps                          | 3,640,000           |                         |           | 3,640,000            |
| <b>Liabilities:</b>   |                     |                         |           |                      |
| Reverse repurchase agreements                                 |                     | \$ (373,715,690)        |           | (373,715,690)        |
| Cash received as collateral for reverse repurchase agreements |                     | (11,059,900)            |           | (11,059,900)         |
| Cash received as collateral for swaps                         |                     | (500,000)               |           | (500,000)            |
| <b>Total</b>  | <b>\$ 4,464,820</b> | <b>\$ (385,275,590)</b> | <b>\$</b> | <b>(380,810,770)</b> |

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2012.

Certain of the Fund's investments and derivative financial instruments are categorized as Level 3 and were valued utilizing transaction prices or third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in the unobservable inputs could result in a significantly lower or higher value in such Level 3 investments and 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. The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

|   | Asset-Backed Securities | Corporate Bonds     | Total                |
|---|-------------------------|---------------------|----------------------|
| <b>Assets:</b>  |                         |                     |                      |
| Opening balance, as of October 31, 2011                         | \$ 3,410,000            | \$ 5,876,000        | \$ 9,286,000         |
| Transfers into Level 3 <sup>2</sup>                             |                         |                     |                      |
| Transfers out of Level 3 <sup>2</sup>                           |                         |                     |                      |
| Accrued discounts/premiums                                      | 62,713                  |                     | 62,713               |
| Net realized gain (loss)  |                         |                     |                      |
| Net change in unrealized appreciation/depreciation <sup>3</sup> | 509,287                 | (43,450)            | 465,837              |
| Purchases   |                         | 2,360,000           | 2,360,000            |
| Sales   |                         |                     |                      |
| <b>Closing Balance, as of October 31, 2012</b>                  | <b>\$ 3,982,000</b>     | <b>\$ 8,192,550</b> | <b>\$ 12,174,550</b> |

<sup>2</sup> Transfers into and transfers out of Level 3 represent the values as of the beginning of the reporting period.

<sup>3</sup> 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 as of October 31, 2012 was \$465,837. The following table is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used in determining fair value:

|   | <b>Credit<br/>Contracts</b> |
|---|-----------------------------|
| <b>Assets:</b>  |                             |
| Opening balance, as of October 31, 2011                         | \$ 8,182                    |
| Transfers into Level 3 <sup>2</sup>                             |                             |
| Transfers out of Level 3 <sup>2</sup>                           |                             |
| Accrued discounts/premiums                                      |                             |
| Net realized gain (loss)  |                             |
| Net change in unrealized appreciation/depreciation <sup>4</sup> | (8,182)                     |
| Purchases   |                             |
| Issues <sup>5</sup>   |                             |
| Sales   |                             |
| Settlements <sup>6</sup>  |                             |

**Closing Balance, as of October 31, 2012**

<sup>4</sup> 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 as of October 31, 2012 was \$0.

<sup>5</sup> Issues represent upfront cash received on certain derivative financial instruments.

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

See Notes to Financial Statements.

**Table of Contents****Consolidated Schedule of Investments** October 31, 2012**BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|   |     | <b>Par</b>   |              |
|---|-----|--------------|--------------|
|   |     | <b>(000)</b> | <b>Value</b> |
| <b>Asset-Backed Securities</b>  |     |              |              |
| Fraser Sullivan CLO Ltd., Series 2012-7A, Class C, 4.32%, 4/20/23 (a)(b)              | USD | 575          | \$ 532,962   |
| Goldentree Loan Opportunities VI Ltd., Series 2012-6A, Class D, 4.53%, 4/17/22 (a)(b) |     | 950          | 891,575      |
| Greyrock CDO Ltd., Series 2005-1X, Class A2L, 0.85%, 11/15/17 (b)                     |     | 1,495        | 1,382,426    |
| Highbridge Loan Management Ltd., Series 2012-1A, Class C, 5.71%, 9/20/22 (a)(b)       |     | 925          | 880,137      |
| ING Investment Management, Series 2012-2A, Class D, 4.99%, 10/15/22 (a)(b)            |     | 950          | 847,029      |
| LCM LP, Series 11A, Class D2, 4.27%, 4/19/22 (a)(b)                                   |     | 1,000        | 920,000      |
| Marea CLO Ltd., 5.01%, 10/16/23 (a)(b)  |     | 1,000        | 897,980      |
| Race Point CLO, Series 2012-6A, Class D, 4.93%, 5/24/23 (a)(b)                        |     | 675          | 652,928      |
| Symphony CLO Ltd. (a)(b):   |     |              |              |
| Series 2012-9A, Class D, 4.58%, 4/16/22   |     | 775          | 738,188      |
| Series 2012-10A, Class D, 5.57%, 7/23/23  |     | 925          | 878,750      |
| West CLO Ltd., Series 2012-1A, Class C, 5.05%, 10/17/23 (a)(b)                        |     | 845          | 817,377      |
| <b>Total Asset-Backed Securities</b> 2.8%   |     |              | 9,439,352    |

|   |  | <b>Shares</b> |           |
|---|--|---------------|-----------|
| <b>Common Stocks</b>                          |  |               |           |
| <b>Auto Components 0.2%</b>                   |  |               |           |
| Delphi Automotive Plc (c)                     |  | 24,545        | 771,695   |
| <b>Construction &amp; Engineering 0.0%</b>    |  |               |           |
| USI United Subcontractors                     |  | 8,067         | 8,067     |
| <b>Hotels, Restaurants &amp; Leisure 0.2%</b> |  |               |           |
| BLB Worldwide Holdings, Inc.                  |  | 50,832        | 689,434   |
| <b>Metals &amp; Mining 0.1%</b>               |  |               |           |
| Euramax International                         |  | 1,135         | 224,202   |
| <b>Paper &amp; Forest Products 0.1%</b>       |  |               |           |
| Ainsworth Lumber Co. Ltd. (a)                 |  | 62,685        | 169,462   |
| Ainsworth Lumber Co. Ltd. (c)                 |  | 55,255        | 149,375   |
|   |  |               | 318,837   |
| <b>Software 0.3%</b>                          |  |               |           |
| Bankruptcy Management Solutions, Inc.         |  | 2,947         | 29        |
| HMH Holdings/EduMedia                         |  | 41,612        | 1,019,495 |
|   |  |               | 1,019,524 |
| <b>Total Common Stocks</b> 0.9%               |  |               | 3,031,759 |

|   |     | <b>Par</b>   |           |
|---|-----|--------------|-----------|
|   |     | <b>(000)</b> |           |
| <b>Corporate Bonds</b>  |     |              |           |
| <b>Airlines 0.1%</b>  |     |              |           |
| American Airlines Pass-Through Trust, Series 2011-2, Class A, 8.63%, 10/15/21 | USD | 207          | 216,136   |
| <b>Auto Components 0.7%</b>   |     |              |           |
| Icahn Enterprises LP:   |     |              |           |
| 7.75%, 1/15/16  |     | 1,515        | 1,583,175 |
| 8.00%, 1/15/18  |     | 660          | 709,500   |
|   |     |              | 2,292,675 |
| <b>Beverages 0.5%</b>   |     |              |           |
| Refresco Group BV (b):  |     |              |           |
| 4.35%, 5/15/18 (a)  | EUR | 500          | 615,671   |
| 4.35%, 5/15/18  |     | 1,000        | 1,231,342 |

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|   |     | Par   | 1,847,013  |
|---|-----|-------|------------|
|   |     | (000) | Value      |
| <b>Corporate Bonds</b>  |     |       |            |
| <b>Building Products 0.8%</b>   |     |       |            |
| Grohe Holding GmbH (b):   |     |       |            |
| 4.25%, 9/15/17 (a)  | EUR | 700   | \$ 893,695 |
| 8.75%, 12/15/17   |     | 1,400 | 1,853,170  |
|   |     |       | 2,746,865  |
| <b>Capital Markets 0.1%</b>   |     |       |            |
| E*Trade Financial Corp., 2.54%, 8/31/19 (a)(d)(e)                                 | USD | 439   | 369,858    |
| <b>Chemicals 0.3%</b>   |     |       |            |
| Hexion US Finance Corp., 6.63%, 4/15/20   |     | 340   | 339,150    |
| INEOS Finance Plc, 8.38%, 2/15/19 (a)   |     | 285   | 299,250    |
| MPM Escrow LLC/MPM Finance Escrow Corp., 8.88%, 10/15/20 (a)                      |     | 425   | 416,500    |
|   |     |       | 1,054,900  |
| <b>Commercial Banks 1.2%</b>  |     |       |            |
| VTB Bank OJSC Via VTB Capital SA, 6.88%, 5/29/18                                  |     | 3,940 | 4,250,708  |
| <b>Commercial Services &amp; Supplies 0.1%</b>                                    |     |       |            |
| AWAS Aviation Capital Ltd., 7.00%, 10/17/16 (a)                                   |     | 508   | 541,267    |
| <b>Communications Equipment 1.1%</b>  |     |       |            |
| Telenet Finance IV Luxembourg S.C.A., 4.13%, 6/15/21 (b)                          | EUR | 1,500 | 1,939,364  |
| Zayo Group LLC/Zayo Capital, Inc.:  |     |       |            |
| 8.13%, 1/01/20  | USD | 1,010 | 1,105,950  |
| 10.13%, 7/01/20   |     | 665   | 743,137    |
|   |     |       | 3,788,451  |
| <b>Consumer Finance 0.3%</b>  |     |       |            |
| Inmarsat Finance Plc, 7.38%, 12/01/17 (a)   |     | 1,015 | 1,093,662  |
| <b>Containers &amp; Packaging 1.7%</b>  |     |       |            |
| Ardagh Packaging Finance Plc:   |     |       |            |
| 7.38%, 10/15/17 (a)   | EUR | 400   | 549,567    |
| 7.38%, 10/15/17   |     | 300   | 412,176    |
| GCL Holdings SCA, 9.38%, 4/15/18 (a)  |     | 329   | 442,424    |
| Smurfit Kappa Acquisitions:   |     |       |            |
| 7.25%, 11/15/17 (a)   |     | 355   | 491,192    |
| 7.75%, 11/15/19 (a)   |     | 416   | 593,118    |
| 3.80%, 10/15/20 (b)   |     | 2,500 | 3,232,273  |
|   |     |       | 5,720,750  |
| <b>Diversified Financial Services 1.2%</b>  |     |       |            |
| Ally Financial, Inc., 2.62%, 12/01/14 (b)   | USD | 795   | 785,652    |
| Reynolds Group Issuer, Inc.:  |     |       |            |
| 7.13%, 4/15/19  |     | 325   | 346,125    |
| 5.75%, 10/15/20 (a)   |     | 2,345 | 2,368,450  |
| 6.88%, 2/15/21  |     | 490   | 520,625    |
|   |     |       | 4,020,852  |
| <b>Diversified Telecommunication Services 0.2%</b>                                |     |       |            |
| ITC Deltacom, Inc., 10.50%, 4/01/16   |     | 530   | 569,750    |
| <b>Energy Equipment &amp; Services 0.6%</b>                                       |     |       |            |
| Compagnie Générale de Géophysique, Veritas, 7.75%, 5/15/17                        |     | 1,795 | 1,857,825  |
| FTS International Services LLC/FTS International Bonds, Inc., 8.13%, 11/15/18 (a) |     | 298   | 311,410    |
|   |     |       | 2,169,235  |
| <b>Health Care Equipment &amp; Supplies 0.4%</b>                                  |     |       |            |
| Ontex IV SA, 4.34%, 4/15/18 (b)   | EUR | 1,000 | 1,244,303  |
| <b>Health Care Providers &amp; Services 1.6%</b>                                  |     |       |            |
| CHS/Community Health Systems, Inc., 5.13%, 8/15/18                                | USD | 954   | 989,775    |
| Crown Newco 3 Plc, 7.00%, 2/15/18 (a)   | GBP | 1,750 | 2,979,384  |
| HCA, Inc., 6.50%, 2/15/20   | USD | 1,055 | 1,165,775  |
| Tenet Healthcare Corp., 6.25%, 11/01/18   |     | 495   | 535,838    |

See Notes to Financial Statements.

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**Table of Contents****Consolidated Schedule of Investments (continued)****BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|  |     | Par   |    | Value      |
|--|-----|-------|----|------------|
|  |     | (000) |    |            |
| <b>Corporate Bonds</b>                                       |     |       |    |            |
| <b>Hotels, Restaurants &amp; Leisure 0.1%</b>                |     |       |    |            |
| Carlson Wagonlit BV, 6.88%, 6/15/19 (a)                      | USD | 200   | \$ | 209,000    |
| <b>Household Durables 0.0%</b>                               |     |       |    |            |
| Berkline/Benchcraft LLC, 4.50%, 11/03/12 (c)(f)              |     | 400   |    |            |
| <b>Independent Power Producers &amp; Energy Traders 1.1%</b> |     |       |    |            |
| Calpine Corp., 7.25%, 10/15/17 (a)                           |     | 112   |    | 118,720    |
| Energy Future Holdings Corp., 10.00%, 1/15/20                |     | 725   |    | 770,313    |
| Energy Future Intermediate Holding Co. LLC, 10.00%, 12/01/20 |     | 2,525 |    | 2,758,562  |
|  |     |       |    | 3,647,595  |
| <b>IT Services 0.2%</b>                                      |     |       |    |            |
| First Data Corp., 6.75%, 11/01/20 (a)                        |     | 650   |    | 650,000    |
| <b>Machinery 1.1%</b>  |     |       |    |            |
| KION Finance SA, 4.46%, 4/15/18 (a)(b)                       | EUR | 3,000 |    | 3,752,936  |
| UR Merger Sub Corp., 5.75%, 7/15/18 (a)                      | USD | 210   |    | 225,750    |
|  |     |       |    | 3,978,686  |
| <b>Media 3.2%</b>  |     |       |    |            |
| Clear Channel Communications, Inc., 9.00%, 12/15/19 (a)      |     | 495   |    | 445,500    |
| Clear Channel Worldwide Holdings, Inc.:                      |     |       |    |            |
| Series A, 9.25%, 12/15/17                                    |     | 501   |    | 537,322    |
| Series B, 9.25%, 12/15/17                                    |     | 1,704 |    | 1,827,540  |
| Odeon & UCI Finco Plc, 9.00%, 8/01/18 (a)                    | GBP | 914   |    | 1,519,216  |
| Unitymedia Hessen GmbH & Co. KG (FKA UPC Germany GmbH):      |     |       |    |            |
| 8.13%, 12/01/17 (a)  | USD | 2,500 |    | 2,700,000  |
| 8.13%, 12/01/17  | EUR | 383   |    | 534,898    |
| Virgin Media Secured Finance Plc, 7.00%, 1/15/18             | GBP | 1,197 |    | 2,095,849  |
| Ziggo Finance BV, 6.13%, 11/15/17 (a)                        | EUR | 1,005 |    | 1,390,558  |
|  |     |       |    | 11,050,883 |
| <b>Metals &amp; Mining 0.1%</b>                              |     |       |    |            |
| New World Resources NV, 7.88%, 5/01/18                       |     | 285   |    | 367,556    |
| <b>Oil, Gas &amp; Consumable Fuels 2.9%</b>                  |     |       |    |            |
| EP Energy LLC/EP Energy Finance, Inc., 6.88%, 5/01/19 (a)    | USD | 385   |    | 415,800    |
| Gazprom OAO Via RBS AG, 9.63%, 3/01/13                       |     | 3,230 |    | 3,305,905  |
| KazmunaiGaz Finance Sub BV, 8.38%, 7/02/13                   |     | 1,500 |    | 1,561,980  |
| OGX Petroleo e Gas Participacoes SA, 8.50%, 6/01/18 (a)      |     | 1,600 |    | 1,396,000  |
| Petroleos de Venezuela SA, 5.25%, 4/12/17                    |     | 4,000 |    | 3,160,000  |
|  |     |       |    | 9,839,685  |
| <b>Paper &amp; Forest Products 0.3%</b>                      |     |       |    |            |
| Ainsworth Lumber Co. Ltd., 11.00%, 7/29/15 (a)(g)            |     | 559   |    | 553,270    |
| Longview Fibre Paper & Packaging, Inc., 8.00%, 6/01/16 (a)   |     | 420   |    | 437,850    |
|  |     |       |    | 991,120    |
| <b>Pharmaceuticals 0.1%</b>                                  |     |       |    |            |
| Valeant Pharmaceuticals International, 6.50%, 7/15/16 (a)    |     | 180   |    | 189,450    |
| <b>Real Estate Management &amp; Development 0.1%</b>         |     |       |    |            |
| Realogy Corp., 7.63%, 1/15/20 (a)                            |     | 445   |    | 499,513    |
| <b>Specialty Retail 0.2%</b>                                 |     |       |    |            |
| House of Fraser Funding Plc, 8.88%, 8/15/18 (a)              | GBP | 349   |    | 564,606    |
| <b>Transportation Infrastructure 0.4%</b>                    |     |       |    |            |
| Aguila 3 SA, 7.88%, 1/31/18 (a)                              | CHF | 1,100 |    | 1,263,825  |

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**Wireless Telecommunication Services 2.8%**

|  |     |            |           |
|--|-----|------------|-----------|
| Cricket Communications, Inc., 7.75%, 5/15/16 | USD | 1,950      | 2,062,125 |
| iPCS, Inc., 2.57%, 5/01/13 (b)               |     | 1,155      | 1,149,225 |
| Matterhorn Mobile SA, 5.60%, 5/15/19 (b)     | EUR | 3,000      | 3,888,448 |
|  |     | <b>Par</b> |           |

**Corporate Bonds**

(000)

Value

**Wireless Telecommunication Services (concluded)**

|                                    |     |       |                   |
|------------------------------------|-----|-------|-------------------|
| Sprint Nextel Corp. (a):           |     |       |                   |
| 9.00%, 11/15/18                    | USD | 790   | \$ 975,650        |
| 7.00%, 3/01/20                     |     | 1,460 | 1,693,600         |
|                                    |     |       | 9,769,048         |
| <b>Total Corporate Bonds 23.5%</b> |     |       | <b>80,618,164</b> |

**Floating Rate Loan Interests (b)**

**Aerospace & Defense 1.5%**

|  |  |       |           |
|--|--|-------|-----------|
| DynCorp International LLC, Term Loan B, 6.25%, 7/07/16     |  |       |           |
|  |  | 420   | 421,117   |
| SI Organization, Inc., Term Loan B, 4.50%, 11/22/16        |  |       |           |
|  |  | 1,075 | 1,067,985 |
| Spirit Aerosystems, Inc., Term Loan B, 3.75%, 4/18/19      |  |       |           |
|  |  | 965   | 962,139   |
| TransDigm, Inc.:   |  |       |           |
| Tranche B-1 Term Loan, 4.00%, 2/14/17                      |  |       |           |
|  |  | 1,337 | 1,342,078 |
| Tranche B-2 Term Loan, 4.00%, 2/14/17                      |  |       |           |
|  |  | 452   | 453,200   |
| Wesco Aircraft Hardware Corp., Term Loan B, 4.25%, 4/07/17 |  |       |           |
|  |  | 818   | 819,048   |
|  |  |       | 5,065,567 |

**Airlines 0.8%**

|   |  |       |           |
|---|--|-------|-----------|
| Delta Air Lines, Inc.:                            |  |       |           |
| Credit Term Loan B, 5.50%, 4/20/17                |  |       |           |
|   |  | 1,631 | 1,629,738 |
| Term Loan B, 3.63%, 9/16/15                       |  |       |           |
|   |  | 955   | 892,925   |
| US Airways Group, Inc., Term Loan, 2.71%, 3/21/14 |  |       |           |
|   |  | 160   | 156,160   |
|   |  |       | 2,678,823 |

**Auto Components 2.9%**

|   |     |       |            |
|---|-----|-------|------------|
| Autoparts Holdings Ltd., First Lien Term Loan, 6.50%, 7/28/17           |     |       |            |
|   |     | 1,634 | 1,621,249  |
| Federal-Mogul Corp.:  |     |       |            |
| Term Loan B, 2.15%, 12/29/14  |     |       |            |
|   |     | 2,298 | 2,150,279  |
| Term Loan C, 2.15%, 12/28/15  |     |       |            |
|   |     | 781   | 730,620    |
| The Goodyear Tire & Rubber Co., Term Loan (Second Lien), 4.75%, 4/30/19 |     |       |            |
|   |     | 1,705 | 1,714,804  |
| GPX International Tire Corp. (c)(f):                                    |     |       |            |
| Term Loan, 12.25%, 3/30/12  |     |       |            |
|   |     | 274   |            |
| Term Loan, 13.00%, 3/30/12  |     |       |            |
|   |     | 4     |            |
| Schaeffler AG, Term Loan B, 6.00%, 1/27/15                              |     |       |            |
|   | EUR | 1,245 | 1,568,328  |
| Transtar Holding Co., 1st Lien Term Loan, 6.00%, 10/02/18               |     |       |            |
|   | USD | 1,320 | 1,326,600  |
| UCI International, Inc., Term Loan B, 5.50%, 7/26/17                    |     |       |            |
|   |     | 933   | 938,042    |
|   |     |       | 10,049,922 |

**Beverages 0.0%**

|  |  |       |     |
|--|--|-------|-----|
| Le-Nature s, Inc., Tranche B Term Loan, 10.25%, 3/01/11 (c)(f) |  |       |     |
|  |  | 1,000 | 100 |

**Biotechnology 0.4%**

|  |  |       |           |
|--|--|-------|-----------|
| Grifols, Inc., Term Loan B, 4.50%, 6/01/17 |  |       |           |
|  |  | 1,466 | 1,478,244 |

**Building Products 2.9%**

|  |     |       |           |
|--|-----|-------|-----------|
| Armstrong World Industries, Inc., Term Loan B, 4.00%, 3/09/18                        |     |       |           |
|  |     | 2,051 | 2,059,321 |
| CPG International, Inc., Term Loan, 5.75%, 9/18/19                                   |     |       |           |
|  |     | 1,950 | 1,950,000 |
| Goodman Global, Inc., Initial Term Loan, 5.75%, 10/28/16                             |     |       |           |
|  |     | 3,714 | 3,713,124 |
| Momentive Performance Materials, Inc. (Nautilus), Extended Term Loan, 3.61%, 5/05/15 |     |       |           |
|  | EUR | 806   | 1,030,030 |
| United Subcontractors, Inc., Term Loan (First Lien), 4.37%, 6/30/15                  |     |       |           |
|  | USD | 200   | 189,150   |
| Wilsonart International Holdings LLC, Term Loan B, 5.50%, 10/19/19                   |     |       |           |
|  |     | 1,080 | 1,082,363 |

10,023,988

See Notes to Financial Statements.



**Table of Contents****Consolidated Schedule of Investments (continued)****BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|  | Par       | Value        |
|--|-----------|--------------|
|  | (000)     |              |
| <b>Floating Rate Loan Interests (b)</b>                        |           |              |
| <b>Capital Markets 1.8%</b>                                    |           |              |
| American Capital Holdings, Inc., Term Loan, 5.50%, 8/22/16     | USD 1,605 | \$ 1,615,031 |
| HarbourVest Partners LLC, Term Loan B, 6.25%, 12/16/16         | 1,830     | 1,825,043    |
| Nuveen Investments, Inc.:                                      |           |              |
| Extended (First Lien) Term Loan, 5.81% 5.86%, 5/13/17          | 750       | 747,519      |
| Extended Term Loan, 5.81% 5.86%, 5/12/17                       | 1,718     | 1,715,631    |
| Incremental Term Loan, 7.25%, 5/13/17                          | 310       | 312,133      |
|  |           | 6,215,357    |
| <b>Chemicals 4.8%</b>  |           |              |
| American Rock Salt Holdings LLC, Term Loan, 5.50%, 4/25/17     | 1,601     | 1,578,676    |
| Chemtura Corp., Exit Term Loan B, 5.50%, 8/27/16               | 1,440     | 1,458,907    |
| Evergreen Acqco 1 LP, Term Loan, 5.00%, 7/09/19                | 938       | 936,769      |
| Gentek, Inc., Term Loan, 5.00%, 10/06/15                       | 1,022     | 1,021,237    |
| INEOS US Finance LLC:  |           |              |
| 3 Year Term Loan, 5.50%, 5/04/15                               | 234       | 237,625      |
| 6 Year Term Loan, 6.50%, 5/04/18                               | 1,867     | 1,891,483    |
| MacDermid, Inc., Tranche C Term Loan, 2.31%, 4/11/14           | EUR 1,346 | 1,726,357    |
| Nexeo Solutions LLC, Term Loan B, 5.00%, 9/08/17               | USD 1,449 | 1,421,657    |
| PolyOne Corp., Term Loan, 5.00%, 12/20/17                      | 481       | 483,288      |
| PQ Corp., Term Loan B, 3.96%, 7/30/14                          | 2,302     | 2,293,780    |
| Styron Sarl LLC, Term Loan B, 8.00%, 8/02/17                   | 460       | 439,004      |
| Tronox Pigments (Netherlands) BV:                              |           |              |
| Closing Date Term Loan, 4.25%, 2/08/18                         | 1,328     | 1,335,285    |
| Delayed Draw Term Loan, 4.25%, 2/08/18                         | 362       | 364,168      |
| Univar, Inc., Term Loan B, 5.00%, 6/30/17                      | 1,168     | 1,153,821    |
|  |           | 16,342,057   |
| <b>Commercial Services &amp; Supplies 5.6%</b>                 |           |              |
| ACCO Brands Corp., Term Loan B, 4.25%, 4/30/19                 | 2,174     | 2,191,294    |
| ADS Waste Holdings, Term Loan B, 5.25%, 10/09/19               | 3,000     | 3,027,000    |
| Altegrity, Inc., Tranche D Term Loan, 7.75%, 2/20/15           | 1,804     | 1,800,946    |
| AWAS Finance Luxembourg Sarl:                                  |           |              |
| Term Loan, 5.75%, 7/16/18                                      | 267       | 269,455      |
| Term Loan B, 5.25%, 6/10/16                                    | 1,854     | 1,870,217    |
| Delos Aircraft, Inc., Term Loan B2, 4.75%, 4/12/16             | 1,675     | 1,695,937    |
| Garda World Security Corp., Term Loan B, 4.50%, 10/24/19       | 315       | 316,969      |
| Getty Images, Inc., Term Loan B, 5.50%, 9/13/19                | 1,100     | 1,102,288    |
| KAR Auction Services, Inc., Term Loan B, 5.00%, 5/19/17        | 2,170     | 2,180,085    |
| Progressive Waste Solutions Ltd., Term Loan B, 3.50%, 10/11/19 | 830       | 835,710      |
| Protection One, Inc., Term Loan, 5.75%, 3/21/19                | 1,353     | 1,361,238    |
| West Corp., Term Loan B6, 5.75%, 6/29/18                       | 2,384     | 2,416,805    |
|  |           | 19,067,944   |
| <b>Communications Equipment 3.5%</b>                           |           |              |
| Avaya, Inc.:   |           |              |
| Extended Term Loan B3, 4.93%, 10/26/17                         | 147       | 131,340      |
| Non-Extended Term Loan B1, 3.18%, 10/24/14                     | 1,827     | 1,771,420    |
| CommScope, Inc., Term Loan, 4.25%, 1/12/18                     | 1,747     | 1,754,886    |

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|  |              |       |              |
|--|--------------|-------|--------------|
| Telesat Canada, Term Loan A, 4.39%, 3/28/17                        | CAD          | 5,590 | 5,352,128    |
| Zayo Group LLC, Term Loan B, 7.13%, 7/02/19                        | USD          | 3,092 | 3,114,095    |
|  |              |       | 12,123,869   |
| <b>Construction &amp; Engineering 0.8%</b>                         |              |       |              |
| BakerCorp. International, Inc., Term Loan B, 5.00%, 6/01/18        |              | 676   | 676,722      |
| Safway Services LLC, First Out Term Loan, 9.00%, 12/16/17          |              | 2,100 | 2,100,000    |
|  |              |       | 2,776,722    |
|  | <b>Par</b>   |       |              |
| <b>Floating Rate Loan Interests (b)</b>                            | <b>(000)</b> |       | <b>Value</b> |
| <b>Construction Materials 1.8%</b>                                 |              |       |              |
| HD Supply, Inc., Senior Debt B, 7.25%, 10/12/17                    | USD          | 5,895 | \$ 6,070,254 |
| <b>Consumer Finance 0.8%</b>                                       |              |       |              |
| Springleaf Financial Funding Co., Term Loan, 5.50%, 5/10/17        |              | 2,820 | 2,779,815    |
| <b>Containers &amp; Packaging 0.7%</b>                             |              |       |              |
| Sealed Air Corp., Term Loan B, 4.75%, 10/03/18                     |              | 1,359 | 1,363,920    |
| Smurfit Kappa Acquisitions:  |              |       |              |
| Term Loan B4, 3.74% 3.92%, 6/30/16                                 | EUR          | 374   | 483,673      |
| Term Loan C4, 3.99% 4.12%, 3/31/17                                 |              | 367   | 476,733      |
|  |              |       | 2,324,326    |
| <b>Diversified Consumer Services 2.7%</b>                          |              |       |              |
| Coinmach Service Corp.:  |              |       |              |
| Delayed Draw Term Loan, 3.21%, 11/20/14                            | USD          | 482   | 466,376      |
| Term Loan B, 3.21%, 11/20/14                                       |              | 2,206 | 2,132,647    |
| Education Management LLC, Term Loan C3, 8.25%, 3/29/18             |              | 821   | 722,652      |
| Laureate Education, Inc., Extended Term Loan, 5.25%, 6/18/18       |              | 1,720 | 1,706,817    |
| ServiceMaster Co.:   |              |       |              |
| Delayed Draw Term Loan, 2.71%, 7/24/14                             |              | 241   | 240,580      |
| Term Loan, 2.71%, 7/24/14  |              | 2,423 | 2,415,936    |
| Weight Watchers International, Inc., Term Loan F, 4.00%, 3/15/19   |              | 1,527 | 1,528,604    |
|  |              |       | 9,213,612    |
| <b>Diversified Financial Services 2.4%</b>                         |              |       |              |
| Residential Capital LLC:   |              |       |              |
| DIP Term Loan A1, 5.00%, 11/18/13                                  |              | 1,550 | 1,552,914    |
| DIP Term Loan A2, 6.75%, 11/18/13                                  |              | 225   | 227,437      |
| Reynolds Group Holdings, Inc., Term Loan, 5.00%, 9/28/18           | EUR          | 5,000 | 6,475,886    |
|  |              |       | 8,256,237    |
| <b>Diversified Telecommunication Services 3.5%</b>                 |              |       |              |
| Hawaiian Telcom Communications, Inc., Term Loan B, 7.00%, 2/28/17  | USD          | 1,470 | 1,496,651    |
| Integra Telecom Holdings, Inc., Term Loan B, 9.25%, 4/15/15        |              | 1,979 | 1,970,787    |
| Level 3 Financing, Inc.:   |              |       |              |
| 2016 Term Loan B, 4.75%, 2/01/16                                   |              | 440   | 444,264      |
| 2019 Term Loan B, 5.25%, 8/01/19                                   |              | 1,380 | 1,394,669    |
| Term Loan, 4.75%, 8/01/19  |              | 4,920 | 4,940,221    |
| US Telepacific Corp., Term Loan B, 5.75%, 2/23/17                  |              | 1,899 | 1,861,120    |
|  |              |       | 12,107,712   |
| <b>Electronic Equipment, Instruments &amp; Components 0.7%</b>     |              |       |              |
| CDW LLC (FKA CDW Corp.), Extended Term Loan, 4.00%, 7/14/17        |              | 1,239 | 1,225,141    |
| Sensata Technologies Finance Co. LLC, Term Loan, 4.00%, 5/11/18    |              | 1,128 | 1,130,755    |
|  |              |       | 2,355,896    |
| <b>Energy Equipment &amp; Services 2.4%</b>                        |              |       |              |
| Dynergy Midwest Generation LLC, Coal Co. Term Loan, 9.25%, 8/04/16 |              | 1,134 | 1,178,325    |
| Dynergy Power LLC, Gas Co. Term Loan, 9.25%, 8/04/16               |              | 1,745 | 1,815,268    |
| MEG Energy Corp., Term Loan B, 4.00%, 3/16/18                      |              | 2,579 | 2,586,170    |
| Tervita Corp.:   |              |       |              |
| Incremental Term Loan, 6.25%, 11/14/14                             |              | 923   | 926,874      |
| Term Loan B, 3.21%, 11/14/14                                       |              | 1,787 | 1,746,978    |

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|  |             |     |       |           |
|--|-------------|-----|-------|-----------|
|  |             |     |       | 8,253,615 |
| <b>Food &amp; Staples Retailing</b>                        | <b>3.3%</b> |     |       |           |
| Alliance Boots Holdings Ltd., Term Loan B1, 3.49%, 7/09/15 |             | GBP | 4,525 | 7,071,319 |

See Notes to Financial Statements.

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**Table of Contents****Consolidated Schedule of Investments (continued)****BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|   |     | Par   |              |
|---|-----|-------|--------------|
|   |     | (000) | Value        |
| <b>Floating Rate Loan Interests (b)</b>   |     |       |              |
| <b>Food &amp; Staples Retailing (concluded)</b>                                 |     |       |              |
| Iceland Foods Group Ltd., Term Loan B1, 6.00%, 4/13/19                          | GBP | 1,000 | \$ 1,618,461 |
| Pilot Travel Centers LLC, Term Loan B2, 4.25%, 8/07/19                          | USD | 1,285 | 1,291,425    |
| US Foods, Inc. (FKA US Foodservice, Inc.), Extended Term Loan B, 5.75%, 3/31/17 |     | 1,301 | 1,277,708    |
|   |     |       | 11,258,913   |
| <b>Food Products 2.9%</b>   |     |       |              |
| AdvancePierre Foods, Inc., Term Loan, 5.75%, 7/10/17                            |     | 1,450 | 1,459,425    |
| Birds Eye Iglo Group Ltd. (Liberator Midco Ltd.), Term Loan D, 4.58%, 4/30/16   | EUR | 2,620 | 3,394,336    |
| Del Monte Foods Co., Term Loan, 4.50%, 3/08/18                                  | USD | 1,608 | 1,605,350    |
| Michael Foods Group, Inc., Term Loan, 4.25%, 2/23/18                            |     | 312   | 313,012      |
| Pinnacle Foods Finance LLC, Term Loan E, 4.75%, 10/17/18                        |     | 1,377 | 1,380,073    |
| Solvest Ltd. (Dole):  |     |       |              |
| Term Loan B-2, 5.00% 6.00%, 7/06/18   |     | 577   | 578,568      |
| Term Loan C-2, 5.00% 6.00%, 7/06/18   |     | 1,033 | 1,035,333    |
|   |     |       | 9,766,097    |
| <b>Health Care Equipment &amp; Supplies 4.2%</b>                                |     |       |              |
| Bausch & Lomb, Inc., Term Loan B, 5.25%, 5/17/19                                |     | 2,319 | 2,343,214    |
| Biomet, Inc., Term Loan B-1, 3.96%, 7/25/17                                     |     | 479   | 481,495      |
| BSN Medical Acquisition Holding GmbH, Term Loan B, 6.00%, 7/27/19               |     | 2,000 | 2,002,000    |
| DJO Finance LLC:  |     |       |              |
| Extended Term Loan B2, 5.21%, 11/01/16  |     | 412   | 411,768      |
| Term Loan B3, 6.25%, 9/15/17  |     | 2,771 | 2,779,167    |
| Hologic, Inc., Term Loan B, 4.50%, 8/01/19                                      |     | 2,898 | 2,928,338    |
| Hupah Finance, Inc., Term Loan B, 6.25% 7.25%, 1/21/19                          |     | 955   | 959,976      |
| Immucor, Inc., Term Loan B1, 5.75%, 8/17/18                                     |     | 1,742 | 1,755,501    |
| LHP Hospital Group, Inc., Term Loan, 9.00%, 7/03/18                             |     | 569   | 572,839      |
|   |     |       | 14,234,298   |
| <b>Health Care Providers &amp; Services 3.5%</b>                                |     |       |              |
| ConvaTec, Inc., Term Loan, 5.00%, 12/22/16                                      |     | 1,186 | 1,190,251    |
| DaVita, Inc.:   |     |       |              |
| Term Loan B, 4.00%, 9/02/19   |     | 670   | 670,000      |
| Tranche B Term Loan, 4.50%, 10/20/16  |     | 2,189 | 2,200,760    |
| Emergency Medical Services Corp., Term Loan, 5.25%, 5/25/18                     |     | 1,508 | 1,518,546    |
| Genesis Healthcare Corp., Term Loan B, 10.00%, 9/25/17                          |     | 450   | 432,000      |
| Harden Healthcare LLC:  |     |       |              |
| Add on Term Loan A, 7.75%, 3/02/15  |     | 1,175 | 1,138,490    |
| Term Loan A, 8.50%, 3/02/15   |     | 709   | 694,583      |
| HCA, Inc., Extended Term Loan B3, 3.46%, 5/01/18                                |     | 630   | 630,284      |
| inVentiv Health, Inc.:  |     |       |              |
| Combined Term Loan, 6.50%, 8/04/16  |     | 119   | 116,607      |
| Incremental Term Loan B-3, 6.75%, 5/15/18                                       |     | 447   | 436,680      |
| Medpace, Inc., Term Loan, 6.50% 7.25%, 6/16/17                                  |     | 1,383 | 1,328,147    |
| Sheridan Holdings, Inc., First Lien Term Loan, 6.00%, 6/29/18                   |     | 284   | 285,888      |
| US Renal Care, Inc., First Lien Term Loan, 6.25%, 7/02/19                       |     | 1,367 | 1,380,241    |
|   |     |       | 12,022,477   |
| <b>Health Care Technology 1.2%</b>  |     |       |              |
| IMS Health, Inc., Term Loan B, 4.50%, 8/25/17                                   |     | 1,481 | 1,489,477    |
| Kinetic Concepts, Inc., Term Loan B, 7.00%, 5/04/18                             |     | 1,742 | 1,761,120    |
| MedAssets, Inc., Term Loan, 5.25%, 11/16/16                                     |     | 813   | 818,264      |

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|   |              | 4,068,861    |
|---|--------------|--------------|
|   | <b>Par</b>   |              |
| <b>Floating Rate Loan Interests (b)</b>                               | <b>(000)</b> | <b>Value</b> |
| <b>Hotels, Restaurants &amp; Leisure 6.6%</b>                         |              |              |
| Alpha D2 Ltd., Extended Term Loan B2, 5.75%, 4/29/19                  | USD 1,383    | \$ 1,395,701 |
| Boyd Gaming Corp., Incremental Term Loan, 6.00%, 12/17/15             | 1,020        | 1,030,198    |
| Caesars Entertainment Operating Co., Inc.:                            |              |              |
| Extended Term Loan B6, 5.46%, 1/26/18                                 | 3,475        | 3,110,568    |
| Term Loan B1, 3.21%, 1/28/15  | 930          | 901,709      |
| Term Loan B2, 3.21%, 1/28/15  | 1,255        | 1,217,350    |
| Term Loan B4, 9.50%, 10/31/16   | 1,370        | 1,400,956    |
| Dunkin' Brands, Inc., Term Loan B2, 4.00%, 11/23/17                   | 2,303        | 2,307,614    |
| Harrah's Property Co., Mezzanine Term Loan, 3.31%, 2/13/13            | 350          | 285,250      |
| OSI Restaurant Partners LLC, Term Loan B, 4.75%, 10/24/19             | 1,310        | 1,315,188    |
| Sabre, Inc., Non-Extended Initial Term Loan, 2.21%, 9/30/14           | 145          | 144,306      |
| SeaWorld Parks & Entertainment, Inc., Term Loan B, 4.00%, 8/17/17     | 1,133        | 1,137,288    |
| Six Flags Theme Parks, Inc., Term Loan B, 4.25%, 12/20/18             | 1,645        | 1,653,521    |
| Station Casinos, Inc.:  |              |              |
| Term Loan B, 5.50%, 9/07/19   | 2,060        | 2,062,946    |
| Term Loan B1, 3.21%, 6/17/16  | 1,054        | 1,025,079    |
| Twin River Worldwide Holdings, Inc., Term Loan, 8.50%, 11/05/15       | 1,170        | 1,175,047    |
| Wendy's International, Inc., Closing Date Term Loan B, 4.75%, 5/15/19 | 2,355        | 2,374,947    |
|   |              | 22,537,668   |
| <b>Household Durables 0.0%</b>  |              |              |
| Berkline/Benchcraft LLC, Term Loan B, 14.00%, 11/03/11 (c)(f)         | 170          | 28,631       |
| <b>Household Products 0.4%</b>  |              |              |
| Prestige Brands, Inc., Term Loan, 5.25% - 6.25%, 1/31/19              | 1,497        | 1,512,006    |
| <b>Independent Power Producers &amp; Energy Traders 1.0%</b>          |              |              |
| The AES Corp., Term Loan, 4.25%, 6/01/18                              | 2,667        | 2,679,630    |
| Calpine Corp., Term Loan B, 4.50%, 4/02/18                            | 569          | 569,325      |
| GenOn Energy, Inc., Term Loan B, 6.50%, 12/01/17                      | 329          | 331,208      |
|   |              | 3,580,163    |
| <b>Industrial Conglomerates 1.3%</b>                                  |              |              |
| Sequa Corp.:  |              |              |
| Incremental Term Loan, 6.25%, 12/03/14                                | 436          | 436,552      |
| Term Loan, 3.61% - 3.69%, 12/03/14                                    | 4,132        | 4,118,810    |
|   |              | 4,555,362    |
| <b>Insurance 1.3%</b>   |              |              |
| Asurion LLC, Term Loan (First Lien), 5.50%, 5/24/18                   | 801          | 806,221      |
| CNO Financial Group, Inc.:  |              |              |
| Term Loan B-1, 4.25%, 9/20/16   | 1,100        | 1,101,375    |
| Term Loan B-2, 5.00%, 9/20/18   | 1,490        | 1,494,470    |
| Cunningham Lindsey Group, Inc., 5.00%, 10/29/19                       | 985          | 985,000      |
|   |              | 4,387,066    |
| <b>Internet Software &amp; Services 0.3%</b>                          |              |              |
| Web.com Group, Inc., Term Loan B, 7.00%, 10/27/17                     | 1,167        | 1,178,426    |
| <b>IT Services 4.5%</b>   |              |              |
| Ceridian Corp., Extended Term Loan, 5.96%, 5/09/17                    | 1,817        | 1,810,604    |
| First Data Corp.:   |              |              |
| 2018 Add-on Term Loan, 5.21%, 9/24/18                                 | 1,535        | 1,500,079    |
| Extended 2018 Term Loan B, 4.21%, 3/23/18                             | 6,690        | 6,372,021    |
| Non-Extended Term Loan B-1, 2.96%, 9/24/14                            | 31           | 30,835       |
| Non-Extended Term Loan B-3, 2.96%, 9/24/14                            | 12           | 12,438       |

See Notes to Financial Statements.





**Table of Contents****Consolidated Schedule of Investments (continued)****BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

| Floating Rate Loan Interests (b)  |     | Par<br>(000) | Value        |
|---|-----|--------------|--------------|
| <b>IT Services (concluded)</b>  |     |              |              |
| Genpact International, Inc., Term Loan B, 4.25%, 8/30/19                                    | USD | 2,080        | \$ 2,081,310 |
| InfoGroup, Inc., Term Loan, 5.75%, 5/25/18  |     | 379          | 334,649      |
| iPayment, Inc., Term Loan B, 5.75%, 5/08/17   |     | 332          | 329,962      |
| NeuStar, Inc., Term Loan B, 5.00%, 11/08/18   |     | 564          | 567,880      |
| TransUnion LLC, Term Loan B, 5.50%, 2/12/18   |     | 2,482        | 2,509,194    |
|   |     |              | 15,548,972   |
| <b>Leisure Equipment &amp; Products 0.6%</b>  |     |              |              |
| Eastman Kodak Co., DIP Term Loan B, 8.50%, 7/19/13  |     | 660          | 651,141      |
| FGI Operating Company LLC, Term Loan,<br>5.50% 6.50%, 4/19/19                               |     | 1,292        | 1,303,670    |
|   |     |              | 1,954,811    |
| <b>Machinery 1.6%</b>   |     |              |              |
| Intelligrated, Inc., 1st Lien Term Loan, 6.75%, 7/30/18                                     |     | 1,200        | 1,210,500    |
| Rexnord Corp., REFI Term Loan B, 4.50%, 4/02/18   |     | 635          | 638,440      |
| Terex Corp.:  |     |              |              |
| Term Loan, 6.00%, 4/28/17   | EUR | 351          | 457,783      |
| Term Loan B, 4.50%, 4/28/17   | USD | 1,585        | 1,594,649    |
| Wabash National Corp., Term Loan B, 6.00%, 5/02/19  |     | 1,458        | 1,475,896    |
|   |     |              | 5,377,268    |
| <b>Media 13.9%</b>  |     |              |              |
| Affinion Group, Inc., Term Loan B, 5.00%, 7/16/15   |     | 740          | 696,263      |
| AMC Entertainment, Inc., Term Loan B3, 4.75%, 2/22/18                                       |     | 844          | 851,007      |
| AMC Networks, Inc., Term Loan B, 4.00%, 12/31/18  |     | 1,048        | 1,048,809    |
| Atlantic Broadband Finance LLC, 1st Lien Term Loan, 5.25%, 4/04/19                          |     | 968          | 970,400      |
| BBHI Acquisition LLC (FKA Bresnan Telecommunications Co. LLC), Term Loan B, 4.50%, 12/14/17 |     | 337          | 337,874      |
| Capsugel Holdings US, Inc., Term Loan B, 4.75%, 8/01/18                                     |     | 1,202        | 1,209,543    |
| Catalina Marketing Corp., Extended Term Loan B, 5.71%, 9/29/17                              |     | 1,440        | 1,427,927    |
| Cengage Learning Acquisitions, Inc.:  |     |              |              |
| Non-Extended Term Loan, 2.47%, 7/03/14  |     | 197          | 187,130      |
| Tranche 1 Incremental, 7.50%, 7/03/14   |     | 1,110        | 1,095,669    |
| Charter Communications Operating LLC:   |     |              |              |
| Extended Term Loan C, 3.47%, 9/06/16  |     | 482          | 484,010      |
| Term Loan D, 4.00%, 5/15/19   |     | 188          | 189,097      |
| Clarke American Corp., Term Facility B, 2.71%, 6/30/14                                      |     | 50           | 48,102       |
| Clear Channel Communications, Inc.:   |     |              |              |
| Term Loan B, 3.86%, 1/29/16   |     | 813          | 666,949      |
| Term Loan C, 3.86%, 1/29/16   |     | 475          | 382,834      |
| Cumulus Media, Inc., First Lien Term Loan,<br>5.75%, 9/17/18                                |     | 1,239        | 1,246,925    |
| EMI Music Publishing Ltd., Term Loan B,<br>5.50%, 6/29/18                                   |     | 1,212        | 1,226,809    |
| Foxco Acquisition Sub LLC, Term Loan B,<br>5.50%, 7/31/17                                   |     | 1,860        | 1,882,673    |
| Gray Television, Inc., Term Loan B, 4.75%, 10/15/19   |     | 1,490        | 1,491,594    |
| Houghton Mifflin Harcourt Publishing Co., DIP Term Loan B, 7.25%, 6/01/18                   |     | 1,154        | 1,165,742    |
| Hubbard Broadcasting, Term Loan B,<br>5.25%, 4/28/17  |     | 936          | 938,350      |
| Intelsat Jackson Holdings Ltd., Term Loan B-1,<br>4.50%, 4/02/18                            |     | 6,909        | 6,953,183    |
| Interactive Data Corp., Term Loan B, 4.50%, 2/12/18   |     | 3,589        | 3,609,349    |
| Kabel Deutschland GmbH:   |     |              |              |

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|   |     | 3,043        | 3,945,789    |
|---|-----|--------------|--------------|
|   |     | <b>Par</b>   | <b>Value</b> |
| <b>Floating Rate Loan Interests (b)</b>                               |     | <b>(000)</b> |              |
| <b>Media (concluded)</b>  |     |              |              |
| Kabel Deutschland GmbH (concluded):                                   |     |              |              |
| Term Loan D, 4.11%, 12/13/16  | EUR | 1,000        | \$ 1,298,768 |
| Term Loan F, 4.25%, 2/01/19   | USD | 2,045        | 2,053,528    |
| Lavena Holding 4 GmbH (Prosiebensat.1 Media AG):                      |     |              |              |
| Term Loan B, 2.95%, 3/06/15   | EUR | 304          | 366,725      |
| Term Loan C, 3.32%, 3/04/16   |     | 608          | 737,388      |
| LIN Television Corp., Term Loan B, 5.00%, 12/21/18                    | USD | 863          | 869,951      |
| Nielsen Finance LLC, Class B Term Loan, 3.97%, 5/02/16                |     | 1,697        | 1,704,275    |
| Serpering Investments BV (Casema NV), Term Loan B, 3.11%, 3/31/17     | EUR | 619          | 802,063      |
| Sinclair Television Group, Inc., Tranche B Term Loan, 4.00%, 10/28/16 | USD | 825          | 825,590      |
| Univision Communications, Inc., Extended Term Loan, 4.46%, 3/31/17    |     | 1,173        | 1,145,458    |
| UPC Broadband Holding BV, Term Loan U, 4.11%, 12/29/17                | EUR | 775          | 999,868      |
| UPC Financing Partnership:  |     |              |              |
| Term Loan, 4.75%, 12/29/17  | USD | 1,180        | 1,180,496    |
| Term Loan T, 3.71%, 12/30/16  |     | 195          | 194,025      |
| Warner Music Group Corp., Term Loan, 5.25%, 10/25/18                  |     | 985          | 987,462      |
| Weather Channel, Term Loan B, 4.25%, 2/13/17                          |     | 1,251        | 1,258,230    |
| WideOpenWest Finance LLC, First Lien Term Loan, 6.25%, 7/17/18        |     | 1,367        | 1,377,685    |
|   |     |              | 47,857,540   |
| <b>Metals &amp; Mining 3.6%</b>                                       |     |              |              |
| Constellium Holding Co. BV, Term Loan B, 9.25%, 5/25/18               |     |              |              |
|   |     | 1,377        | 1,369,667    |
| FMG America Finance, Inc., Term Loan, 5.25%, 10/18/17                 |     | 4,235        | 4,211,708    |
| Novelis, Inc.:  |     |              |              |
| Incremental Term Loan B2, 4.00%, 3/10/17                              |     | 390          | 390,602      |
| Term Loan, 4.00%, 3/10/17   |     | 3,071        | 3,068,506    |
| SunCoke Energy, Inc., Term Loan B, 4.00%, 7/26/18                     |     | 839          | 839,377      |
| Walter Energy, Inc., Term Loan B, 4.00%, 4/02/18                      |     | 2,608        | 2,561,510    |
|   |     |              | 12,441,370   |
| <b>Multiline Retail 2.5%</b>  |     |              |              |
| 99 ¢ Only Stores, Term Loan, 5.25%, 1/11/19                           |     |              |              |
|   |     | 1,305        | 1,316,965    |
| BJ's Wholesale Club, Inc.:  |     |              |              |
| New 1st Lien Term Loan, 5.75%, 9/26/19                                |     | 1,100        | 1,110,384    |
| New 2nd Lien Term Loan, 9.75%, 3/26/20                                |     | 545          | 556,925      |
| Hema Holding BV:  |     |              |              |
| Second Lien Term Loan, 5.11%, 1/05/17                                 | EUR | 3,800        | 4,555,965    |
| Term Loan B, 2.11%, 7/06/15   |     | 167          | 208,851      |
| Term Loan C, 2.86%, 7/05/16   |     | 167          | 209,932      |
| The Neiman Marcus Group, Inc., Term Loan, 4.75%, 5/16/18              | USD | 750          | 751,155      |
|   |     |              | 8,710,177    |
| <b>Oil, Gas &amp; Consumable Fuels 3.7%</b>                           |     |              |              |
| Chesapeake Energy Corp., Unsecured Term Loan, 8.50%, 12/01/17         |     |              |              |
|   |     | 750          | 750,608      |
| Everest Acquisition LLC, Term Loan B1, 5.00%, 5/24/18                 |     |              |              |
|   |     | 1,755        | 1,764,214    |
| Gibson Energy ULC, Term Loan B, 4.75%, 6/15/18                        |     | 2,038        | 2,058,640    |
| Obsidian Natural Gas Trust, Term Loan, 7.00%, 11/02/15                |     |              |              |
|   |     | 1,224        | 1,223,937    |
| Plains Exploration and Production, Term Loan B, 4.00%, 9/13/19        |     | 2,395        | 2,404,412    |
| Samson Investment Co., 2nd Lien Term Loan, 6.00%, 9/25/18             |     |              |              |
|   |     | 785          | 791,539      |
| Vantage Drilling Co., Term Loan, 6.25%, 10/26/17                      |     | 3,640        | 3,519,116    |
|   |     |              | 12,512,466   |

See Notes to Financial Statements.

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**Table of Contents****Consolidated Schedule of Investments (continued)****BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|  | Par     |            |
|--|---------|------------|
|  | (000)   | Value      |
| <b>Floating Rate Loan Interests (b)</b>                                |         |            |
| <b>Paper &amp; Forest Products 0.3%</b>                                |         |            |
| Ainsworth Lumber Co. Ltd., Term Loan, 5.25%, 6/26/14                   | USD 400 | \$ 397,500 |
| NewPage Corp., DIP Term Loan, 8.00%, 3/07/13                           | 550     | 550,687    |
| Verso Paper Finance Holdings LLC, Term Loan,<br>6.49% 7.24%, 2/01/13   | 441     | 220,562    |
|  |         | 1,168,749  |
| <b>Pharmaceuticals 4.9%</b>  |         |            |
| Alkermes, Inc., Term Loan, 4.50%, 9/18/19                              | 345     | 346,580    |
| Aptalis Pharma, Inc., Term Loan B, 5.50%, 2/10/17                      | 2,653   | 2,653,864  |
| Par Pharmaceutical Cos., Inc., Term Loan B, 5.00%, 9/30/19             | 3,485   | 3,473,395  |
| Pharmaceutical Product Development, Inc., Term Loan B, 6.25%, 12/05/18 | 3,203   | 3,243,399  |
| Quintiles Transnational Corp., Term Loan B,<br>5.00%, 6/08/18          | 1,304   | 1,304,321  |
| RPI Finance Trust, Incremental Tranche 2,<br>4.00%, 11/09/18           | 244     | 245,092    |
| Valeant Pharmaceuticals International, Inc.:                           |         |            |
| Series C, Tranche B, 4.25%, 9/27/19                                    | 1,650   | 1,652,986  |
| Series D, Tranche B, 4.25%, 2/13/19                                    | 2,206   | 2,212,832  |
| Warner Chilcott Co. LLC, Term Loan B-2,<br>4.25%, 3/15/18              | 326     | 327,044    |
| Warner Chilcott Corp.:   |         |            |
| Incremental Term Loan B1, 4.25%, 3/15/18                               | 248     | 248,396    |
| Term Loan B-1, 4.25%, 3/15/18  | 652     | 654,088    |
| WC Luxco Sarl., Term Loan B-3, 4.25%, 3/15/18                          | 448     | 449,686    |
|  |         | 16,811,683 |
| <b>Professional Services 2.6%</b>                                      |         |            |
| Booz Allen Hamilton, Inc., Term Loan B,<br>4.50%, 7/31/19              | 1,715   | 1,725,719  |
| Emdeon, Inc., Term Loan B, 5.00%, 11/02/18                             | 1,672   | 1,690,181  |
| GCA Services Group, Inc.:  |         |            |
| 2nd Lien Term Loan, 9.50%, 10/22/20                                    | 250     | 250,312    |
| Term Loan B, 5.25%, 10/22/19   | 1,185   | 1,181,303  |
| Insight Global, Inc., Term Loan, 6.00%, 10/26/19                       | 1,205   | 1,198,975  |
| Kronos, Inc., Term Loan B, 9.75%, 4/25/20                              | 925     | 929,625    |
| ON Assignment, Inc., Term Loan B, 5.00%, 5/15/19                       | 641     | 642,318    |
| Truven Health Analytics, Inc., Term Loan B,<br>6.75%, 6/01/19          | 1,357   | 1,359,389  |
|  |         | 8,977,822  |
| <b>Real Estate Investment Trusts (REITs) 0.5%</b>                      |         |            |
| iStar Financial, Inc., Term Loan A-1, 5.75%, 9/28/17                   | 1,791   | 1,786,972  |
| <b>Real Estate Management &amp; Development 1.4%</b>                   |         |            |
| Realty Corp.:  |         |            |
| Extended Letter of Credit, 4.46%, 10/10/16                             | 284     | 283,514    |
| Extended Synthetic Letter of Credit,<br>3.24%, 10/10/13                | 68      | 65,750     |
| Extended Term Loan, 4.46%, 10/10/16                                    | 4,318   | 4,306,135  |
| Stockbridge SBE Holdings LLC, Term Loan B,<br>13.00%, 5/02/17          | 225     | 223,875    |
|  |         | 4,879,274  |
| <b>Road &amp; Rail 0.7%</b>  |         |            |

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|   |            |              |              |
|---|------------|--------------|--------------|
| RAC Ltd., Term Loan B, 5.25% 5.54%, 9/28/18                           | GBP        | 1,182        | 1,900,456    |
| Road Infrastructure Investment LLC, Term Loan B, 6.25%, 3/30/18       | USD        | 622          | 620,320      |
|   |            |              | 2,520,776    |
| <b>Semiconductors &amp; Semiconductor Equipment 0.6%</b>              |            |              |              |
| Freescal Semiconductor, Inc., Extended Term Loan B, 4.46%, 12/01/16   |            | 1,291        | 1,248,555    |
| NXP BV, Term Loan A-2, 5.50%, 3/03/17                                 |            | 806          | 820,814      |
|   |            |              | 2,069,369    |
|   | <b>Par</b> |              |              |
| <b>Floating Rate Loan Interests (b)</b>                               |            | <b>(000)</b> | <b>Value</b> |
| <b>Software 3.4%</b>  |            |              |              |
| <b>Bankruptcy Management Solutions, Inc.:</b>                         |            |              |              |
| Term Loan (First Lien), 7.50%, 8/20/14                                | USD        | 720          | \$ 359,751   |
| Term Loan (Second Lien), 8.22%, 8/20/15                               |            | 278          | 4,511        |
| Blackboard, Inc., Term Loan B, 7.50%, 10/04/18                        |            | 447          | 448,997      |
| Infor US, Inc., Term Loan B2, 5.25%, 4/05/18                          |            | 4,738        | 4,786,975    |
| Sophia LP, Term Loan B, 6.25%, 7/19/18                                |            | 1,403        | 1,419,030    |
| <b>SS&amp;C Technologies, Inc.:</b>                                   |            |              |              |
| Term Loan B-1, 5.00%, 6/07/19   |            | 2,304        | 2,330,516    |
| Term Loan B-2, 5.00%, 6/07/19   |            | 238          | 241,088      |
| WaveDivision Holdings LLC, Term Loan B, 5.50%, 8/09/19                |            | 1,870        | 1,890,252    |
|   |            |              | 11,481,120   |
| <b>Specialty Retail 5.4%</b>  |            |              |              |
| Academy Ltd., Term Loan, 6.00%, 8/03/18                               |            | 1,886        | 1,885,448    |
| Bass Pro Group LLC, Term Loan, 5.25%, 6/13/17                         |            | 1,483        | 1,497,108    |
| Burlington Coat Factory Warehouse Corp., Term Loan B1, 5.50%, 2/23/17 |            | 394          | 396,565      |
| David s Bridal, Inc., Term Loan B, 5.00%, 10/02/19                    |            | 1,765        | 1,760,587    |
| The Gymboree Corp., Term Loan, 5.00%, 2/23/18                         |            | 113          | 110,501      |
| Harbor Freight Tools USA, Inc., Term Loan B, 5.50%, 11/14/17          |            | 978          | 982,438      |
| Jo-Ann Stores, Inc., Term Loan, 4.75%, 3/16/18                        |            | 588          | 586,744      |
| <b>Leslie s Poolmart, Inc.:</b>                                       |            |              |              |
| Delayed Draw Term Loan, 5.25%, 10/28/19                               |            | 160          | 159,766      |
| Term Loan B, 5.50%, 10/28/19  |            | 1,840        | 1,837,314    |
| <b>Michaels Stores, Inc.:</b>   |            |              |              |
| Extended Term Loan B3, 4.88% 4.94%, 7/29/16                           |            | 820          | 825,894      |
| Term Loan B2, 4.88% 4.94%, 7/29/16                                    |            | 780          | 785,850      |
| Party City Holdings Inc., New Term Loan B, 5.75%, 7/26/19             |            | 2,270        | 2,289,295    |
| Petco Animal Supplies, Inc., Term Loan, 4.50%, 11/24/17               |            | 2,008        | 2,015,545    |
| Things Remembered, Inc., Term Loan B, 8.00%, 5/24/18                  |            | 830          | 813,400      |
| <b>Toys R Us Delaware, Inc.:</b>                                      |            |              |              |
| Incremental Term Loan B2, 5.25%, 5/25/18                              |            | 494          | 483,347      |
| Term Loan, 6.00%, 9/01/16   |            | 342          | 340,574      |
| Term Loan B3, 5.25%, 5/25/18  |            | 254          | 248,894      |
| The Yankee Candle Co., Inc., Term Loan B, 5.25%, 4/02/19              |            | 1,657        | 1,667,261    |
|   |            |              | 18,686,531   |
| <b>Textiles, Apparel &amp; Luxury Goods 0.7%</b>                      |            |              |              |
| Ascend Performance Materials LLC, Term Loan B, 6.75%, 4/10/18         |            | 2,418        | 2,423,895    |
| <b>Wireless Telecommunication Services 1.6%</b>                       |            |              |              |
| Cricket Communications, Inc., Term Loan, 4.75%, 10/10/19              |            | 1,310        | 1,314,100    |
| MetroPCS Wireless, Inc., Term Loan B-3, 4.00%, 3/16/18                |            | 552          | 551,482      |
| <b>Vodafone Americas Finance 2, Inc.:</b>                             |            |              |              |
| Term Loan, 6.88%, 8/11/15   |            | 2,647        | 2,719,947    |
| Term Loan B, 6.25%, 7/11/16 (g)                                       |            | 825          | 849,750      |

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|   |               |             |
|---|---------------|-------------|
|   |               | 5,435,279   |
| <b>Total Floating Rate Loan Interests</b>                 | <b>118.5%</b> | 406,958,102 |
| <b>Foreign Agency Obligations</b>                         |               |             |
| Argentina Bonos, 7.00%, 10/03/15                          |               | 2,000       |
| Colombia Government International Bond,<br>3.95%, 3/17/13 |               | 180         |
|   |               | 1,644,111   |
|   |               | 181,890     |

See Notes to Financial Statements.

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## Consolidated Schedule of Investments (continued)

## BlackRock Floating Rate Income Trust (BGT)

(Percentages shown are based on Net Assets)

|   |     | Par<br>(000)                             | Value              |
|---|-----|--|--------------------|
| <b>Foreign Agency Obligations</b>   |     |  |                    |
| Uruguay Government International Bond,<br>6.88%, 1/19/16  | EUR | 950                                      | \$ 1,419,122       |
| <b>Total Foreign Agency Obligations</b>   |     |  | <b>3,245,123</b>   |
|   |     |  |                    |
|   |     | <b>Beneficial<br/>Interest<br/>(000)</b> |                    |
| <b>Other Interests (h)</b>  |     |  |                    |
| <b>Auto Components</b>  |     |  | <b>0.0%</b>        |
| Lear Corp. Escrow (c)   | USD | 500                                      | 5,312              |
| <b>Diversified Financial Services</b>   |     |  | <b>0.4%</b>        |
| J.G. Wentworth LLC Preferred Equity Interests (c)   |     | 1  | 1,381,574          |
| <b>Hotels, Restaurants &amp; Leisure</b>  |     |  | <b>0.0%</b>        |
| Wembley Contigent (c)   |     | 2  | 7,500              |
| <b>Household Durables</b>   |     |  | <b>0.0%</b>        |
| Berkline Benchcraft Equity LLC (c)  |     | 6  |                    |
| <b>Total Other Interests</b>  |     |  | <b>1,394,386</b>   |
|   |     |  |                    |
|   |     | <b>Shares</b>                            |                    |
| <b>Warrants (i)</b>   |     |  |                    |
| <b>Chemicals</b>  |     |  | <b>0.0%</b>        |
| British Vita Holdings Co. (Non-Expiring)  |     | 166                                      |                    |
| <b>Media</b>  |     |  | <b>0.0%</b>        |
| New Vision Holdings LLC:  |     |  |                    |
| (Expires 9/30/14)   |     | 19,023                                   | 57,069             |
| (Expires 9/30/14)   |     | 3,424                                    | 10,272             |
|   |     |  | <b>67,341</b>      |
| <b>Software</b>   |     |  | <b>0.0%</b>        |
| Bankruptcy Management Solutions, Inc. (Expires 9/29/17)   |     | 251                                      |                    |
| HMH Holdings/EduMedia (Issued/Exercisable 3/09/10, 19 Shares for 1 Warrant, Expires 6/22/19,<br>Strike Price \$42.27) |     | 1,501                                    |                    |
|   |     |  | <b>67,341</b>      |
| <b>Total Warrants</b>   |     |  | <b>0.0%</b>        |
| <b>Total Long-Term Investments</b>  |     |  | <b>504,754,227</b> |
| (Cost \$503,886,250)  |     |  | <b>147.0%</b>      |
|   |     |  |                    |
| <b>Short-Term Securities</b>  |     |  |                    |
| BlackRock Liquidity Funds, TempFund, Institutional Class, 0.17% (j)(k)  |     | 2,740,694                                | 2,740,694          |
| <b>Total Short-Term Securities</b>  |     |  | <b>2,740,694</b>   |
| (Cost \$2,740,694)  |     |  | <b>0.8%</b>        |
|   |     |  |                    |
|   |     | <b>Contracts</b>                         |                    |
| <b>Options Purchased</b>  |     |  |                    |
| <b>Over-the-Counter Call Options</b>  |     |  | <b>0.0%</b>        |



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Marsico Parent Superholdco LLC, Strike Price USD 942.86, Expires 12/14/19, Broker Goldman Sachs Group, Inc.

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## Total Options Purchased

(Cost \$25,422) 0.0%

**Total Investments (Cost \$506,652,366) 147.8%**

507,494,921

**Liabilities in Excess of Other Assets (47.8)%**

(164,212,504)

**Net Assets 100.0%**

\$ 343,282,417

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. 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) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.

(e) Convertible security.

(f) Issuer filed for bankruptcy and/or is in default of principal and/or interest payments.

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

(h) Other interests represent beneficial interests in liquidation trusts and other reorganization or private entities.

(i) 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.

(j) Investments in issuers considered to be an affiliate of the Fund during the year ended October 31, 2012, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

| Affiliate  | Shares<br>Held at<br>October 31,<br>2011 | Net<br>Activity | Shares<br>Held at<br>October 31,<br>2012 | Income   |
|--|--|-----------------|--|----------|
| BlackRock Liquidity Funds, TempFund, Institutional Class | 1,071,567                                | 1,669,127       | 2,740,694                                | \$ 1,817 |

(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.

Foreign currency exchange contracts as of October 31, 2012 were as follows:

| Currency Purchased |            | Currency Sold |            | Counter-party             | Settlement Date | Unrealized Appreciation (Depreciation) |
|--------------------|------------|---------------|------------|---------------------------|-----------------|--|
| CAD                | 1,000,000  | USD           | 997,703    | Citigroup, Inc.           | 1/16/13         | \$ 1,949                               |
| USD                | 6,336,149  | CAD           | 6,196,500  | UBS AG                    | 1/16/13         | 141,804                                |
| USD                | 1,136,211  | CHF           | 1,054,500  | UBS AG                    | 1/16/13         | 2,516                                  |
| USD                | 17,324,307 | GBP           | 10,808,500 | Goldman Sachs Group, Inc. | 1/16/13         | (113,679)                              |
| EUR                | 6,300,000  | USD           | 8,178,471  | BNP Paribas SA            | 1/23/13         | (6,041)                                |
| EUR                | 1,250,000  | USD           | 1,614,216  | Citigroup, Inc.           | 1/23/13         | 7,298                                  |
| USD                | 687,331    | EUR           | 530,000    | UBS AG                    | 1/23/13         | (191)                                  |
| USD                | 1,583,964  | EUR           | 1,220,000  | UBS AG                    | 1/23/13         | 1,366                                  |
| USD                | 1,739,906  | EUR           | 1,340,000  | UBS AG                    | 1/23/13         | 1,643                                  |
| USD                | 57,102,377 | EUR           | 43,543,000 | UBS AG                    | 1/23/13         | 617,911                                |
| <b>Total</b>       |            |               |            |                           |                 | <b>\$ 654,576</b>                      |

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques 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 that the Fund has the ability to access

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

See Notes to Financial Statements.

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## Consolidated Schedule of Investments (continued)

**BlackRock Floating Rate Income Trust (BGT)**

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)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. 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 is not necessarily an indication of the risks associated with 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 Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of October 31, 2012:

|                              | Level 1      | Level 2        | Level 3       | Total          |
|------------------------------|--------------|----------------|---------------|----------------|
| <b>Assets:</b>               |              |                |               |                |
| Investments:                 |              |                |               |                |
| Long-Term Investments:       |              |                |               |                |
| Asset-Backed Securities      |              | \$ 817,377     | \$ 8,621,975  | \$ 9,439,352   |
| Common Stocks                | \$ 149,375   | 2,874,288      | 8,096         | 3,031,759      |
| Corporate Bonds              |              | 80,618,164     |               | 80,618,164     |
| Floating Rate Loan Interests |              | 379,687,538    | 27,270,564    | 406,958,102    |
| Foreign Agency Obligations   |              | 3,245,123      |               | 3,245,123      |
| Other Interests              |              |                | 1,394,386     | 1,394,386      |
| Warrants                     |              | 67,341         |               | 67,341         |
| Short-Term Securities        | 2,740,694    |                |               | 2,740,694      |
| <b>Total</b>                 | \$ 2,890,069 | \$ 467,309,831 | \$ 37,295,021 | \$ 507,494,921 |

|   | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|-------|
| Derivative Financial Instruments <sup>1</sup> |         |         |         |       |

**Assets:**

|                                     |            |            |
|-------------------------------------|------------|------------|
| Foreign currency exchange contracts | \$ 774,487 | \$ 774,487 |
|-------------------------------------|------------|------------|

**Liabilities:**

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Foreign currency exchange contracts | (119,911) | (119,911) |
|-------------------------------------|-----------|-----------|

|              |            |            |
|--------------|------------|------------|
| <b>Total</b> | \$ 654,576 | \$ 654,576 |
|--------------|------------|------------|

<sup>1</sup> Derivative financial instruments are foreign currency exchange contracts, which are valued at the unrealized appreciation/depreciation on the instrument.

Certain of the Fund's assets and liabilities are held at carrying amount, which approximates fair value for financial statement purposes. As of October 31, 2012, such assets and liabilities are categorized within the disclosure hierarchy as follows:

|   | Level 1    | Level 2          | Level 3 | Total            |
|---|------------|------------------|---------|------------------|
| <b>Assets:</b>                              |            |                  |         |                  |
| Cash  | \$ 168,646 |                  |         | \$ 168,646       |
| <b>Liabilities:</b>                         |            |                  |         |                  |
| Bank overdraft on foreign currency at value |            | \$ (915,491)     |         | (915,491)        |
| Loan payable                                |            | (145,000,000)    |         | (145,000,000)    |
| <b>Total</b>                                | \$ 168,646 | \$ (145,915,491) |         | \$ (145,746,845) |

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2012.

See Notes to Financial Statements.

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**Consolidated Schedule of Investments (concluded)**

**BlackRock Floating Rate Income Trust (BGT)**

The following table summarizes the valuation techniques used and unobservable inputs developed by the BlackRock Global Valuation Methodologies Committee ( Global Valuation Committee ) to determine the value of certain of the Fund's Level 3 investments as of October 31, 2012:

|                              | Value               | Valuation Techniques        | Unobservable Inputs <sup>1</sup> | Range of Unobservable Inputs Utilized | Weighted Average of Unobservable Inputs <sup>2</sup> |
|------------------------------|---------------------|-----------------------------|----------------------------------|---------------------------------------|--|
| <b>Assets:</b>               |                     |                             |                                  |                                       |  |
| Floating Rate Loan Interests | \$ 4,153,635        | Market Comparable Companies | Illiquidity Discount             | 50%                                   | 50%  |
|                              |                     | Cost                        | Yield                            | 9.64%                                 | 9.64%  |
|                              |                     |                             | N/A <sup>3</sup>                 |                                       |  |
| <b>Total<sup>4</sup></b>     | <b>\$ 4,153,635</b> |                             |                                  |                                       |  |

<sup>1</sup> A change to the unobservable input may result in a significant change to the value of the investment as follows:

| Unobservable Input   | Impact to                | Impact to                |
|----------------------|--------------------------|--------------------------|
|                      | Value if Input Increases | Value if Input Decreases |
| Illiquidity Discount | Decrease                 | Increase                 |
| Yield                | Decrease                 | Increase                 |

<sup>2</sup> Unobservable inputs are weighted based on the value of the investments included in the range.

<sup>3</sup> The Fund fair values certain of its Level 3 investments using prior transaction prices (acquisition cost), although the transaction may not have occurred during the current reporting period. In such cases, these investments are generally privately held investments. There may not be a secondary market, and/or there are a limited number of investors. The determination to fair value such investments at cost is based upon factors consistent with the principles of fair value measurement that are reasonably available to the Global Valuation Committee, or its delegate. Valuations are reviewed utilizing available market information to determine if the carrying value should be adjusted. Such market data may include, but is not limited to, observations of the trading multiples of public companies considered comparable to the private companies being valued, financial or operational information released by the company, and/or news or corporate events that affect the investment. Valuations may be adjusted to account for company-specific issues, the lack of liquidity inherent in a nonpublic investment and the fact that comparable public companies are not identical to the investments being fair valued by the Fund.

<sup>4</sup> Does not include Level 3 investments with values derived utilizing transaction prices from recent prior transactions or third party pricing information without adjustment for which such inputs are unobservable. The value of Level 3 investments derived using prices from prior transactions and/or third party pricing information is \$33,141,386. A significant change in third party pricing information could result in a significantly lower or higher value in such Level 3 investments.

A reconciliation of Level 3 investments is presented when the Fund had a significant amount of Level 3 investments at the beginning and/or end of the year in relation to net assets. 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 | Floating Rate Loan Interests | Foreign Agency | Other | Warrants | Total |
|-------------------------|---------------|------------------------------|----------------|-------|----------|-------|
|-------------------------|---------------|------------------------------|----------------|-------|----------|-------|

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|   |                     |                 |                      | Obligations  | Interests           |        |                      |
|---|---------------------|-----------------|----------------------|--------------|---------------------|--------|----------------------|
| <b>Assets:</b>  |                     |                 |                      |              |                     |        |                      |
| Opening balance, as of October 31, 2011                         | \$ 6,561,220        | \$ 234,634      | \$ 32,466,825        | \$ 2,961,954 | \$ 1,281,000        | \$ 227 | \$ 43,505,860        |
| Transfers into Level 3 <sup>5</sup>                             |                     |                 | 2,061,526            |              |                     |        | 2,061,526            |
| Transfers out of Level 3 <sup>6</sup>                           |                     |                 | (9,265,338)          | (1,766,334)  |                     | (224)  | (11,031,896)         |
| Accrued discounts/premiums                                      | 102,690             |                 | 135,391              | 54,220       |                     |        | 292,301              |
| Net realized gain (loss)  | 10,436              | (1,973,689)     | (786,090)            |              | 182                 |        | (2,749,161)          |
| Net change in unrealized appreciation/depreciation <sup>7</sup> | 896,626             | 1,747,166       | 1,274,470            | 160          | 113,386             | (3)    | 4,031,805            |
| Purchases   | 7,064,246           |                 | 12,178,975           |              |                     |        | 19,243,221           |
| Sales   | (6,013,243)         | (15)            | (10,795,195)         | (1,250,000)  | (182)               |        | (18,058,635)         |
| <b>Closing Balance, as of October 31, 2012</b>                  | <b>\$ 8,621,975</b> | <b>\$ 8,096</b> | <b>\$ 27,270,564</b> |              | <b>\$ 1,394,386</b> |        | <b>\$ 37,295,021</b> |

<sup>5</sup> Transfers into Level 3 represent values as of the beginning of the reporting period.

<sup>6</sup> As of October 31, 2011, the Fund used significant unobservable inputs in determining the value of certain investments. As of October 31, 2012, the Fund used observable inputs in determining the value on the same investments. As a result, investments with a beginning of year value of \$11,031,896 transferred from Level 3 to Level 2 in the disclosure hierarchy.

<sup>7</sup> 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 as of October 31, 2012 was \$761,055.

See Notes to Financial Statements.

**Table of Contents****Statements of Assets and Liabilities**

|  |   |  |   |  | <b>BlackRock<br/>Floating<br/>Rate<br/>Income<br/>Trust<br/>(BGT)*</b> |
|--|---|--|---|--|--|
|  | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust I, Inc.<br/>(PSW)</b> | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust II, Inc.<br/>(PSY)</b> | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust III<br/>(BPP)</b> | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust IV<br/>(BTZ)</b> |  |
| <b>October 31, 2012</b>  |   |  |   |  |  |
| <b>Assets</b>  |   |  |   |  |  |
| Investments at value unaffiliated                              | \$ 173,640,602  | \$ 735,787,293   | \$ 355,608,714  | \$ 1,165,884,481   | \$ 504,754,227   |
| Investments at value affiliated                                | 883,178   | 1,125,074  | 4,101,982   | 1,652,656  | 2,740,694  |
| Cash   |   |  |   | 57,836   | 168,646  |
| Cash pledged as collateral for financial futures contracts     | 207,000   | 868,000  | 266,000   | 766,940  |  |
| Cash pledged as collateral for swaps                           | 120,000   | 160,000  | 571,000   | 3,640,000  |  |
| Foreign currency at value <sup>3</sup>                         | 8,814   | 3,738  | 10,231  | 44   |  |
| Interest receivable  | 2,304,966   | 9,897,602  | 4,544,658   | 15,451,746   | 3,006,249  |
| Investments sold receivable                                    | 89,184  | 387,857  | 187,992   | 642,446  | 27,350,485   |
| Unrealized appreciation on swaps                               | 149,858   | 515,759  | 395,461   | 1,361,372  |  |
| Swap premiums paid   | 102,712   | 317,296  | 222,925   | 495,409  |  |
| Swaps receivable   | 7,711   | 34,988   | 67,267  | 237,218  |  |
| Dividends receivable   | 9,925   | 42,325   | 20,475  | 70,700   |  |
| Variation margin receivable                                    | 3,250   | 14,111   | 8,093   | 23,091   |  |
| Unrealized appreciation on foreign currency exchange contracts | 2,443   | 7,118  | 423   |  | 774,487  |
| Prepaid expenses   | 3,197   | 7,473  | 15,263  | 40,937   | 9,580  |
| <b>Total assets</b>  | <b>177,532,840</b>  | <b>749,168,634</b>   | <b>366,020,484</b>  | <b>1,190,324,876</b>   | <b>538,804,368</b>   |
| <b>Liabilities</b>   |   |  |   |  |  |
| Bank overdraft on foreign currency at value                    |   |  |   |  | 915,491  |
| Reverse repurchase agreements                                  | 57,959,120  | 235,518,351  | 117,132,156   | 373,715,690  |  |
| Loan payable   |   |  |   |  | 145,000,000  |
| Investments purchased payable                                  |   |  |   |  | 48,555,690   |
| Options written at value <sup>4</sup>                          | 111,668   | 474,110  | 1,413,890   | 4,814,281  |  |
| Investment advisory fees payable                               | 87,728  | 370,807  | 194,043   | 631,456  | 302,747  |
| Cash received as collateral for reverse repurchase agreements  |   | 3,336,000  | 1,297,000   | 11,059,900   |  |
| Cash received as collateral for swaps                          |   | 600,000  |   | 500,000  |  |
| Reorganization expense payable                                 | 169,391   |  | 210,364   | 317,535  |  |
| Interest expense payable                                       | 60,706  | 262,041  | 132,828   | 444,448  | 109,566  |
| Variation margin payable                                       | 71,007  | 309,411  | 116,544   | 334,500  |  |
| Officers and Directors fees payable                            | 974   | 131,973  | 57,238  | 202,709  | 131,557  |
| Income dividends payable                                       | 25,994  | 97,282   | 25,824  | 244,779  |  |
| Swaps payable  | 26,114  | 109,004  | 57,423  | 196,803  |  |
| Swap premiums received   | 60,066  | 258,460  | 107,995   | 433,645  |  |
| Unrealized depreciation on swaps                               | 46,310  | 201,782  | 80,043  | 347,829  |  |
| Unrealized depreciation on foreign currency exchange contracts |   |  | 12,860  |  | 119,911  |
| Other accrued expenses payable                                 | 76,649  | 153,934  | 121,865   | 245,582  | 386,989  |
| <b>Total liabilities</b>                                       | <b>58,695,727</b>   | <b>241,823,155</b>   | <b>120,960,073</b>  | <b>393,489,157</b>   | <b>195,521,951</b>   |
| <b>Net Assets</b>  | <b>\$ 118,837,113</b>   | <b>\$ 507,345,479</b>  | <b>\$ 245,060,411</b>   | <b>\$ 796,835,719</b>  | <b>\$ 343,282,417</b>  |
| <b>Net Assets Consist of</b>                                   |   |  |   |  |  |
| Paid-in capital <sup>5,6,7</sup>                               | \$ 225,847,327  | \$ 874,616,624   | \$ 422,007,807  | \$ 1,122,766,528   | \$ 428,921,834   |

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|  |                       |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Undistributed net investment income            | 300,705               | 3,162,980             | 850,056               | 757,568               | 3,276,393             |
| Accumulated net realized loss                  | (122,953,796)         | (434,469,584)         | (201,491,095)         | (410,476,241)         | (90,346,145)          |
| Net unrealized appreciation/depreciation       | 15,642,877            | 64,035,459            | 23,693,643            | 83,787,864            | 1,430,335             |
| <b>Net Assets</b>                              | <b>\$ 118,837,113</b> | <b>\$ 507,345,479</b> | <b>\$ 245,060,411</b> | <b>\$ 796,835,719</b> | <b>\$ 343,282,417</b> |
| Net asset value                                | \$ 11.52              | \$ 12.43              | \$ 13.27              | \$ 15.37              | \$ 14.52              |
| <sup>1</sup> Investments at cost unaffiliated  | \$ 158,124,333        | \$ 672,121,346        | \$ 331,571,532        | \$ 1,080,790,298      | \$ 503,911,672        |
| <sup>2</sup> Investments at cost affiliated    | \$ 883,178            | \$ 1,125,074          | \$ 4,101,982          | \$ 1,652,656          | \$ 2,740,694          |
| <sup>3</sup> Foreign currency at cost          | \$ 8,821              | \$ 3,741              | \$ 10,239             | \$ 43                 | \$ (915,031)          |
| <sup>4</sup> Premiums received                 | \$ 137,175            | \$ 576,825            | \$ 838,575            | \$ 2,861,625          |                       |
| <sup>5</sup> Common shares par value per share | \$ 0.100              | \$ 0.100              | \$ 0.001              | \$ 0.001              | \$ 0.001              |
| <sup>6</sup> Common shares outstanding         | 10,311,941            | 40,807,418            | 18,467,785            | 51,828,157            | 23,637,848            |
| <sup>7</sup> Common shares authorized          | 199,994,540           | 199,978,000           | unlimited             | unlimited             | unlimited             |

\* Consolidated Statement of Assets and Liabilities.

See Notes to Financial Statements.



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## Statements of Operations

|  | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust I, Inc.<br/>(PSW)</b> | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust II,<br/>Inc.<br/>(PSY)</b> | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust III<br/>(BPP)</b> | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust IV<br/>(BTZ)</b> | <b>BlackRock<br/>Floating<br/>Rate<br/>Income<br/>Trust<br/>(BGT)<sup>1</sup></b> |
|--|---|--|---|--|---|
| <b>Year Ended October 31, 2012</b>                     |   |  |   |  |   |
| <b>Investment Income</b>                               |   |  |   |  |   |
| Interest   | \$ 8,344,081  | \$ 36,012,745  | \$ 16,780,615   | \$ 55,360,448  | \$ 28,217,372   |
| Dividends unaffiliated                                 | 321,934   | 461,995  | 125,608   | 2,165,022  | 35,236  |
| Income affiliated                                      | 1,279   | 7,944  | 4,061   | 11,508   | 5,401   |
| Total income   | 8,667,294   | 36,482,684   | 16,910,284  | 57,536,978   | 28,258,009  |
| <b>Expenses</b>  |   |  |   |  |   |
| Investment advisory                                    | 955,131   | 4,034,010  | 2,067,388   | 6,865,493  | 3,441,945   |
| Professional   | 101,850   | 262,104  | 81,104  | 231,066  | 163,266   |
| Reorganization costs                                   | 169,391   | 88,283   | 210,364   | 317,535  |   |
| Accounting services                                    | 49,888  | 107,608  | 70,338  | 118,514  | 64,266  |
| Borrowing costs <sup>2</sup>                           |   |  |   |  | 347,092   |
| Custodian  | 21,624  | 61,222   | 34,144  | 74,982   | 147,908   |
| Officer and Directors                                  | 15,116  | 76,882   | 37,352  | 113,152  | 58,226  |
| Transfer agent   | 30,842  | 85,538   | 40,700  | 89,012   | 45,126  |
| Printing   | 17,414  | 28,864   | 5,334   | 32,802   | 6,426   |
| Registration   | 9,202   | 13,960   | 9,174   | 17,706   | 9,298   |
| Miscellaneous  | 21,184  | 44,271   | 28,575  | 84,684   | 70,997  |
| Total expenses excluding interest expense              | 1,391,642   | 4,802,742  | 2,584,473   | 7,944,946  | 4,354,550   |
| Interest expense                                       | 167,158   | 670,195  | 295,584   | 990,466  | 1,192,910   |
| Total expenses   | 1,558,800   | 5,472,937  | 2,880,057   | 8,935,412  | 5,547,460   |
| Less fees waived by Manager                            | (663)   | (2,325)  | (1,200)   | (3,419)  | (189,614)   |
| Less reorganization costs reimbursed                   |   | (88,283)   |   |  |   |
| Total expenses after fees waived                       | 1,558,137   | 5,382,329  | 2,878,857   | 8,931,993  | 5,357,846   |
| Net investment income                                  | 7,109,157   | 31,100,355   | 14,031,427  | 48,604,985   | 22,900,163  |
| <b>Realized and Unrealized Gain (Loss)</b>             |   |  |   |  |   |
| Net realized gain (loss) from:                         |   |  |   |  |   |
| Investments  | 3,009,484   | 8,982,756  | 5,353,553   | 13,717,789   | (876,524)   |
| Financial futures contracts                            | (1,288,425)   | (5,220,149)  | (1,914,517)   | (6,488,433)  |   |
| Foreign currency transactions                          | 609   | (4,006)  | (923)   |  | 1,821,880   |
| Options written  | 198,648   | 844,491  | 443,725   | 1,545,370  |   |
| Swaps  | (1,127,296)   | (4,786,144)  | (2,067,459)   | (6,765,930)  | (439,854)   |
|  | 793,020   | (183,052)  | 1,814,379   | 2,008,796  | 505,502   |
| Net change in unrealized appreciation/depreciation on: |   |  |   |  |   |
| Investments  | 9,361,102   | 44,206,774   | 19,291,819  | 69,230,911   | 14,327,427  |
| Financial futures contracts                            | (127,495)   | (564,362)  | (141,109)   | (521,882)  |   |
| Foreign currency translations                          | 6,362   | 22,801   | (12,541)  | (7)  | 1,285,904   |
| Options written  | 153,816   | 651,592  | (17,567)  | 7,551  |   |

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|   |                      |                      |                      |                       |                      |
|---|----------------------|----------------------|----------------------|-----------------------|----------------------|
| Swaps   | 657,203              | 2,703,679            | 1,190,853            | 3,886,657             |                      |
|   | 10,050,988           | 47,020,484           | 20,311,455           | 72,603,230            | 15,613,331           |
| Total realized and unrealized gain                          | 10,844,008           | 46,837,432           | 22,125,834           | 74,612,026            | 16,118,833           |
| <b>Net Increase in Net Assets Resulting from Operations</b> | <b>\$ 17,953,165</b> | <b>\$ 77,937,787</b> | <b>\$ 36,157,261</b> | <b>\$ 123,217,011</b> | <b>\$ 39,018,996</b> |

<sup>1</sup> Consolidated Statement of Operations.

<sup>2</sup> 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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**Table of Contents****Statements of Changes in Net Assets**

|  | <b>BlackRock Credit Allocation<br/>Income Trust I, Inc. (PSW)<br/>Year Ended October 31,</b> |                | <b>BlackRock Credit Allocation<br/>Income Trust II, Inc. (PSY)<br/>Year Ended October 31,</b> |                |
|--|--|----------------|---|----------------|
|  | <b>2012</b>  | <b>2011</b>    | <b>2012</b>   | <b>2011</b>    |
| <b>Increase (Decrease) in Net Assets Applicable to Common Shareholders:</b>            |  |                |   |                |
| <b>Operations</b>  |  |                |   |                |
| Net investment income  | \$ 7,109,157   | \$ 7,124,109   | \$ 31,100,355   | \$ 29,691,133  |
| Net realized gain (loss)   | 793,020  | (2,345,593)    | (183,052)   | (12,706,661)   |
| Net change in unrealized appreciation/depreciation                                     | 10,050,988   | (690,779)      | 47,020,484  | (3,271,622)    |
| Dividends to Preferred Shareholders from net investment income                         |  | (61,138)       |   | (506,078)      |
| Net increase in net assets applicable to Common Shareholders resulting from operations | 17,953,165   | 4,026,599      | 77,937,787  | 13,206,772     |
| <b>Dividends to Common Shareholders From<sup>1</sup></b>                               |  |                |   |                |
| Net investment income  | (7,651,460)  | (6,305,752)    | (29,871,030)  | (26,912,492)   |
| <b>Capital Share Transactions</b>  |  |                |   |                |
| Refund of offering costs previously charged to paid-in capital                         | 6,271  |                |   |                |
| <b>Net Assets Applicable to Common Shareholders</b>                                    |  |                |   |                |
| Total increase (decrease) in net assets applicable to Common Shareholders              | 10,307,976   | (2,279,153)    | 48,066,757  | (13,705,720)   |
| Beginning of year  | 108,529,137  | 110,808,290    | 459,278,722   | 472,984,442    |
| End of year  | \$ 118,837,113   | \$ 108,529,137 | \$ 507,345,479  | \$ 459,278,722 |
| Undistributed net investment income  | \$ 300,705   | \$ 810,163     | \$ 3,162,980  | \$ 2,350,278   |

<sup>1</sup> Dividends are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

**Table of Contents****Statements of Changes in Net Assets**

|  | <b>BlackRock Credit Allocation<br/>Income Trust III (BPP)<br/>Year Ended October 31,</b> |                | <b>BlackRock Credit Allocation<br/>Income Trust IV (BTZ)<br/>Year Ended October 31,</b> |                |
|--|--|----------------|---|----------------|
|  | <b>2012</b>  | <b>2011</b>    | <b>2012</b>   | <b>2011</b>    |
| <b>Increase (Decrease) in Net Assets Applicable to Common Shareholders:</b>            |  |                |   |                |
| <b>Operations</b>  |  |                |   |                |
| Net investment income  | \$ 14,031,427  | \$ 13,010,851  | \$ 48,604,985   | \$ 45,515,474  |
| Net realized gain (loss)   | 1,814,379  | (3,054,857)    | 2,008,796   | (10,984,247)   |
| Net change in unrealized appreciation/depreciation                                     | 20,311,455   | (3,755,447)    | 72,603,230  | (17,087,131)   |
| Dividends to Preferred Shareholders from net investment income                         |  | (23,469)       |   | (646,135)      |
| Net increase in net assets applicable to Common Shareholders resulting from operations | 36,157,261   | 6,177,078      | 123,217,011   | 16,797,961     |
| <b>Dividends to Common Shareholders From<sup>1</sup></b>                               |  |                |   |                |
| Net investment income  | (14,035,517)   | (12,336,480)   | (48,718,467)  | (43,820,706)   |
| <b>Net Assets Applicable to Common Shareholders</b>                                    |  |                |   |                |
| Total increase (decrease) in net assets applicable to Common Shareholders              | 22,121,744   | (6,159,402)    | 74,498,544  | (27,022,745)   |
| Beginning of year  | 222,938,667  | 229,098,069    | 722,337,175   | 749,359,920    |
| End of year  | \$ 245,060,411   | \$ 222,938,667 | \$ 796,835,719  | \$ 722,337,175 |
| Undistributed net investment income  | \$ 850,056   | \$ 787,825     | \$ 757,568  | \$ 1,025,075   |

<sup>1</sup> Dividends are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

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## Statements of Changes in Net Assets

|  | <b>BlackRock Floating Rate<br/>Income Trust (BGT)<br/>Year Ended October 31,</b> |                |
|--|--|----------------|
|  | <b>2012<sup>1</sup></b>  | <b>2011</b>    |
| <b>Increase (Decrease) in Net Assets Applicable to Common Shareholders:</b>            |  |                |
| <b>Operations</b>  |  |                |
| Net investment income  | \$ 22,900,163  | \$ 23,584,991  |
| Net realized gain (loss)   | 505,502  | (3,466,879)    |
| Net change in unrealized appreciation/depreciation                                     | 15,613,331   | (6,557,897)    |
| Dividends to Preferred Shareholders from net investment income                         |  | (90,614)       |
| Net increase in net assets applicable to Common Shareholders resulting from operations | 39,018,996   | 13,469,601     |
| <b>Dividends to Common Shareholders From<sup>2</sup></b>                               |  |                |
| Net investment income  | (25,867,315)   | (25,653,072)   |
| <b>Capital Share Transactions</b>  |  |                |
| Reinvestment of common dividends   | 300,131  | 577,941        |
| <b>Net Assets Applicable to Common Shareholders</b>                                    |  |                |
| Total increase (decrease) in net assets applicable to Common Shareholders              | 13,451,812   | (11,605,530)   |
| Beginning of year  | 329,830,605  | 341,436,135    |
| End of year  | \$ 343,282,417   | \$ 329,830,605 |
| Undistributed net investment income  | \$ 3,276,393   | \$ 5,628,436   |

<sup>1</sup> Consolidated Statement of Changes in Net Assets.

<sup>2</sup> Dividends are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

**Table of Contents****Statements of Cash Flows**

|  | <b>BlackRock</b>  |  |   |  |   |
|--|---|--|---|--|---|
|  | <b>Credit Allocation</b>  |  |   |  |   |
|  | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust I, Inc.<br/>(PSW)</b> | <b>Income<br/>Trust II, Inc.<br/>(PSY)</b> | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust III<br/>(BPP)</b> | <b>BlackRock<br/>Credit<br/>Allocation<br/>Income<br/>Trust IV<br/>(BTZ)</b> | <b>BlackRock<br/>Floating Rate<br/>Income<br/>Trust<br/>(BGT)<sup>1</sup></b> |
| <b>Year Ended October 31, 2012</b>   |   |  |   |  |   |
| <b>Cash Provided by (Used for) Operating Activities</b>  |   |  |   |  |   |
| Net increase in net assets resulting from operations   | \$ 17,953,165   | \$ 77,937,787                              | \$ 36,157,261   | \$ 123,217,011   | \$ 39,018,996   |
| 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   | 54,707  | 416,812                                    | 18,182  | 554,393  | (1,392,908)   |
| (Increase) decrease in swap receivable   | 5,897   | 27,204                                     | (6,186)   | (24,048)   |   |
| Decrease in other assets   | 456   | 89,507                                     | 51,943  | 138,860  | 106,808   |
| Decrease in prepaid expenses   | 3,419   | 8,371                                      | 7,642   | 20,494   | 44,443  |
| Increase in variation margin receivable  | (3,250)   | (14,111)                                   | (8,093)   | (23,091)   |   |
| (Increase) decrease in dividends receivable  | (7,925)   | (41,989)                                   | (20,250)  | (70,183)   | 418   |
| Decrease in cash pledged as collateral for reverse repurchase agreements   |   |  |   | 690,000  |   |
| Decrease in cash pledged as collateral for financial futures contracts   | 310,000   | 1,378,000                                  | 539,000   | 1,623,000  |   |
| (Increase) decrease in cash pledged as collateral for swaps  | 480,000   | 1,110,000                                  | (571,000)   | 1,710,000  |   |
| Increase in reorganization expense payable   | 169,391   |  | 210,364   | 317,535  |   |
| Increase in investment advisory fees payable   | 7,356   | 34,998                                     | 26,026  | 64,095   | 24,364  |
| Increase in interest expense payable   | 28,531  | 118,605                                    | 62,915  | 82,506   | 11,176  |
| Increase in cash received as collateral for reverse repurchase agreements  |   | 3,336,000                                  | 972,000   | 10,211,900   |   |
| Increase (decrease) in cash received as collateral for swaps   |   | 600,000                                    |   | (200,000)  |   |
| Increase (decrease) in other accrued expenses payable  | 19,179  | 22,535                                     | (57,338)  | (97,144)   | (33,055)  |
| Decrease in variation margin payable   | (216,289)   | (944,144)                                  | (266,722)   | (873,677)  |   |
| Decrease in swaps payable  | (6,544)   | (26,499)                                   | (15,439)  | (43,271)   |   |
| Increase (decrease) in Officers and Directors fees payable   | 436   | 41,645                                     | (1,207)   | 49,104   | 22,358  |
| Net periodic and termination payments of swaps   | (1,020,983)   | (4,213,584)                                | (1,778,447)   | (5,912,369)  | (439,854)   |
| Net realized and unrealized (gain) loss on investments   | (12,245,062)  | (52,500,451)                               | (24,192,112)  | (81,650,583)   | (14,296,953)  |
| Amortization of premium and accretion of discount on investments   | 459,360   | 1,741,486                                  | 865,418   | 3,096,093  | (2,181,275)   |
| Premiums received from options written   | 684,242   | 2,948,820                                  | 1,308,426   | 3,876,621  |   |
| Proceeds from sales of long-term investments   | 59,469,494  | 249,989,101                                | 115,926,946   | 401,088,011  | 287,522,497   |
| Purchases of long-term investments   | (63,609,633)  | (273,017,062)                              | (139,091,418)   | (452,528,412)  | (304,800,600)   |
| Net proceeds from sales (purchases) of short-term securities   | 479,754   | (719,366)                                  | (1,642,068)   | 2,170,452  | (1,669,127)   |
| Premiums paid on closing options written   | (478,019)   | (2,081,905)                                | (877,526)   | (2,393,326)  |   |
| Cash provided by (used for) operating activities   | 2,537,682   | 6,241,760                                  | (12,381,683)  | 5,093,971  | 1,937,288   |
| <b>Cash Provided by (Used for) Financing Activities</b>  |   |  |   |  |   |
| Cash receipts from borrowings  | 40,712,838  | 155,460,174                                | 90,996,799  | 227,921,167  | 231,000,000   |
| Cash payments on borrowings  | (35,648,899)  | (132,014,960)                              | (64,628,906)  | (184,909,665)  | (208,000,000)   |
| Cash dividends paid to Common Shareholders   | (7,652,828)   | (29,898,263)                               | (14,046,430)  | (48,700,473)   | (25,614,645)  |
| Refund of offering costs   | 6,271   |  |   |  |   |
| Increase in bank overdraft on foreign currency   |   |  |   |  | 848,080   |
| Cash provided by (used for) financing activities   | (2,582,618)   | (6,453,049)                                | 12,321,463  | (5,688,971)  | (1,766,565)   |
| <b>Cash Impact from Foreign Exchange Fluctuations</b>  |   |  |   |  |   |

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|  |       |       |      |     |         |
|--|-------|-------|------|-----|---------|
| Cash impact from foreign exchange fluctuations | 1,753 | 6,748 | (46) | (3) | (2,077) |
|--|-------|-------|------|-----|---------|

**Cash and Foreign Currency**

|  |          |           |          |           |         |
|--|----------|-----------|----------|-----------|---------|
| Net increase (decrease) in cash and foreign currency | (43,183) | (204,541) | (60,266) | (595,003) | 168,646 |
| Cash and foreign currency at beginning of year       | 51,997   | 208,279   | 70,497   | 652,883   |         |

|  |          |          |           |           |            |
|--|----------|----------|-----------|-----------|------------|
| Cash and foreign currency at end of year | \$ 8,814 | \$ 3,738 | \$ 10,231 | \$ 57,880 | \$ 168,646 |
|--|----------|----------|-----------|-----------|------------|

**Cash Flow Information**

|  |            |            |            |            |              |
|--|------------|------------|------------|------------|--------------|
| Cash paid during the year for interest | \$ 138,627 | \$ 551,590 | \$ 232,669 | \$ 907,960 | \$ 1,181,735 |
|--|------------|------------|------------|------------|--------------|

**Non-Cash Financing Activities**

|  |  |  |  |  |            |
|--|--|--|--|--|------------|
| Capital shares issued in reinvestment of dividends |  |  |  |  | \$ 300,131 |
|--|--|--|--|--|------------|

<sup>1</sup> Consolidated Statement of Cash Flows.

A Statement of Cash Flows is presented when a Fund has 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.

**Table of Contents****Financial Highlights****BlackRock Credit Allocation Income Trust I, Inc. (PSW)**

|  | Year Ended October 31, |            |                     |           |           |
|--|------------------------|------------|---------------------|-----------|-----------|
|  | 2012                   | 2011       | 2010                | 2009      | 2008      |
| <b>Per Share Operating Performance</b>   |                        |            |                     |           |           |
| Net asset value, beginning of year   | \$ 10.52               | \$ 10.75   | \$ 9.31             | \$ 7.43   | \$ 19.54  |
| Net investment income <sup>1</sup>   | 0.69                   | 0.69       | 0.63                | 0.86      | 1.70      |
| Net realized and unrealized gain (loss)  | 1.05                   | (0.30)     | 1.58                | 2.06      | (12.06)   |
| Dividends to Preferred Shareholders from net investment income                                   |                        | (0.01)     | (0.06)              | (0.08)    | (0.48)    |
| Net increase (decrease) from investment operations   | 1.74                   | 0.38       | 2.15                | 2.84      | (10.84)   |
| Dividends and distributions to Common Shareholders from: <sup>6</sup>                            |                        |            |                     |           |           |
| Net investment income  | (0.74)                 | (0.61)     | (0.62)              | (0.83)    | (1.22)    |
| Tax return of capital  |                        |            | (0.09)              | (0.13)    | (0.05)    |
| Total dividends and distributions  | (0.74)                 | (0.61)     | (0.71)              | (0.96)    | (1.27)    |
| Net asset value, end of year   | \$ 11.52               | \$ 10.52   | \$ 10.75            | \$ 9.31   | \$ 7.43   |
| Market price, end of year  | \$ 10.70               | \$ 9.25    | \$ 9.67             | \$ 8.24   | \$ 7.00   |
| <b>Total Investment Return Applicable to Common Shareholders<sup>2</sup></b>                     |                        |            |                     |           |           |
| Based on net asset value   | 17.95%                 | 4.55%      | 24.77% <sup>3</sup> | 46.46%    | (58.09)%  |
| Based on market price  | 24.59%                 | 2.20%      | 26.81%              | 37.59%    | (55.38)%  |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                        |            |                     |           |           |
| Total expenses <sup>4</sup>  | 1.40% <sup>5</sup>     | 1.14%      | 1.16%               | 1.61%     | 2.00%     |
| Total expenses after fees waived and paid indirectly <sup>4</sup>                                | 1.40% <sup>5</sup>     | 1.14%      | 1.14%               | 1.59%     | 2.00%     |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>4</sup> | 1.25% <sup>5</sup>     | 1.02%      | 1.13%               | 1.44%     | 1.48%     |
| Net investment income <sup>4</sup>   | 6.40%                  | 6.56%      | 6.28%               | 12.45%    | 10.79%    |
| Dividends to Preferred Shareholders  |                        | 0.06%      | 0.59%               | 1.09%     | 3.03%     |
| Net investment income to Common Shareholders   | 6.40%                  | 6.50%      | 5.69%               | 11.36%    | 7.76%     |
| <b>Supplemental Data</b>   |                        |            |                     |           |           |
| Net assets applicable to Common Shareholders, end of year (000)                                  | \$ 118,837             | \$ 108,529 | \$ 110,808          | \$ 96,048 | \$ 76,430 |
| Preferred Shares outstanding at \$25,000 liquidation preference, end of year (000)               |                        |            | \$ 40,250           | \$ 40,250 | \$ 68,250 |
| Borrowings outstanding, end of year (000)  | \$ 57,959              | \$ 53,268  | \$ 6,083            | \$ 4,972  | \$ 4,024  |
| Average borrowings outstanding during the year (000)   | 48,108                 | \$ 34,952  | \$ 5,269            | \$ 5,321  | \$ 25,692 |



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|  |          |          |           |           |           |
|--|----------|----------|-----------|-----------|-----------|
| Portfolio turnover   | 37%      | 53%      | 66%       | 36%       | 119%      |
| Asset coverage per Preferred Share at \$25,000 liquidation preference, end of year |          |          | \$ 93,831 | \$ 84,663 | \$ 53,009 |
| Asset coverage, end of year per \$1,000  | \$ 3,050 | \$ 3,037 |           |           |           |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Total investment returns based on market value, 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.

<sup>3</sup> Includes the proceeds from a settlement of litigation which impacted the Fund. Not including these proceeds the Fund's total return would have been 24.54%.

<sup>4</sup> Do not reflect the effect of dividends to Preferred Shareholders.

<sup>5</sup> Includes reorganization costs associated with the Fund's merger. Without these costs, total expenses, total expenses after fees waived and paid indirectly, and total expenses after fees waived and paid indirectly and excluding interest expense would have been 1.25%, 1.25% and 1.10%, respectively.

<sup>6</sup> Dividends and distributions are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

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

|  | Year Ended October 31, |            |                     |                     |            |
|--|------------------------|------------|---------------------|---------------------|------------|
|  | 2012                   | 2011       | 2010                | 2009                | 2008       |
| <b>Per Share Operating Performance</b>   |                        |            |                     |                     |            |
| Net asset value, beginning of year   | \$ 11.25               | \$ 11.59   | \$ 10.03            | \$ 7.96             | \$ 19.93   |
| Net investment income <sup>1</sup>   | 0.76                   | 0.73       | 0.72                | 1.11                | 1.73       |
| Net realized and unrealized gain (loss)  | 1.15                   | (0.40)     | 1.74                | 2.17                | (11.84)    |
| Dividends to Preferred Shareholders from net investment income                                   |                        | (0.01)     | (0.06)              | (0.09)              | (0.49)     |
| Net increase (decrease) from investment operations   | 1.91                   | 0.32       | 2.40                | 3.19                | (10.60)    |
| Dividends and distributions to Common Shareholders from: <sup>6</sup>                            |                        |            |                     |                     |            |
| Net investment income  | (0.73)                 | (0.66)     | (0.71)              | (1.12)              | (1.15)     |
| Tax return of capital  |                        |            | (0.13)              | (0.00) <sup>2</sup> | (0.22)     |
| Total dividends and distributions  | (0.73)                 | (0.66)     | (0.84)              | (1.12)              | (1.37)     |
| Net asset value, end of year   | \$ 12.43               | \$ 11.25   | \$ 11.59            | \$ 10.03            | \$ 7.96    |
| Market price, end of year  | \$ 11.54               | \$ 9.74    | \$ 10.39            | \$ 8.90             | \$ 8.10    |
| <b>Total Investment Return Applicable to Common Shareholders<sup>3</sup></b>                     |                        |            |                     |                     |            |
| Based on net asset value   | 18.28%                 | 3.71%      | 25.70% <sup>4</sup> | 48.36%              | (55.71)%   |
| Based on market price  | 26.84%                 | 0.16%      | 26.99%              | 29.37%              | (46.97)%   |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                        |            |                     |                     |            |
| Total expenses <sup>5</sup>  | 1.15%                  | 1.12%      | 1.04%               | 1.41%               | 1.90%      |
| Total expenses after fees waived and paid indirectly <sup>5</sup>                                | 1.14%                  | 1.12%      | 1.03%               | 1.41%               | 1.90%      |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>5</sup> | 0.99%                  | 1.01%      | 1.02%               | 1.33%               | 1.40%      |
| Net investment income <sup>5</sup>   | 6.56%                  | 6.42%      | 6.66%               | 15.05%              | 10.71%     |
| Dividends to Preferred Shareholders  |                        | 0.11%      | 0.58%               | 1.19%               | 3.04%      |
| Net investment income to Common Shareholders   | 6.56%                  | 6.31%      | 6.08%               | 13.86%              | 7.67%      |
| <b>Supplemental Data</b>   |                        |            |                     |                     |            |
| Net assets applicable to Common Shareholders, end of year (000)                                  | \$ 507,345             | \$ 459,279 | \$ 472,984          | \$ 409,293          | \$ 323,132 |
| Preferred Shares outstanding at \$25,000 liquidation preference, end of year (000)               |                        |            | \$ 169,025          | \$ 169,025          | \$ 275,000 |
| Borrowings outstanding, end of year (000)  | \$ 235,518             | \$ 213,033 | \$ 4,020            | \$ 9,511            | \$ 54,369  |
| Average borrowings outstanding during the year (000)   | 198,514                | \$ 137,824 | \$ 13,407           | \$ 15,842           | \$ 94,908  |

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|  |          |          |           |           |           |
|--|----------|----------|-----------|-----------|-----------|
| Portfolio turnover   | 37%      | 50%      | 73%       | 16%       | 120%      |
| Asset coverage per Preferred Share at \$25,000 liquidation preference, end of year |          |          | \$ 94,968 | \$ 85,547 | \$ 54,408 |
| Asset coverage, end of year per \$1,000  | \$ 3,154 | \$ 3,156 |           |           |           |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Amount is less than \$(0.01) per share.

<sup>3</sup> Total investment returns based on market value, 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.

<sup>4</sup> Includes the proceeds from a settlement of litigation which impacted the Fund. Not including these proceeds the Fund's total return would have been 25.37%.

<sup>5</sup> Do not reflect the effect of dividends to Preferred Shareholders.

<sup>6</sup> Dividends and distributions are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

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

|  | Year Ended October 31, |                     |                   |                   | Period<br>January 1, 2008<br>to<br>October 31, 2008 |            | Year<br>Ended<br>December 31,<br>2007 |
|--|------------------------|---------------------|-------------------|-------------------|---|------------|---------------------------------------|
|  | 2012                   | 2011                | 2010              | 2009              |   |            |                                       |
| <b>Per Share Operating Performance</b>   |                        |                     |                   |                   |   |            |                                       |
| Net asset value, beginning of period   | \$ 12.07               | \$ 12.41            | \$ 11.05          | \$ 8.77           | \$ 19.47  | \$ 24.52   |                                       |
| Net investment income  | 0.76 <sup>1</sup>      | 0.70 <sup>1</sup>   | 0.73 <sup>1</sup> | 1.09 <sup>1</sup> | 1.48 <sup>1</sup>                                   | 2.05       |                                       |
| Net realized and unrealized gain (loss)  | 1.20                   | (0.37)              | 1.48              | 2.40              | (10.74)   | (4.72)     |                                       |
| Dividends to Preferred Shareholders from net investment income                                   |                        | (0.00) <sup>2</sup> | (0.01)            | (0.03)            | (0.31)  | (0.62)     |                                       |
| Net increase (decrease) from investment operations   | 1.96                   | 0.33                | 2.20              | 3.46              | (9.57)  | (3.29)     |                                       |
| <b>Dividends and distributions to Common Shareholders from:<sup>8</sup></b>                      |                        |                     |                   |                   |   |            |                                       |
| Net investment income  | (0.76)                 | (0.67)              | (0.76)            | (0.95)            | (0.83)  | (1.59)     |                                       |
| Net realized gain  |                        |                     |                   |                   |   | (0.02)     |                                       |
| Tax return of capital  |                        |                     | (0.08)            | (0.23)            | (0.30)  | (0.15)     |                                       |
| Total dividends and distributions  | (0.76)                 | (0.67)              | (0.84)            | (1.18)            | (1.13)  | (1.76)     |                                       |
| Net asset value, end of period   | \$ 13.27               | \$ 12.07            | \$ 12.41          | \$ 11.05          | \$ 8.77   | \$ 19.47   |                                       |
| Market price, end of period  | \$ 12.28               | \$ 10.53            | \$ 11.23          | \$ 9.94           | \$ 8.51   | \$ 17.31   |                                       |
| <b>Total Investment Return Applicable to Common Shareholders<sup>3</sup></b>                     |                        |                     |                   |                   |   |            |                                       |
| Based on net asset value   | 17.53%                 | 3.56%               | 21.52%            | 47.16%            | (51.22)% <sup>4</sup>                               | (13.86)%   |                                       |
| Based on market price  | 24.67%                 | (0.16)%             | 22.25%            | 36.42%            | (46.76)% <sup>4</sup>                               | (28.62)%   |                                       |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                        |                     |                   |                   |   |            |                                       |
| Total expenses <sup>5</sup>  | 1.26% <sup>6</sup>     | 1.05%               | 1.09%             | 1.66%             | 1.96% <sup>7</sup>                                  | 1.46%      |                                       |
| Total expenses after fees waived and paid indirectly <sup>5</sup>                                | 1.26% <sup>6</sup>     | 1.05%               | 1.08%             | 1.64%             | 1.96% <sup>7</sup>                                  | 1.45%      |                                       |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>5</sup> | 1.13% <sup>6</sup>     | 0.96%               | 1.07%             | 1.39%             | 1.39% <sup>7</sup>                                  | 1.24%      |                                       |
| Net investment income <sup>5</sup>   | 6.12%                  | 5.78%               | 6.31%             | 13.08%            | 10.53% <sup>7</sup>                                 | 8.90%      |                                       |
| Dividends to Preferred Shareholders  |                        | 0.01%               | 0.10%             | 0.38%             | 2.19% <sup>7</sup>                                  | 2.70%      |                                       |
| Net investment income to Common Shareholders   | 6.12%                  | 5.77%               | 6.21%             | 12.70%            | 8.34% <sup>7</sup>                                  | 6.20%      |                                       |
| <b>Supplemental Data</b>   |                        |                     |                   |                   |   |            |                                       |
| Net assets applicable to Common Shareholders, end of period (000)                                | \$ 245,060             | \$ 222,939          | \$ 229,098        | \$ 204,133        | \$ 161,311  | \$ 358,017 |                                       |
| Preferred Shares outstanding at \$25,000 liquidation preference, end of period (000)             |                        |                     | \$ 70,425         | \$ 70,425         | \$ 110,400  | \$ 220,800 |                                       |

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|  |            |           |            |           |
|--|------------|-----------|------------|-----------|
| Borrowings outstanding, end of period (000)  | \$ 117,132 | \$ 92,971 | \$ 13,235  | \$ 44,281 |
| Average borrowings outstanding during the period (000)                               | 88,918     | \$ 51,264 | \$ 2,121   | \$ 16,330 |
| Portfolio turnover   | 36%        | 48%       | 67%        | 16%       |
| Asset coverage per Preferred Share at \$25,000 liquidation preference, end of period |            |           | \$ 106,328 | \$ 97,465 |
| Asset coverage, end of period per \$1,000  | \$ 3,092   | \$ 3,398  |            |           |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Amount is less than \$(0.01) per share.

<sup>3</sup> Total investment returns based on market value, 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.

<sup>4</sup> Aggregate total investment return.

<sup>5</sup> Do not reflect the effect of dividends to Preferred Shareholders.

<sup>6</sup> Includes reorganization costs associated with the Fund's merger. Without these costs, total expenses, total expenses after fees waived and paid indirectly, and total expenses after fees waived and paid indirectly and excluding interest expense would have been 1.16%, 1.16% and 1.03%, respectively.

<sup>7</sup> Annualized.

<sup>8</sup> Dividends and distributions are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

**Table of Contents****Financial Highlights****BlackRock Credit Allocation Income Trust IV  
(BTZ)**

|  | Year Ended October 31, |            |            |            |            |
|--|------------------------|------------|------------|------------|------------|
|  | 2012                   | 2011       | 2010       | 2009       | 2008       |
| <b>Per Share Operating Performance</b>   |                        |            |            |            |            |
| Net asset value, beginning of year   | \$ 13.94               | \$ 14.46   | \$ 12.64   | \$ 10.59   | \$ 21.39   |
| Net investment income <sup>1</sup>   | 0.94                   | 0.88       | 0.85       | 0.99       | 1.33       |
| Net realized and unrealized gain (loss)  | 1.43                   | (0.54)     | 2.14       | 2.54       | (10.06)    |
| Dividends to Preferred Shareholders from net investment income                                   |                        | (0.01)     | (0.07)     | (0.07)     | (0.33)     |
| Net increase (decrease) from investment operations   | 2.37                   | 0.33       | 2.92       | 3.46       | (9.06)     |
| Dividends and distributions to Common Shareholders from: <sup>5</sup>                            |                        |            |            |            |            |
| Net investment income  | (0.94)                 | (0.85)     | (0.81)     | (0.93)     | (0.90)     |
| Tax return of capital  |                        |            | (0.29)     | (0.48)     | (0.84)     |
| Total dividends and distributions  | (0.94)                 | (0.85)     | (1.10)     | (1.41)     | (1.74)     |
| Net asset value, end of year   | \$ 15.37               | \$ 13.94   | \$ 14.46   | \$ 12.64   | \$ 10.59   |
| Market price, end of year  | \$ 14.23               | \$ 12.08   | \$ 13.02   | \$ 10.96   | \$ 9.36    |
| <b>Total Investment Return Applicable to Common Shareholders<sup>2</sup></b>                     |                        |            |            |            |            |
| Based on net asset value   | 18.35%                 | 3.28%      | 25.16%     | 41.06%     | (44.27)%   |
| Based on market price  | 26.44%                 | (0.60)%    | 29.98%     | 38.38%     | (43.51)%   |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                        |            |            |            |            |
| Total expenses <sup>3</sup>  | 1.20% <sup>4</sup>     | 1.09%      | 1.12%      | 1.60%      | 1.65%      |
| Total expenses after fees waived and paid indirectly <sup>3</sup>                                | 1.20% <sup>4</sup>     | 1.09%      | 1.11%      | 1.58%      | 1.65%      |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>3</sup> | 1.07% <sup>4</sup>     | 0.99%      | 1.07%      | 1.24%      | 1.21%      |
| Net investment income <sup>3</sup>   | 6.53%                  | 6.25%      | 6.33%      | 9.93%      | 7.63%      |
| Dividends to Preferred Shareholders  |                        | 0.09%      | 0.50%      | 0.74%      | 1.89%      |
| Net investment income to Common Shareholders   | 6.53%                  | 6.16%      | 5.83%      | 9.19%      | 5.74%      |
| <b>Supplemental Data</b>   |                        |            |            |            |            |
| Net assets applicable to Common Shareholders, end of year (000)                                  | \$ 796,836             | \$ 722,337 | \$ 749,360 | \$ 654,999 | \$ 548,612 |
| Preferred Shares outstanding at \$25,000 liquidation preference, end of year (000)               |                        |            | \$ 231,000 | \$ 231,000 | \$ 231,000 |
| Borrowings outstanding, end of year (000)  | \$ 373,716             | \$ 339,303 |            | \$ 61,576  | \$ 223,512 |
| Average borrowings outstanding during the year (000)   | 312,634                | \$ 182,843 | \$ 63,660  | \$ 76,521  | \$ 107,377 |

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|  |          |          |            |           |           |
|--|----------|----------|------------|-----------|-----------|
| Portfolio turnover   | 37%      | 54%      | 64%        | 30%       | 126%      |
| Asset coverage per Preferred Share at \$25,000 liquidation preference, end of year |          |          | \$ 106,104 | \$ 95,892 | \$ 84,384 |
| Asset coverage, end of year per \$1,000  | \$ 3,132 | \$ 3,129 |            |           |           |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Total investment returns based on market value, 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.

<sup>3</sup> Do not reflect the effect of dividends to Preferred Shareholders.

<sup>4</sup> Includes reorganization costs associated with the Fund's merger. Without these costs, total expenses, total expenses after fees waived and paid indirectly, and total expenses after fees waived and paid indirectly and excluding interest expense would have been 1.16%, 1.16% and 1.02%, respectively.

<sup>5</sup> Dividends and distributions are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

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**Table of Contents****Financial Highlights****BlackRock Floating Rate Income Trust  
(BGT)**

|  | Year Ended October 31, |                     |                   |                   | Period<br>January 1, 2008<br>to<br>October 31, 2008 |            | Year<br>Ended<br>December 31,<br>2007 |
|--|------------------------|---------------------|-------------------|-------------------|---|------------|---------------------------------------|
|  | 2012 <sup>1</sup>      | 2011                | 2010              | 2009              |   |            |                                       |
| <b>Per Share Operating Performance</b>   |                        |                     |                   |                   |   |            |                                       |
| Net asset value, beginning of period   | \$ 13.97               | \$ 14.48            | \$ 13.29          | \$ 11.24          | \$ 17.71  | \$ 19.11   |                                       |
| Net investment income  | 0.97 <sup>2</sup>      | 1.00 <sup>2</sup>   | 0.97 <sup>2</sup> | 0.98 <sup>2</sup> | 1.42 <sup>2</sup>                                   | 2.03       |                                       |
| Net realized and unrealized gain (loss)  | 0.68                   | (0.42)              | 1.09              | 2.72              | (6.62)  | (1.39)     |                                       |
| Dividends to Preferred Shareholders from net investment income                                   |                        | (0.00) <sup>3</sup> | (0.04)            | (0.04)            | (0.24)  | (0.54)     |                                       |
| Net increase (decrease) from investment operations   | 1.65                   | 0.58                | 2.02              | 3.66              | (5.44)  | 0.10       |                                       |
| Dividends and distributions to Common Shareholders from: <sup>9</sup>                            |                        |                     |                   |                   |   |            |                                       |
| Net investment income  | (1.10)                 | (1.09)              | (0.83)            | (1.19)            | (1.03)  | (1.14)     |                                       |
| Tax return of capital  |                        |                     |                   | (0.42)            |   | (0.36)     |                                       |
| Total dividends and distributions  | (1.10)                 | (1.09)              | (0.83)            | (1.61)            | (1.03)  | (1.50)     |                                       |
| Net asset value, end of period   | \$ 14.52               | \$ 13.97            | \$ 14.48          | \$ 13.29          | \$ 11.24  | \$ 17.71   |                                       |
| Market price, end of period  | \$ 15.07               | \$ 13.00            | \$ 14.52          | \$ 12.58          | \$ 9.63   | \$ 15.78   |                                       |
| <b>Total Investment Return Applicable to Common Shareholders<sup>4</sup></b>                     |                        |                     |                   |                   |   |            |                                       |
| Based on net asset value   | 12.37%                 | 4.03%               | 15.55%            | 39.51%            | (31.62)% <sup>5</sup>                               | 0.98%      |                                       |
| Based on market price  | 25.33%                 | (3.46)%             | 22.41%            | 54.14%            | (34.24)% <sup>5</sup>                               | (10.92)%   |                                       |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                        |                     |                   |                   |   |            |                                       |
| Total expenses <sup>6</sup>  | 1.66%                  | 1.73%               | 1.43%             | 1.96%             | 2.22% <sup>8</sup>                                  | 1.67%      |                                       |
| Total expenses after fees waived and paid indirectly <sup>6</sup>                                | 1.61%                  | 1.60%               | 1.25%             | 1.68%             | 1.89% <sup>8</sup>                                  | 1.33%      |                                       |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>6</sup> | 1.25% <sup>7</sup>     | 1.24%               | 1.15%             | 1.24%             | 1.21% <sup>8</sup>                                  | 1.16%      |                                       |
| Net investment income <sup>6</sup>   | 6.87%                  | 6.95%               | 7.01%             | 8.92%             | 10.56% <sup>8</sup>                                 | 10.83%     |                                       |
| Dividends to Preferred Shareholders  |                        | 0.03%               | 0.27%             | 0.38%             | 1.75% <sup>8</sup>                                  | 2.88%      |                                       |
| Net investment income to Common Shareholders   | 6.87%                  | 6.92%               | 6.74%             | 8.54%             | 8.81% <sup>8</sup>                                  | 7.95%      |                                       |
| <b>Supplemental Data</b>   |                        |                     |                   |                   |   |            |                                       |
| Net assets applicable to Common Shareholders, end of period (000)                                | \$ 343,282             | \$ 329,831          | \$ 341,436        | \$ 312,872        | \$ 264,590  | \$ 417,086 |                                       |
| Preferred Shares outstanding at \$25,000 liquidation preference, end of period (000)             |                        |                     | \$ 58,800         | \$ 58,800         | \$ 58,800   | \$ 243,450 |                                       |
| Borrowings outstanding, end of period (000)  | \$ 145,000             | \$ 122,000          | \$ 38,000         | \$ 14,000         | \$ 123,150  |            |                                       |



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|  |          |            |            |            |            |           |
|--|----------|------------|------------|------------|------------|-----------|
| Average borrowings outstanding during the period (000)                               | 126,186  | \$ 120,334 | \$ 24,321  | \$ 53,156  | \$ 71,780  | \$ 10,524 |
| Portfolio turnover   | 65%      | 89%        | 87%        | 42%        | 25%        | 41%       |
| Asset coverage per Preferred Share at \$25,000 liquidation preference, end of period |          |            | \$ 170,174 | \$ 158,029 | \$ 137,505 | \$ 67,849 |
| Asset coverage, end of period per \$1,000  | \$ 3,367 | \$ 3,704   |            |            |            |           |

<sup>1</sup> Consolidated Financial Highlights.

<sup>2</sup> Based on average shares outstanding.

<sup>3</sup> Amount is less than \$(0.01) per share.

<sup>4</sup> Total investment returns based on market value, 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.

<sup>5</sup> Aggregate total investment return.

<sup>6</sup> Do not reflect the effect of dividends to Preferred Shareholders.

<sup>7</sup> For the year ended October 31, 2012, the total expense ratio after fees waived and paid indirectly and excluding interest expense and borrowing costs was 1.14%.

<sup>8</sup> Annualized.

<sup>9</sup> Dividends and distributions are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

**Table of Contents****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 under the 1940 Act, as diversified, closed-end management investment companies. BlackRock Credit Allocation Income Trust III ( BPP ), BlackRock Credit Allocation Income Trust IV ( BTZ ) and BlackRock Floating Rate Income Trust ( BGT ) are registered under the 1940 Act as non-diversified, closed-end management investment companies. 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 of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. The Boards of Directors and Boards of Trustees of the Funds are collectively referred to throughout this report as the Board of Directors or the Board , and the directors/trustees 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.

Reorganizations: On July 27, 2012, the Board approved separate plans of reorganization whereby BTZ would acquire all of the assets and assume all of the liabilities of PSW, PSY and BPP (each a Target Fund ) in exchange for newly issued shares of BTZ in a merger transaction. BlackRock Advisors, LLC (the Manager ) reimbursed PSY \$88,283, which is shown as reorganization costs reimbursed in the Statements of Operations.

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

Basis of Consolidation: BGT s accompanying consolidated financial statements include the account of BGT JGW SPV, LLC (the Taxable Subsidiary ), a wholly owned taxable subsidiary of BGT. The Taxable Subsidiary enables BGT to hold its investment in J.G. Wentworth LLC Preferred Equity Interests that is organized as an operating partnership and still satisfy Regulated Investment Company ( RIC ) tax requirements. Income earned and gains realized on the investment held by the Taxable Subsidiary are taxable to such subsidiary. An income tax provision for all income, including realized and unrealized gains, if any, is reflected as a component of realized and unrealized gain (loss) on the Consolidated Statement of Operations. BGT may invest up to 25% of its total assets in the Taxable Subsidiary. Intercompany accounts and transactions have been eliminated. The Taxable Subsidiary is subject to the same investment policies and restrictions that apply to BGT.

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 Global Valuation Committee is the committee formed by management to

develop global pricing policies and procedures and to provide oversight of the pricing function for the Funds for all financial instruments.

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. Asset-backed and mortgage-backed securities are valued by independent pricing services using models that consider estimated cash flows of each tranche of the security, establish a benchmark yield and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche. 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.

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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

**Table of Contents****Notes to Financial Statements (continued)**

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 that 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 by the Global Valuation Committee, or its delegate, 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 Global Valuation Committee, or its delegate, 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 consistent with the principles of fair value measurement which include the market approach, income approach and/or cost approach, as appropriate. A market approach generally consists of using comparable market transactions. The income approach generally is used to discount future cash flows to present value and adjusted for liquidity as appropriate. These factors include but are not limited to (i) attributes specific to the investment or asset; (ii) the principal market for the investment or asset; (iii) the customary participants in the principal market for the investment or asset; (iv) data assumptions by market participants for the investment or asset, if reasonably available; (v) quoted prices for similar investments or assets in active markets; and (vi) other factors, such as future cash flows, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, recovery rates, liquidation amounts and/or default rates. Due to the inherent uncertainty of valuations of such investments, the fair values may differ from the values that would have been used had an active market existed. The Global Valuation Committee, or its delegate, employs various methods for calibrating valuation approaches for investments where an active market does not exist, including regular due diligence of the Funds' pricing vendors, a regular review of key inputs and assumptions, transactional back-testing or disposition analysis to compare unrealized gains and losses to realized gains and losses, reviews of missing or stale prices and large movements in market values and reviews of any market related activity. The pricing of all Fair Value Assets is subsequently reported to the Board or a committee thereof on a quarterly basis.

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 the Funds' net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to affect the value of such instruments materially, those instruments may be Fair Value Assets and be valued at their fair value, as determined in good faith by

the Global Valuation Committee using a pricing service and/or policies approved by the Board.

**Foreign Currency:** 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 that 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 not 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 and Mortgage-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 Funds have purchased such an asset-backed security at a premium, a

faster than anticipated prepayment rate could result in a loss of principal to the extent of the premium paid.

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

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**Table of Contents****Notes to Financial Statements (continued)**

the United States but are supported by the right of the issuer to borrow from the Treasury.

**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 an 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.

**Multiple Class Pass-Through Securities:** The Funds may invest in multiple class pass-through securities, including collateralized mortgage obligations ( CMOs ) and commercial mortgage-backed securities. These multiple class securities may be issued by Ginnie Mae, US government agencies or instrumentalities or by trusts formed by private originators of, or investors in, mortgage loans. In general, CMOs are debt obligations of a legal entity that are collateralized by, and multiple class pass-through securities represent direct ownership interests in, a pool of residential or commercial mortgage loans or mortgage pass-through securities (the Mortgage Assets ), the payments on which are used to make payments on the CMOs or multiple pass-through securities. Classes of CMOs include interest only ( IOs ), principal only ( POs ), planned amortization classes and targeted amortization classes. IOs and POs are stripped mortgage-backed securities representing interests in a pool of mortgages, the cash flow from which has been separated into interest and principal components. IOs receive the interest portion of the cash flow while POs receive the principal portion. IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the principal is returned and the yield to maturity on the PO. When payments on mortgages underlying a PO are slower than anticipated, the life of the PO is lengthened and the yield to maturity is reduced. If the underlying Mortgage Assets experience greater than anticipated pre-payments of principal, the Funds may not fully recoup its initial investment in IOs.

**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 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

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premium. The base lending rates are generally the lending rate offered by one or more European banks, such as London Interbank Offered Rate ( LIBOR ), 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 the Funds purchase 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

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**Table of Contents****Notes to Financial Statements (continued)**

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 a general creditor 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.

Forward Commitments and When-Issued Delayed Delivery Securities: The Funds may purchase securities on a when-issued basis and may purchase or sell securities on a forward commitment basis. Settlement of such transactions normally occurs within a month or more after the purchase or sale commitment is made. The Funds may purchase securities under such conditions with the intention of actually acquiring them, but may enter into a separate agreement to sell the securities before the settlement date. Since the value of securities purchased may fluctuate prior to settlement, the Funds may be required to pay more at settlement than the security is worth. In addition, the Funds are not entitled to any of the interest earned prior to settlement. When purchasing a security on a delayed delivery basis, the Funds assume the rights and risks of ownership of the security, including the risk of price and yield fluctuations. In the event of default by the counterparty, the Funds' maximum amount of loss is the unrealized appreciation of unsettled when-issued transactions, which is shown in the Schedules of Investments.

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 agree to repurchase the same securities at a mutually agreed upon date and price. Securities sold under reverse repurchase agreements are recorded as a liability in the Statements of Assets and

Liabilities at face value including accrued interest. Due to the short term nature of the reverse repurchase agreements, face value approximates fair value. During the term of the reverse repurchase agreement, the Funds continue to receive the principal and interest payments on these securities. 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 each Fund 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), each Fund will, consistent with SEC rules and/or certain interpretive letters issued by the SEC, segregate collateral or designate on its 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, a Fund engaging in such transactions may have requirements to deliver/deposit securities to/with an exchange or broker-dealer 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



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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. Consent fees are compensation for agreeing to changes in the terms of debt instruments and are included in interest income in the Statements of Operations.

Dividends and Distributions: Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. The portion of distributions that exceeds a Fund's

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### Notes to Financial Statements (continued)

current and accumulated earnings and profits, which are measured on a tax basis, will constitute a nontaxable return of capital. Distributions in excess of a Fund's taxable income and net capital gains, but not in excess of a Fund's earnings and profits, will be taxable to shareholders as ordinary income and will not constitute a nontaxable return of capital. Capital losses carried forward from years beginning before 2011 do not reduce earnings and profits, even if such carried forward losses offset current year realized gains. The character and timing of dividends and distributions are determined in accordance with federal income tax regulations, which may differ from US GAAP.

**Income Taxes:** It is the Funds' 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 their taxable income to their shareholders. Therefore, no federal income tax provision is required.

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, 2012. 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 December 2011, the Financial Accounting Standards Board issued guidance that will expand current disclosure requirements on the offsetting of certain assets and liabilities. The new disclosures will be required for investments and derivative financial instruments subject to master netting or similar agreements which are eligible for offset in the Statements of Assets and Liabilities and will require an entity to disclose both gross and net information about such investments and transactions in the financial statements. The guidance is effective for financial statements with fiscal years beginning on or after January 1, 2013, and interim periods within those fiscal years. Management is evaluating the impact of this guidance on the Funds' financial statement 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. Prior to March 31, 2012, each Fund elected 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. Dividends and distributions received from the BlackRock Closed-End Fund investments through March 31, 2012 are included in income affiliated in the Statements of Operations.

**Other:** Expenses directly related to a Fund 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/or to economically hedge, or protect, their exposure to certain risks such as credit risk, equity risk, interest rate risk or foreign currency exchange rate 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 and centrally cleared swaps is deemed to be minimal due to the protection against defaults provided by the exchange on which these

contracts trade.

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

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**Table of Contents****Notes to Financial Statements (continued)**

**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 Fund and counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and at a specified date. Depending on the terms of the particular contract, financial futures contracts are settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. Pursuant to the contract, the 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 variation margin 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 or foreign currency exchange 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 the 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 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 (write) 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.

Options on swaps (swaptions) are similar to options on securities except that instead of selling or purchasing the right to buy or sell a security, the writer or purchaser of the swap option is granting or buying the right to enter into a previously agreed upon interest rate agreement (interest rate risk) at any time before the expiration of the option.

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 Fund and a counterparty agree to either make periodic net payments on a specified notional amount or a net payment upon termination. Swap agreements are privately negotiated in the OTC market and may be executed on a registered financial and commodities exchange (centrally cleared swaps). In a centrally cleared swap, the Funds typically enter into an agreement with a counterparty; however, performance is guaranteed by the central clearinghouse reducing or eliminating the Funds' exposure to the credit risk of the counterparty. These payments received or made by the Funds are recorded in the Statements of Operations as realized gains or losses, respectively. Any upfront fees paid are recorded as assets and any upfront fees received are recorded as liabilities and are shown as swap premiums paid and swap premiums received, respectively on the Statements of Assets and Liabilities and amortized over the term of the swap. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in

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

**Table of Contents****Notes to Financial Statements (continued)**

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

**Interest rate swaps** The Funds enter into interest rate swaps to gain or reduce exposure to interest rates or to manage duration, the yield curve or interest rate risk by economically hedging the value of the fixed rate bonds which may decrease when interest rates rise (interest rate risk). Interest rate swaps are agreements in which one party pays a stream of interest payments, either fixed or floating, 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, 2012**

|                                     |   | Asset Derivatives     |              |              |              |            |
|-------------------------------------|---|-----------------------|--------------|--------------|--------------|------------|
|                                     |   | PSW                   | PSY          | BPP          | BTZ          | BGT        |
| <b>Statements of Assets</b>         |   |                       |              |              |              |            |
| <b>and Liabilities Location</b>     |   | <b>Value</b>          |              |              |              |            |
| Interest rate contracts             | Net unrealized appreciation/depreciation <sup>1</sup> ; Unrealized appreciation on swaps; Investments at value unaffiliated | \$ 250,442            | \$ 1,037,940 | \$ 654,763   | \$ 2,138,687 |            |
| Foreign currency exchange contracts | Unrealized appreciation on foreign currency exchange contracts  | 2,443                 | 7,118        | 423          |              | \$ 774,487 |
| Credit contracts                    | Unrealized appreciation on swaps  | 73,988                | 200,205      | 78,252       | 360,454      |            |
| <b>Total</b>                        |   | \$326,873             | \$1,245,263  | \$ 733,438   | \$ 2,499,141 | \$774,487  |
|                                     |   | Liability Derivatives |              |              |              |            |
|                                     |   | PSW                   | PSY          | BPP          | BTZ          | BGT        |
| <b>Statements of Assets</b>         |   |                       |              |              |              |            |
| <b>and Liabilities Location</b>     |   | <b>Value</b>          |              |              |              |            |
| Interest rate contracts             | Net unrealized appreciation/depreciation <sup>1</sup> ; Unrealized depreciation on swaps <sup>1</sup> ;                     | \$ 165,094            | \$725,461    | \$ 1,541,938 | \$ 5,330,708 |            |

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|                                     |  | Options written at value |           |              |              |            |
|-------------------------------------|--|--------------------------|-----------|--------------|--------------|------------|
| Foreign currency exchange contracts | Unrealized depreciation on foreign currency exchange contracts |                          |           | 12,860       |              | \$ 119,911 |
| Credit contracts                    | Unrealized depreciation on swaps                               | 39,930                   | 170,089   | 65,504       | 293,124      |            |
| <b>Total</b>                        |  | \$205,024                | \$895,550 | \$ 1,620,302 | \$ 5,623,832 | \$119,911  |

<sup>1</sup> Includes cumulative appreciation/depreciation on financial futures contracts and centrally cleared swaps as reported in the Schedules of Investments. Only the current day's variation margin is reported within the Statements of Assets and Liabilities.

<sup>2</sup> Includes options purchased at value as reported in the Schedules of Investments.

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## Notes to Financial Statements (continued)

**The Effect of Derivative Financial Instruments in the Statements of Operations**

|                                      | Year Ended October 31, 2012   |                        |                       |                        |                     |
|--------------------------------------|-------------------------------|------------------------|-----------------------|------------------------|---------------------|
|                                      | Net Realized Gain (Loss) From |                        |                       |                        |                     |
|                                      | PSW                           | PSY                    | BPP                   | BTZ                    | BGT                 |
| Interest rate contracts:             |                               |                        |                       |                        |                     |
| Financial futures contracts          | \$ (1,288,425)                | \$ (5,220,149)         | \$ (1,914,517)        | \$ (6,488,433)         |                     |
| Swaps                                | (1,182,193)                   | (5,044,578)            | (2,130,490)           | (7,024,650)            |                     |
| Options <sup>1</sup>                 | 69,741                        | 292,634                | 197,430               | 753,606                |                     |
| Foreign currency exchange contracts: |                               |                        |                       |                        |                     |
| Foreign currency transactions        | (8,792)                       | (37,357)               |                       |                        | \$ 1,809,125        |
| Credit contracts:                    |                               |                        |                       |                        |                     |
| Swaps                                | 54,897                        | 258,434                | 63,031                | 258,720                | (439,854)           |
| Equity contracts:                    |                               |                        |                       |                        |                     |
| Options <sup>1</sup>                 | (263,827)                     | (1,129,440)            | (545,813)             | (1,867,896)            |                     |
| <b>Total</b>                         | <b>\$ (2,618,599)</b>         | <b>\$ (10,880,456)</b> | <b>\$ (4,330,359)</b> | <b>\$ (14,368,653)</b> | <b>\$ 1,369,271</b> |

|                                      | Net Change in Unrealized Appreciation/Depreciation on |                     |                   |                     |                     |
|--------------------------------------|---|---------------------|-------------------|---------------------|---------------------|
|                                      | PSW   | PSY                 | BPP               | BTZ                 | BGT                 |
| Interest rate contracts:             |   |                     |                   |                     |                     |
| Financial futures contracts          | \$ (127,495)  | \$ (564,362)        | \$ (141,109)      | \$ (521,882)        |                     |
| Swaps                                | 519,133   | 2,227,930           | 976,418           | 3,062,760           |                     |
| Options <sup>1</sup>                 | 37,009  | 170,868             | (114,014)         | (328,412)           |                     |
| Foreign currency exchange contracts: |   |                     |                   |                     |                     |
| Foreign currency translations        | 4,549   | 16,134              | (12,437)          |                     | \$ 1,345,388        |
| Credit contracts:                    |   |                     |                   |                     |                     |
| Swaps                                | 138,070   | 475,749             | 214,435           | 823,897             |                     |
| <b>Total</b>                         | <b>\$ 571,266</b>                                     | <b>\$ 2,326,319</b> | <b>\$ 923,293</b> | <b>\$ 3,036,363</b> | <b>\$ 1,345,388</b> |

<sup>1</sup> 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, 2012, 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            | 42            | 157           | 95            | 376            |               |
| Average number of contracts sold                 | 167           | 688           | 300           | 988            |               |
| Average notional value of contracts purchased    | \$ 6,810,207  | \$ 26,548,938 | \$ 15,815,477 | \$ 60,014,132  |               |
| Average notional value of contracts sold         | \$ 22,977,107 | \$ 94,027,295 | \$ 40,378,234 | \$ 132,839,152 |               |
| Foreign currency exchange contracts:             |               |               |               |                |               |
| Average number of contracts US dollars purchased | 2             | 2             | 1             |                | 6             |
| Average number of contracts US dollars sold      |               |               |               |                | 2             |
| Average US dollar amounts purchased              | \$ 347,148    | \$ 1,101,149  | \$ 1,022,200  |                | \$ 76,429,124 |
| Average US dollar amounts sold                   |               |               |               |                | \$ 3,439,091  |
| Options:   |               |               |               |                |               |
| Average number of option contracts purchased     | 89            | 378           | 182           | 632            | 26            |
| Average number of option contracts written       | 442           | 1,846         | 910           | 3,068          |               |



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|  |               |               |               |               |              |
|--|---------------|---------------|---------------|---------------|--------------|
| Average notional value of option contracts purchased   | \$ 4,157,500  | \$ 17,687,500 | \$ 8,562,500  | \$ 29,309,375 | \$ 24,514    |
| Average notional value of option contracts written     | \$ 2,458,750  | \$ 10,411,250 | \$ 5,063,750  | \$ 17,257,500 |              |
| Average number of swaption contracts purchased         | 8             | 8             | 7             | 7             |              |
| Average number of swaption contracts written           | 4             | 4             | 5             | 5             |              |
| Average notional value of swaption contracts purchased | \$ 15,988,512 | \$ 66,940,919 | 26,300,000    | \$ 90,250,000 |              |
| Average notional value of swaption contracts written   | \$ 6,650,000  | \$ 27,800,000 | \$ 25,775,000 | \$ 88,325,000 |              |
| Credit default swaps:                                  |               |               |               |               |              |
| Average number of contracts buy protection             | 9             | 9             | 8             | 8             | 1            |
| Average number of contracts sell protection            | 6             | 5             | 4             | 5             |              |
| Average notional value buy protection                  | \$ 7,085,029  | \$ 29,311,833 | \$ 14,116,250 | \$ 44,983,750 | \$ 1,113,750 |
| Average notional value sell protection                 | \$ 3,022,442  | \$ 13,102,332 | \$ 5,132,394  | \$ 22,340,883 |              |
| Interest rate swaps:                                   |               |               |               |               |              |
| Average number of contracts pays fixed rate            | 5             | 5             | 6             | 5             |              |
| Average number of contracts receives fixed rate        | 1             | 2             | 2             | 2             |              |
| Average notional value pays fixed rate                 | \$ 9,000,000  | \$ 38,725,000 | \$ 19,750,000 | \$ 61,675,000 |              |
| Average notional value receives fixed rate             | \$ 900,000    | \$ 4,025,000  | \$ 4,125,000  | \$ 19,750,000 |              |

**Table of Contents****Notes to Financial Statements (continued)****3. Investment Advisory Agreement and Other Transactions with Affiliates:**

The PNC Financial Services Group, Inc. ( PNC ) is the largest stockholder and an affiliate, for 1940 Act purposes, of BlackRock, Inc. ( BlackRock ).

Each Fund entered into an Investment Advisory Agreement with 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 based on a percentage of each Fund's average daily (average weekly for BPP, BTZ and BGT) net assets (including any assets attributable to borrowings) at the following annual rates:

|     |       |
|-----|-------|
| 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) minus the sum of liabilities (other than borrowings representing financial leverage) by 0.05% for the period September 1, 2011 to August 31, 2012. For the year ended October 31, 2012, the Manager waived \$188,882, which is included in fees waived by Manager 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 in connection with each Fund's investment in other affiliated investment companies, if any. These amounts are included, in fees waived by Manager in the Statements of Operations. For the year ended October 31, 2012, the amounts waived were as follows:

|     |          |
|-----|----------|
| PSW | \$ 663   |
| PSY | \$ 2,325 |
| BPP | \$ 1,200 |
| BTZ | \$ 3,419 |
| BGT | \$ 732   |

The Manager provides investment management and other services to the Taxable Subsidiary. The Manager does not receive separate compensation from the Taxable Subsidiary for providing investment management or administrative services. However, BGT pays the Manager based on the Fund's net assets, which includes the assets of the Taxable Subsidiary.

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.

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

**4. Investments:**

Purchases and sales of investments including paydowns, excluding short-term securities and US government securities for the year ended October 31, 2012, were as follows:

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|     | <b>Purchases</b> | <b>Sales</b>   |
|-----|------------------|----------------|
| PSW | \$ 55,091,822    | \$ 53,866,294  |
| PSY | \$ 229,964,810   | \$ 228,462,350 |
| BPP | \$ 112,822,413   | \$ 103,458,481 |
| BTZ | \$ 391,854,326   | \$ 360,629,802 |
| BGT | \$ 345,510,580   | \$ 306,862,488 |

Purchases and sales of US government securities for the year ended October 31, 2012, were as follows:

|     | <b>Purchases</b> | <b>Sales</b>  |
|-----|------------------|---------------|
| PSW | \$ 7,147,182     | \$ 4,555,547  |
| PSY | \$ 37,251,873    | \$ 18,415,284 |
| BPP | \$ 22,755,340    | \$ 10,157,945 |
| BTZ | \$ 48,636,465    | \$ 32,507,547 |

Transactions in options written for the year ended October 31, 2012, were as follows:

|  | <b>Calls</b>     |                           |                              | <b>Puts</b>      |                           |                              |
|--|------------------|---------------------------|------------------------------|------------------|---------------------------|------------------------------|
|  | <b>Contracts</b> | <b>Notional<br/>(000)</b> | <b>Premiums<br/>Received</b> | <b>Contracts</b> | <b>Notional<br/>(000)</b> | <b>Premiums<br/>Received</b> |
| <b>PSW</b>                             |                  |                           |                              |                  |                           |                              |
| Outstanding options, beginning of year |                  | \$ 1,800                  | \$ 64,800                    |                  | \$ 1,800                  | \$ 64,800                    |
| Options written                        | 6,633            | 7,600                     | 256,857                      | 67               | 18,000                    | 427,385                      |
| Options exercised                      |                  | (1,800)                   | (64,800)                     |                  |                           |                              |
| Options expired                        | (1,700)          |                           | (19,210)                     |                  | (1,800)                   | (64,800)                     |
| Options closed                         | (4,933)          | (6,500)                   | (192,460)                    | (67)             | (14,500)                  | (335,397)                    |
| Outstanding options, end of year       |                  | \$ 1,100                  | \$ 45,187                    |                  | \$ 3,500                  | \$ 91,988                    |

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## Notes to Financial Statements (continued)

|  |           | Calls     |              |           | Puts      |              |
|--|-----------|-----------|--------------|-----------|-----------|--------------|
|  |           | Notional  | Premiums     |           | Notional  | Premiums     |
|  | Contracts | (000)     | Received     | Contracts | (000)     | Received     |
| <b>PSY</b>                             |           |           |              |           |           |              |
| Outstanding options, beginning of year |           | \$ 7,700  | \$ 277,200   |           | \$ 7,700  | \$ 277,200   |
| Options written                        | 28,643    | 32,800    | 1,121,674    | 285       | 76,400    | 1,827,146    |
| Options exercised                      |           | (7,700)   | (277,200)    |           |           |              |
| Options expired                        | (7,100)   |           | (80,230)     |           | (7,700)   | (277,200)    |
| Options closed                         | (21,543)  | (28,100)  | (846,632)    | (285)     | (62,100)  | (1,445,133)  |
| Outstanding options, end of year       |           | \$ 4,700  | \$ 194,812   |           | \$ 14,300 | \$ 382,013   |
| <b>BPP</b>                             |           |           |              |           |           |              |
| Outstanding options, beginning of year |           | \$ 8,700  | \$ 425,700   |           | \$ 8,700  | \$ 425,700   |
| Options written                        | 13,869    | 14,900    | 457,013      | 138       | 46,800    | 851,413      |
| Options exercised                      |           | (3,700)   | (133,200)    |           |           |              |
| Options expired                        | (3,500)   |           | (39,550)     |           | (3,700)   | (133,200)    |
| Options closed                         | (10,369)  | (13,000)  | (335,526)    | (138)     | (40,300)  | (679,775)    |
| Outstanding options, end of year       |           | \$ 6,900  | \$ 374,437   |           | \$ 11,500 | \$ 464,138   |
| <b>BTZ</b>                             |           |           |              |           |           |              |
| Outstanding options, beginning of year |           | \$ 30,000 | \$ 1,461,850 |           | \$ 30,000 | \$ 1,461,850 |
| Options written                        | 47,336    | 40,200    | 1,265,189    | 472       | 149,700   | 2,611,432    |
| Options exercised                      |           | (13,000)  | (467,350)    |           |           |              |
| Options expired                        | (11,800)  |           | (133,340)    |           | (13,000)  | (467,350)    |
| Options closed                         | (35,536)  | (33,700)  | (851,536)    | (472)     | (127,200) | (2,019,120)  |
| Outstanding options, end of year       |           | \$ 23,500 | \$ 1,274,813 |           | \$ 39,500 | \$ 1,586,812 |

**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, 2012 attributable to foreign currency transactions, the accounting for swap agreements, the classification of investments, income recognized from pass-through entities, non-deductible expenses and the expiration of capital loss carryforwards were reclassified to the following accounts:

|                                     | PSW            | PSY             | BPP          | BTZ          | BGT          |
|-------------------------------------|----------------|-----------------|--------------|--------------|--------------|
| Paid-in-capital                     | \$ (9,636,604) | \$ (62,733,648) | \$ (210,364) | \$ (317,535) | \$ (15)      |
| Undistributed net investment income | \$ 32,845      | \$ (416,623)    | \$ 66,321    | \$ (154,025) | \$ 624,088   |
| Accumulated net realized loss       | \$ 9,603,759   | \$ 63,150,271   | \$ 144,043   | \$ 471,560   | \$ (624,073) |

The tax character of distributions paid during the fiscal years ended October 31, 2012 and October 31, 2011 was as follows:

|                 |          | PSW          | PSY           | BPP           | BTZ           | BGT           |
|-----------------|----------|--------------|---------------|---------------|---------------|---------------|
| Ordinary Income | 10/31/12 | \$ 7,651,460 | \$ 29,871,030 | \$ 14,035,517 | \$ 48,718,467 | \$ 25,867,315 |

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10/31/11    \$ 6,366,890    \$ 27,418,570    \$ 12,359,949    \$ 44,466,841    \$ 25,743,686

As of October 31, 2012, the tax components of accumulated net losses were as follows:

|  | PSW                     | PSY                     | BPP                     | BTZ                     | BGT                    |
|--|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|
| Undistributed ordinary income              | \$ 504,842              | \$ 3,235,439            | \$ 841,675              | \$ 981,381              | \$ 5,086,243           |
| Capital loss carryforwards                 | (122,939,899)           | (434,466,247)           | (201,447,574)           | (410,721,583)           | (90,301,042)           |
| Net unrealized gains (losses) <sup>1</sup> | 15,424,843              | 63,959,663              | 23,658,503              | 83,809,393              | (424,618)              |
| <b>Total</b>                               | <b>\$ (107,010,214)</b> | <b>\$ (367,271,145)</b> | <b>\$ (176,947,396)</b> | <b>\$ (325,930,809)</b> | <b>\$ (85,639,417)</b> |

<sup>1</sup> 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, options, 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 a wholly owned subsidiary.

**Table of Contents****Notes to Financial Statements (continued)**

As of October 31, 2012, the Funds had capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates as follows:

| <b>Expires October 31,</b>      | <b>PSW</b>            | <b>PSY</b>            | <b>BPP</b>            | <b>BTZ</b>            | <b>BGT</b>           |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| 2013                            | \$ 5,058,900          | \$ 17,911,331         |                       |                       |                      |
| 2014                            | 8,481,628             | 12,145,117            |                       |                       |                      |
| 2015                            | 6,724,694             | 19,582,978            | \$ 16,323,757         | \$ 47,850,027         | \$ 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            | 409,424              |
| No expiration date <sup>1</sup> |                       | 426,987               |                       |                       | 94,239               |
| <b>Total</b>                    | <b>\$ 122,939,899</b> | <b>\$ 434,466,247</b> | <b>\$ 201,447,574</b> | <b>\$ 410,721,583</b> | <b>\$ 90,301,042</b> |

<sup>1</sup> Must be utilized prior to losses subject to expiration

During the year ended October 31, 2012, the Funds listed below utilized the following amounts of their respective capital loss carryforward:

|     |              |
|-----|--------------|
| PSW | \$ 775,928   |
| BPP | \$ 1,861,136 |
| BTZ | \$ 1,891,685 |

As of October 31, 2012, gross unrealized appreciation and gross unrealized depreciation based on cost for federal income tax purposes were as follows:

|                               | <b>PSW</b>     | <b>PSY</b>     | <b>BPP</b>     | <b>BTZ</b>       | <b>BGT</b>     |
|-------------------------------|----------------|----------------|----------------|------------------|----------------|
| Tax cost                      | \$ 159,208,464 | \$ 673,300,235 | \$ 335,583,482 | \$ 1,082,555,946 | \$ 504,689,585 |
| Gross unrealized appreciation | \$ 16,520,941  | \$ 67,723,099  | \$ 30,837,826  | \$ 99,418,049    | \$ 10,268,484  |
| Gross unrealized depreciation | (1,205,625)    | (4,110,967)    | (6,710,612)    | (14,436,858)     | (7,463,148)    |
| Net unrealized appreciation   | \$ 15,315,316  | \$ 63,612,132  | \$ 24,127,214  | \$ 84,981,191    | \$ 2,805,336   |

**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 Fund has granted a security interest in substantially all of its assets to SSB. The SSB Agreement allowed \$172.2 million for the maximum commitment amount.

Prior to March 2, 2012, advances were 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.

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Effective March 2, 2012, advances will be made by SSB to the Fund, at the Fund's option of (a) the higher of (i) 0.75% above the Fed Funds rate and (ii) 0.75% above the Overnight LIBOR or (b) 0.75% 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, 2012 are shown in the Statements of Assets and Liabilities as loan payable. Based on the short-term nature of the borrowings under the line of credit and the variable interest rate, the carrying amount of the borrowings approximates fair value.

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, 2012, the daily weighted average interest rate for BGT with loans under the revolving credit agreement was 0.95%.

For the year ended October 31, 2012, the daily weighted average interest rates for Funds with borrowings from reverse repurchase agreements were as follows:

|     |       |
|-----|-------|
| PSW | 0.36% |
| PSY | 0.35% |
| BPP | 0.35% |
| BTZ | 0.33% |

### 7. Commitments:

The Funds may invest in floating rate loan interests. In connection with these investments, the Funds may also enter into unfunded floating rate loan interests and bridge loan commitments ( commitments ). Bridge loan commitments may obligate the Funds to furnish temporary financing to a borrower until permanent financing can be arranged. As of October 31, 2012, BGT had outstanding bridge loan commitments of \$1,165,000. In connection with either of these commitments, the Funds earn a commitment fee, typically set as a percentage of the commitment amount. Such fee income, which is included in interest income in the Statements of Operations, is recognized ratably over the commitment period. Commitment fees received in advance and unrecognized are recorded on the Statements of Assets and Liabilities as deferred income. Unfunded floating rate loan interests are marked-to-market daily, and any unrealized appreciation or depreciation is included in the Statements of Assets and Liabilities and Statements of Operations. As of October 31, 2012, the Funds had no outstanding unfunded floating rate loan interests.

**Table of Contents****Notes to Financial Statements (continued)****8. Concentration, Market and Credit Risk:**

As of October 31, 2012, 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 consumer discretionary sector. Changes in economic conditions affecting the financials and consumer discretionary sectors would have a greater impact on the Funds and could affect the value, income and/or liquidity of positions in such securities.

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 Fund manages counterparty credit risk by entering into transactions only with counterparties that it believes 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 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 Common Shares to Preferred Shares without approval of Common Shareholders. 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 periods shown, shares issued and outstanding increased by the following amounts as a result of dividend reinvestment:

|     | Year Ended  | Year Ended  |
|-----|-------------|-------------|
|     | October 31, | October 31, |
|     | 2012        | 2011        |
| BGT | 21,103      | 39,329      |

Shares issued and outstanding remained constant for the year ended October 31, 2012 and the year ended October 31, 2011 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 | Aggregate Principal |
|--------|-----------------|--------|---------------------|
|--------|-----------------|--------|---------------------|



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|     |     |          | <b>Redeemed</b> |               |
|-----|-----|----------|-----------------|---------------|
| 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.

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Notes to Financial Statements (concluded)

**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, 2012 to Common Shareholders of record on November 15, 2012:

|     | <b>Common<br/>Dividend</b> |
|-----|----------------------------|
|     | <b>Per Share</b>           |
| PSW | \$ 0.0595                  |
| PSY | \$ 0.0610                  |
| BPP | \$ 0.0635                  |
| BTZ | \$ 0.0785                  |
| BGT | \$ 0.0775                  |

In connection with the reorganizations, PSW, PSY, BPP and BTZ paid a special income distribution on November 23, 2012 to Common Shareholders of record as of November 16, 2012, as follows:

|     | <b>Distribution</b> |
|-----|---------------------|
|     | <b>Per Share</b>    |
| PSW | \$ 0.0860           |
| PSY | \$ 0.1380           |
| BPP | \$ 0.0850           |
| BTZ | \$ 0.0370           |

Additionally, the Funds declared a net investment income dividend on December 4, 2012 payable to Common Shareholders of record on December 14, 2012 as follows:

|     | <b>Common<br/>Dividend</b> |
|-----|----------------------------|
|     | <b>Per Share</b>           |
| BTZ | \$ 0.0785                  |
| BGT | \$ 0.0775                  |

The Board and shareholders of BTZ and the Board and shareholders of each of the Target Funds, approved the reorganizations of each Target Fund into BTZ pursuant to which BTZ acquired all of the assets and all of the liabilities of each Target Fund in exchange for an equal aggregate value of newly issued shares of BTZ in a merger transaction.

Each shareholder of a Target Fund received shares of BTZ in an amount equal to the aggregate NAV of such shareholder's Target Fund shares, as determined at the close of business on December 7, 2012. Cash was distributed for any fractional shares.

The reorganizations were accomplished by a tax-free exchange of shares of BTZ in the following amounts and at the following conversion ratios:

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| Target Funds | Shares Prior to Reorganizations | Conversion Ratio | Shares of BTZ |
|--------------|---------------------------------|------------------|---------------|
| PSW          | 10,311,941                      | 0.74476327       | 7,679,944     |
| PSY          | 40,807,418                      | 0.80162384       | 32,712,181    |
| BPP          | 18,467,785                      | 0.85922134       | 15,867,889    |

Each Target Fund's net assets and composition of net assets on December 7, 2012, the date of the reorganization, were as follows:

|  | Target Funds     |                  |                  |
|--|------------------|------------------|------------------|
|  | PSW              | PSY              | BPP              |
| Net assets                                       | \$ 117,764,870   | \$ 501,609,101   | \$ 243,318,554   |
| Paid-in capital                                  | \$ 220,759,069   | \$ 855,557,957   | \$ 421,683,737   |
| Distributions in excess of net investment income | \$ (271,460)     | \$ (379,634)     | \$ (20,963)      |
| Accumulated net realized loss                    | \$ (117,819,600) | \$ (415,840,977) | \$ (201,649,795) |
| Net unrealized appreciation/depreciation         | \$ 15,096,861    | \$ 62,271,755    | \$ 23,305,575    |

For financial reporting purposes, assets received and shares issued by BTZ were recorded at fair value. However, the cost basis of the investments being received from the Target Funds were carried forward to align ongoing reporting of BTZ's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

The net assets of BTZ before the acquisition were \$794,732,940.

The aggregate net assets of BTZ immediately after the acquisition amounted to \$1,657,424,622. Each Target Fund's fair value and cost of investments prior to the reorganization were as follows:

| Target Funds | Fair Value     | Cost of        |
|--------------|----------------|----------------|
|              | of Investments | Investments    |
| PSW          | \$ 173,824,678 | \$ 158,779,261 |
| PSY          | \$ 728,147,930 | \$ 666,028,086 |
| BPP          | \$ 354,504,965 | \$ 331,424,010 |

The purpose of these transactions was to combine four funds managed by the Manager with the same or substantially similar (but not identical) investment objectives, investment policies, strategies, risks and restrictions. Each reorganization was a tax-free event and was effective on December 10, 2012.

Reorganization costs incurred in connection with PSW and BPP's reorganization were expensed by BTZ.

The Manager has agreed to reimburse PSY for all reorganization costs.

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**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, (collectively, the Funds ):**

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, and BlackRock Credit Allocation Income Trust IV, including the schedules of investments, as of October 31, 2012, 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. We have also audited the accompanying consolidated statement of assets and liabilities of BlackRock Floating Rate Income Trust, including the consolidated schedule of investments, as of October 31, 2012, and the related consolidated statements of operations and cash flows for the year then ended, the consolidated statement of changes in net assets for the year then ended and the statement of changes in net assets for the year ended October 31, 2011, and the financial highlights for each of the periods presented (consolidated financial highlights for the year ended October 31, 2012). 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, 2012, 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 position of BlackRock Credit Allocation Income Trust I, Inc., BlackRock Credit Allocation Income Trust II, Inc., BlackRock Credit Allocation Income Trust III, and BlackRock Credit Allocation Income Trust IV as of October 31, 2012, 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. Additionally, in our opinion, the consolidated financial statements and financial highlights referred to above present fairly, in all material respects, the consolidated financial position of BlackRock Floating Rate Income Trust as of October 31, 2012, the consolidated results of their operations and their consolidated cash flows for the year then ended, consolidated changes in their net assets for the year then ended, the changes in its net assets for the year ended October 31, 2011, and the financial highlights for each of the periods presented (consolidated financial highlights for the year ended October 31, 2012), in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Boston, Massachusetts

December 21, 2012

## Important Tax Information (Unaudited)

The following information is provided with respect to the ordinary income distributions paid by the Funds during the fiscal year ended October 31, 2012.

|  | Payable Dates  |              | PSW          | PSY    | BPP    | BTZ    | BGT    |
|--|--|--------------|--------------|--------|--------|--------|--------|
|  | Qualified Dividend Income for Individuals <sup>1</sup> | October 2011 | January 2012 | 8.61%  | 5.92%  | 9.78%  | 8.74%  |
|  | February 2012  | October 2012 | 3.16%        | 2.47%  | 7.31%  | 5.58%  |        |
| Interest-Related Dividends for Non-US Residents <sup>2</sup> | October 2011   | January 2012 | 94.69%       | 97.12% | 94.35% | 92.56% | 62.43% |
|  | February 2012  | October 2012 | 64.51%       | 76.60% | 64.04% | 63.54% | 63.05% |

<sup>1</sup> The Funds hereby designate the percentage Indicated or the maximum amount allowable by law.

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

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### **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 26, 2012 and May 22-23, 2012 to consider the approval of the 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) among the Manager, BlackRock Financial Management, Inc. (the Sub-Advisor), and its 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 six standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee, an Executive Committee, and a Leverage Committee, each of which is chaired by an Independent Board Member and composed of Independent Board Members (except for the Executive Committee and the Leverage Committee, each of which also has one interested Board Member).

#### **The Agreements**

Pursuant to the 1940 Act, the Boards are required to consider the continuation of the Agreements on an annual basis. The Boards have four quarterly meetings per year, each extending over two days, and a fifth meeting to consider specific information surrounding the consideration of renewing the Agreements. 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 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' analysis of the reasons for any over performance or underperformance against their peers and/or benchmark, as applicable; (b) fees, including advisory, administration, if applicable, 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) an analysis of management fees 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.

The Boards have engaged in an ongoing strategic review with BlackRock of opportunities to consolidate funds and of BlackRock's commitment to investment performance. In addition, the Boards requested, to the extent reasonably possible, an analysis of the risk and return relative to selected funds in peer groups. BlackRock provides information to the Boards in response to specific questions. These questions covered issues such as profitability, including the impact of BlackRock's upfront costs in sponsoring closed-end funds and the relative profitability of closed-end and open end funds, investment performance and management fee levels. The Boards considered the importance of: (i) managing fixed income assets with a view toward preservation of capital; (ii) portfolio managers' investments in the funds they manage; (iii) BlackRock's controls

surrounding the coding of quantitative investment models; and (iv) BlackRock's oversight of relationships with third party service providers.

The Board considered BlackRock's efforts during the past year with regard to refinancing outstanding AMPS, as well as ongoing time and resources devoted to other forms of preferred shares and alternative leverage. As of the date of this report, each Fund has redeemed 100% of its outstanding AMPS.

#### **Board Considerations in Approving the Agreements**

The Approval Process: Prior to the April 26, 2012 meeting, the Boards requested and received materials specifically relating to the Agreements. The Boards are engaged in a process with its independent legal counsel and 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 each Fund as

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

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; (c) a general analysis 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 existence, impact and sharing of potential 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 26, 2012, the Boards reviewed materials relating to their consideration of the Agreements. As a result of the discussions that occurred during the April 26, 2012 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 22-23, 2012 Board meeting.

At an in-person meeting held on May 22-23, 2012, each Board, including all the Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and its Fund and the Sub-Advisory Agreement among the Manager, the Sub-Advisor, and its Fund, each for a one-year term ending June 30, 2013. 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 payments made to BlackRock or its affiliates relating to securities lending, services related to the valuation and pricing of Fund portfolio holdings, direct and indirect benefits to BlackRock and its affiliates from their relationship with the 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 and oversight 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 particular, BlackRock and its affiliates provide the Funds with the following administrative services including, among others: (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.



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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 26, 2012 meeting, the Boards worked with its independent legal counsel, 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 their 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 the customized peer group selected by BlackRock. The Boards were provided with a description of the methodology used by Lipper to select peer funds and periodically meets with Lipper

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

representatives to review their methodology. Each Board and its Performance Oversight Committee regularly review, and meet with Fund management to discuss, the performance of its Fund throughout the year.

The Board of each of PSW and PSY noted that, in general, its respective Fund performed better than its Peers in that the Fund'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. Based on its discussions with BlackRock and the Board's review of the Fund's investment performance compared to its Lipper Peer Group, the methodology used by Lipper to select peer funds, and other relevant information provided by BlackRock, the Board of each of PSW and PSY noted that its respective Fund's investment performance as compared to its Customized Lipper Peer Group provided a more meaningful comparison of the Fund's relative performance.

The Board of each of BPP and BTZ noted that its respective Fund performed below the median of its Customized Lipper Peer Group in the one- and five-year periods reported, but that its respective Fund performed at or above the median of its Customized Lipper Peer Group in the three-year period reported. Based on its discussions with BlackRock and the Board's review of the Fund's investment performance compared to its Lipper Peer Group, the methodology used by Lipper to select peer funds, and other relevant information provided by BlackRock, the Board of each of BPP and BTZ noted that its respective Fund's investment performance as compared to its Customized Lipper Peer Group provided a more meaningful comparison of the Fund's relative performance. The Board of each of BPP and BTZ and BlackRock reviewed and discussed the reasons for its respective Fund's underperformance during the one- and five-year periods compared with its Peers. BPP's and BTZ's Board was informed that, among other things, its respective Fund's short duration bias and overweight position to corporate credit were the two primary detractors for the one-year performance. Treasuries rallied and credit spreads widened due to increased concerns over the European debt crisis and slowing global economic growth. The weak 2008 performance continues to weigh on the five-year period.

The Board of BGT noted that BGT performed below the median of its Customized Lipper Peer Group in the one- and three-year periods reported, but that BGT performed at or above the median of its Customized Lipper Peer Group in the five-year period reported. Based on its discussions with BlackRock and the Board's review of BGT's investment performance compared to its Lipper Peer Group, the methodology used by Lipper to select peer funds, and other relevant information provided by BlackRock, the Board of BGT noted that BGT's investment performance as compared to its Customized Lipper Peer Group provided a more meaningful comparison of BGT's relative performance. The Board of BGT and BlackRock reviewed and discussed the reasons for BGT's underperformance during the one- and three-year periods compared with its Peers. BGT's Board was informed that, among other things, exposure to non-U.S. loans, which tend to be much less liquid than their U.S. based counterparts, detracted from performance relative to the peer group over the one-year period. Leverage ran low compared to the peer group in the trailing three-year period, and along with portfolio allocation, was a factor in BGT's ranking over the period.

The Board of each of BPP, BTZ and BGT 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.

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 rate compared with the other funds in its Lipper category. It also compared the Fund's total expense ratio, as well as actual management fee rate, to those of other funds in its Lipper category. The Boards 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, 2011 compared to available aggregate profitability data provided for the years ended December 31, 2010, and December 31, 2009. 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. In addition, the Boards considered, among other things, certain third party data

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comparing BlackRock's operating margin with that of other publicly-traded asset management firms. The Boards considered the differences between BlackRock and these other firms, including the contribution of technology at BlackRock, BlackRock's expense management, and the relative product mix.

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

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

continue to provide the high quality of services that is expected by the Boards.

The Board of each of PSW, PSY and BGT 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.

The Board of each of BPP and BTZ noted that its respective Fund's contractual management fee ratio (a combination of the advisory fee and the administration fee, if any) was above 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. The Board of each of BPP and BTZ also noted, however, that although its respective Fund's actual total expense ratio, after giving effect to any expense reimbursement or fee waivers by BlackRock, was above the median actual total expense ratio paid by the Fund's Peers, after giving effect to any expense reimbursement or fee waivers, it was impacted by the degree of leverage relative to Peers.

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 Boards' review and consideration of the issue, the Boards concluded 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. They are typically priced at scale at a fund's inception. 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 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 and cash management 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 they had considered the investment by BlackRock's funds in exchange traded funds (i.e., ETFs) without any offset against the management fees payable by the funds to BlackRock.

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 all 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, 2013, and the Sub-Advisory Agreement among the Manager, the Sub-Advisor, and its Fund for a one-year term ending June 30, 2013. Based upon its evaluation of all of the aforementioned factors in their totality, the Boards, including the Independent Board Members, were satisfied that the terms of the Agreements were fair and reasonable and in the best interest of the Funds and their shareholders. In arriving at their decision to approve the Agreements, the Boards did not identify 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.



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**Table of Contents****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 name 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 Funds ("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 acquired 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 are subject to a \$2.50 sales fee and a \$0.15 per share fee. Per share fees include any applicable brokerage commissions the Reinvestment Plan Agent is required to pay. All correspondence concerning the Reinvestment Plan should be directed to Computershare Trust Company, N.A. through the internet at [www.computershare.com/investor](http://www.computershare.com/investor), or in writing to Computershare, P.O. Box 43078, Providence, RI 02940-3078, Telephone: (800) 699-1236. Overnight correspondence should be directed to the Reinvestment Plan Agent at 250 Royall Street Canton, MA 02021.

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## Officers and Directors

| <b>Name, Address and Year of Birth</b>  | <b>Position(s) Held with Funds</b>   | <b>Length of Time Served as a Director<sup>2</sup></b> | <b>Principal Occupation(s) During Past Five Years</b>   | <b>Number of BlackRock-Advised Registered Investment Companies ( RICs ) Consisting of Investment Portfolios ( Portfolios ) Overseen</b> | <b>Public Directorships</b>      |
|---|--|--|---|---|----------------------------------|
| <b>Independent Directors<sup>1</sup></b>  |  |  |   |   |                                  |
| <b>Richard E. Cavanagh</b><br><br>55 East 52nd Street<br>New York, NY 10055<br><br>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; Director, Arch Chemical (chemical and allied products) from 1999 to 2011; 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. | 96 RICs consisting of<br><br>92 Portfolios  | None                             |
| <b>Karen P. Robards</b><br><br>55 East 52nd Street<br>New York, NY 10055<br><br>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; Investment Banker at Morgan Stanley from 1976 to 1987.   | 96 RICs consisting of 92 Portfolios   | AtriCure, Inc. (medical devices) |
| <b>Michael J. Castellano</b><br><br>55 East 52nd Street<br>New York, NY 10055<br><br>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 Religious (non-profit) since 2009; Director, National Advisory Board of Church Management at Villanova University since 2010.   | 96 RICs consisting of 92 Portfolios   | None                             |
| <b>Frank J. Fabozzi</b><br><br>55 East 52nd Street<br>New York, NY 10055<br><br>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.   | 96 RICs consisting of 92 Portfolios   | None                             |

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|   |   |                       |  |  |  |
|---|---|-----------------------|--|--|--|
| <p><b>Kathleen F. Feldstein</b></p> <p>55 East 52nd Street<br/>New York, NY 10055</p>         | <p>Director</p>   | <p>Since<br/>2007</p> | <p>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.</p> | <p>96 RICs consisting<br/>of 92 Portfolios</p>     | <p>The McClatchy Company (publishing); BellSouth (telecommunications); Knight Ridder (publishing)</p>                            |
| <p>1941</p> <p><b>James T. Flynn</b></p> <p>55 East 52nd Street<br/>New York, NY 10055</p>    | <p>Director and<br/>Member of the<br/>Audit Committee</p> | <p>Since<br/>2007</p> | <p>Chief Financial Officer of JP Morgan &amp; Co., Inc. from 1990 to 1995.</p>   | <p>96 RICs consisting<br/>of 92 Portfolios</p>     | <p>None</p>  |
| <p>1939</p> <p><b>Jerrold B. Harris</b></p> <p>55 East 52nd Street<br/>New York, NY 10055</p> | <p>Director</p>   | <p>Since<br/>2007</p> | <p>Trustee, Ursinus College since 2000; Director, Troemner LLC (scientific equipment) since 2000; Director of Delta Waterfowl Foundation since 2001; President and Chief Executive Officer, VWR Scientific Products Corporation from 1990 to 1999.</p>   | <p>96 RICs consisting<br/>of 92 Portfolios</p>     | <p>BlackRock Kelso Capital Corp. (business development company)</p>  |
| <p>1942</p> <p><b>R. Glenn Hubbard</b></p> <p>55 East 52nd Street<br/>New York, NY 10055</p>  | <p>Director</p>   | <p>Since<br/>2007</p> | <p>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.</p>   | <p>96 RICs consisting<br/>of<br/>92 Portfolios</p> | <p>ADP (data and information services); KKR Financial Corporation (finance); Metropolitan Life Insurance Company (insurance)</p> |

1958



**Table of Contents****Officers and Directors (continued)**

| Name, Address and Year of Birth           | Position(s) Held with Funds                | Length of Time Served as a Director <sup>2</sup> | Principal Occupation(s) During Past Five Years  | Number of BlackRock-Advised Registered Investment Companies ( RICs ) Consisting of Public Investment Portfolios Overseen <sup>1</sup> |               |
|---|--|--|---|---|---------------|
|   |  |  |   | ( Portfolios )  | Directorships |
| <b>Independent Directors<sup>1</sup></b>  |  |  |   |   |               |
| <b>W. Carl Kester</b>                     | 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. | 96 RICs consisting of 92 Portfolios   | None          |
| 55 East 52nd Street<br>New York, NY 10055 |  |  |   |   |               |

1951

<sup>1</sup> Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72. The maximum age limitation may be waived as to any Director by action of a majority of the Directors upon finding good cause thereof. In 2011 and 2012, the Board of Directors unanimously approved extending the mandatory retirement age for James T. Fiynn by additional one-year periods, which the Board believes would be in the best interest of shareholders.

<sup>2</sup> 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 certain 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. Fiynn, 1996; Jerrold B. Harris, 1999; R. Glenn Hubbard, 2004; W. Carl Kester, 1995 and Karen P. Robards, 1998.

**Interested Directors<sup>3</sup>**

|   |          |            |  |                                       |      |
|---|----------|------------|--|---------------------------------------|------|
| <b>Paul L. Audet</b>                      | Director | Since 2011 | Senior Managing Director of BlackRock and Head of U.S. Mutual Funds since 2011; Chair of the U.S. Mutual Funds Committee reporting to the Global Executive Committee since 2011; Head of BlackRock's Real Estate business from 2008 to 2011; Member of BlackRock's Global Operating and Corporate Risk Management Committees and of 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. | 158 RICs consisting of 277 Portfolios | None |
| 55 East 52nd Street<br>New York, NY 10055 |          |            |  |                                       |      |
| 1953                                      |          |            |  |                                       |      |
| <b>Henry Gabbay</b>                       | 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.  | 158 RICs consisting of 277 Portfolios | None |
| 55 East 52nd Street<br>New York, NY 10055 |          |            |  |                                       |      |

1947

<sup>3</sup> 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. The maximum age limitation may be waived as to any Director by action of a majority of the Directors upon finding good cause thereof.

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**Table of Contents****Officers and Directors (concluded)**

| <b>Name, Address and Year of Birth</b>   | <b>Position(s) Held with Funds</b>    | <b>Length of Time Served</b> | <b>Principal Occupation(s) During Past Five Years</b>   |
|--|---------------------------------------|------------------------------|---|
| <b>Officers<sup>1</sup></b>  |                                       |                              |   |
| <b>John M. Perlowski</b><br><br>55 East 52nd Street<br>New York, NY 10055          | 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. |
| 1964<br><b>Anne Ackerley</b><br><br>55 East 52nd Street<br>New York, NY 10055      | Vice President                        | Since 2007 <sup>2</sup>      | Managing Director of BlackRock since 2000; Chief Marketing Officer of BlackRock since 2012; 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 to 2012; Chief Operating Officer of BlackRock's U.S. Retail Group from 2006 to 2009; Head of BlackRock's Mutual Fund Group from 2000 to 2006.                    |
| 1962<br><b>Brendan Kyne</b><br><br>55 East 52nd Street<br>New York, NY 10055       | 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 U.S. Retail Group since 2009; and Co-head thereof from 2007 to 2009; Vice President of BlackRock from 2005 to 2008.  |
| 1977<br><b>Robert W. Crothers</b><br><br>55 East 52nd Street<br>New York, NY 10055 | Vice President                        | Since 2012                   | Director of BlackRock since 2011; Vice President of BlackRock from 2008 to 2010; Associate of BlackRock from 2006 to 2007.  |
| 1981<br><b>Neal Andrews</b>  | 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 (U.S.) Inc. from 1992 to 2006.  |

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55 East 52nd Street  
New York, NY 10055

|                         |           |               |  |
|-------------------------|-----------|---------------|--|
| 1966<br><b>Jay Fife</b> | Treasurer | Since<br>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. |
|-------------------------|-----------|---------------|--|

55 East 52nd Street  
New York, NY 10055

|                               |   |               |   |
|-------------------------------|---|---------------|---|
| 1970<br><b>Brian Kindelan</b> | Chief<br>Compliance<br>Officer and<br>Anti-Money<br>Laundering<br>Officer | Since<br>2007 | Chief Compliance Officer of the BlackRock-advised funds since 2007; Managing Director and Senior Counsel of BlackRock since 2005. |
|-------------------------------|---|---------------|---|

55 East 52nd Street  
New York, NY 10055

|                          |           |               |   |
|--------------------------|-----------|---------------|---|
| 1959<br><b>Janey Ahn</b> | Secretary | Since<br>2012 | Director of BlackRock since 2009; Vice President of BlackRock from 2008 to 2009; Assistant Secretary of the Funds from 2008 to 2012; Associate at Willkie Farr & Gallagher LLP from 2006 to 2008. |
|--------------------------|-----------|---------------|---|

55 East 52nd Street  
New York, NY 10055

1975

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

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

Effective May 22, 2012, Robert W. Crothers became Vice President of the Funds.

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Effective May 22, 2012, Ira P. Shapiro resigned as Secretary of the Funds and Janey Ahn became Secretary of the Funds.

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**Table of Contents****Additional Information****Proxy Results**

The Annual Meeting of Shareholders was held on July 27, 2012 for shareholders of record on May 31, 2012 to elect director nominees for each Fund. There were no broker non-votes with regard to any of the Funds.

Approved the Class II Directors as follows:

|     | Frank J. Fabozzi |          |         | James T. Flynn |          |         | Karen P. Robards |          |         |
|-----|------------------|----------|---------|----------------|----------|---------|------------------|----------|---------|
|     | Votes For        | Withheld | Abstain | Votes For      | Withheld | Abstain | Votes For        | Withheld | Abstain |
| BPP | 16,642,341       | 386,832  | 0       | 16,639,694     | 389,479  | 0       | 16,643,117       | 386,056  | 0       |
| BTZ | 47,475,603       | 861,126  | 0       | 47,450,079     | 886,650  | 0       | 47,485,849       | 850,880  | 0       |
| BGT | 21,746,227       | 437,173  | 0       | 21,745,405     | 437,995  | 0       | 21,733,300       | 450,100  | 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 Paul L. Audet, Michael J. Castellano, Richard E. Cavanagh, Kathleen F. Feldstein, Henry Gabbay, Jerrold B. Harris, R. Glenn Hubbard and W. Carl Kester.

Approved the Directors as follows:

|     | Paul L. Audet    |          |         | Michael J. Castellano |          |         | Richard E. Cavanagh |          |         |
|-----|------------------|----------|---------|-----------------------|----------|---------|---------------------|----------|---------|
|     | Votes For        | Withheld | Abstain | Votes For             | Withheld | Abstain | Votes For           | Withheld | Abstain |
| PSW | 9,594,684        | 240,381  | 0       | 9,610,688             | 224,377  | 0       | 9,610,702           | 224,363  | 0       |
| PSY | 38,782,507       | 765,107  | 0       | 38,775,680            | 771,934  | 0       | 38,762,093          | 785,521  | 0       |
|     | Frank J. Fabozzi |          |         | Kathleen F. Feldstein |          |         | James T. Flynn      |          |         |
|     | Votes For        | Withheld | Abstain | Votes For             | Withheld | Abstain | Votes For           | Withheld | Abstain |
| PSW | 9,608,835        | 226,230  | 0       | 9,559,115             | 275,950  | 0       | 9,580,891           | 254,174  | 0       |
| PSY | 38,780,984       | 766,630  | 0       | 38,691,252            | 856,362  | 0       | 38,690,251          | 857,363  | 0       |
|     | Henry Gabbay     |          |         | Jerrold B. Harris     |          |         | R. Glenn Hubbard    |          |         |
|     | Votes For        | Withheld | Abstain | Votes For             | Withheld | Abstain | Votes For           | Withheld | Abstain |
| PSW | 9,607,564        | 227,501  | 0       | 9,588,879             | 246,186  | 0       | 9,605,164           | 229,901  | 0       |
| PSY | 38,769,799       | 777,815  | 0       | 38,737,932            | 809,682  | 0       | 38,737,471          | 810,143  | 0       |
|     | W. Carl Kester   |          |         | Karen P. Robards      |          |         |                     |          |         |
|     | Votes For        | Withheld | Abstain | Votes For             | Withheld | Abstain |                     |          |         |
| PSW | 9,610,822        | 224,243  | 0       | 9,601,795             | 233,270  | 0       |                     |          |         |
| PSY | 38,776,999       | 770,615  | 0       | 38,792,136            | 755,478  | 0       |                     |          |         |

**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 filed 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.

**Table of Contents****Additional Information (continued)****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. On March 15, 2012, the Supreme Court of the State of New York, New York County entered an order consolidating the above-referenced derivative complaint with another derivative complaint, containing almost identical allegations, already pending in that court. The court on March 15, 2012, also granted plaintiffs permission to file an amended complaint. On April 16, 2012, the plaintiffs filed a Consolidated Shareholder Derivative Complaint. Defendants moved to dismiss the consolidated shareholder derivative complaint on July 20, 2012. Plaintiffs on September 14, 2012 moved to hold the defendants' motion to dismiss in abeyance and allow plaintiffs limited discovery of the Demand Review Committee of the Board of Directors, including depositions of its members and documents upon which they relied. Defendants filed a response on October 26, 2012, and plaintiffs filed a reply on November 20, 2012. 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 alleged 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 requested 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; sought to enjoin BlackRock, Inc. from serving as investment adviser to PSY or otherwise earning fees for services rendered to PSY; and claimed unquantified damages, attorneys' fees, interest and punitive damages. On June 5, 2012, the plaintiff voluntarily dismissed the complaint without prejudice.

On June 9, 2011, a putative class action lawsuit was brought by Sydell Protas against BTZ, certain former and current 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 purported to assert certain of the claims derivatively on behalf of BTZ and certain of the claims directly as class claims. The Amended Complaint alleged 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 requested 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; sought to enjoin BlackRock, Inc. from serving as investment adviser to BTZ or otherwise earning fees for services rendered to BTZ; and claimed unquantified damages, attorneys' fees, interest and punitive



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damages. On May 4, 2012, the court dismissed the Amended Complaint with prejudice. On June 4, 2012, the Plaintiff appealed the Delaware Chancery Courts decision to the Delaware Supreme Court. On July 23, 2012, Plaintiff voluntarily dismissed her appeal.

On February 9, 2012, the Board of BPP approved the removal of BPP's non-fundamental investment policy requiring that swaps may only be entered into with counterparties that are rated either A or A-1 or better by S&P or Fitch, or A or P-1 or better by Moody's. As a result of this investment policy change, BPP may enter into swaps with any counterparties approved by the Manager. Such counterparties may entail a greater degree of credit risk or risk of nonperformance than counterparties rated either A or A-1 or better by S&P or Fitch, or A or P-1 or better by Moody's. The Manager will seek to minimize BPP's exposure to counterparty risk by entering into swaps with counterparties the Manager believes to be creditworthy at the time they enter into such transactions. To the extent BPP engages in swaps, shareholders of BPP will be dependent on the analytical ability of the Manager to evaluate the credit quality of counterparties to such transactions. In the event of the insolvency of a counterparty, BPP may not be able to recover its assets, in full or at all, during the insolvency process. In addition, counterparties to investments may have no obligation to make markets in such investments and may

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**Additional Information (continued)**

**General Information (continued)**

have the ability to apply essentially discretionary margin and credit requirements. The foregoing investment policy amendment will not alter BPP's investment objective.

On November 2, 2012, shareholders of PSW and PSY approved removing PSW's and PSY's investment policies requiring each Fund to invest at least 25% of its total assets in the industries comprising the financial services sector. Shareholders of PSW and PSY also approved amending each Fund's fundamental investment restriction regarding industry concentration to reflect the removal of such policy. Each of PSW's and PSY's fundamental investment restriction regarding industry concentration as amended is set forth below:

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

On November 2, 2012, shareholders of BPP and BTZ approved removing BPP's and BTZ's investment policies requiring each Fund to invest at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services. Managed Assets as used in the foregoing means the total assets of the Fund (including any assets attributable to any preferred shares or borrowings that may be outstanding) minus the sum of the accrued liabilities (other than debt representing financial leverage). Shareholders of BPP and BTZ also approved amending each Fund's fundamental investment restriction regarding industry concentration to reflect the removal of such policy.

BPP's fundamental investment restriction regarding industry concentration as amended is set forth below.

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

BTZ's fundamental investment restriction regarding industry concentration as amended is set forth below.

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

As of December 10, 2012, the effective date of the reorganizations of PSW, PSY and BPP with BTZ, shareholders of PSW, PSY and BPP will be shareholders of BTZ and subject to the investment policies and restrictions of BTZ.

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, except as noted above, there were no material changes in the Funds' investment objectives or policies or to the Funds' charters 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

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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.

Shareholders Who Hold Accounts with Investment Advisors, Banks or Brokerages:

Please contact your financial advisor to enroll. 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 househanded 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.

**Table of Contents****Additional Information (concluded)****General Information (concluded)**

## 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. 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.

**Section 19(a) Notices**

The 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, 2012**

|     | Total Fiscal Year-to-Date Cumulative Distributions by Character |                            |                   |                        | Percent of Fiscal Year-to-Date Cumulative Distributions by Character |                            |                   |                        |
|-----|---|----------------------------|-------------------|------------------------|--|----------------------------|-------------------|------------------------|
|     | Net Investment Income   | Net Realized Capital Gains | Return of Capital | Total Per Common Share | Net Investment Income  | Net Realized Capital Gains | Return of Capital | Total Per Common Share |
| BTZ | \$0.937607  |                            | \$0.002393        | \$0.940000             | 99%  |                            | 1%                | 100%                   |

The Fund estimates that it has distributed more than the amount of earned income and net realized gains; therefore, a portion of the distribution may be a return of capital. A return of capital may occur, for example, when some or all of the shareholder's investment in the Fund is returned to the shareholder. A return of capital does not necessarily reflect the Fund's investment performance and should not be confused with yield or income.

**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.

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This report is transmitted to shareholders only. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Funds leverage their Common Shares, which creates risk for Common Shareholders, including the likelihood of greater volatility of net asset value and market price of Common Shares, and the risk that fluctuations in short-term interest rates may reduce the Common Shares yield. Statements and other information herein are as dated and are subject to change.

#CE-CAFRI-5-10/12-AR

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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](http://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.

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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 <sup>1</sup> |                    | (c) Tax Fees <sup>2</sup> |                    | (d) All Other Fees <sup>3</sup> |                    |
|---|--------------------|--------------------|-------------------------------------|--------------------|---------------------------|--------------------|---------------------------------|--------------------|
|   | <u>Current</u>     | <u>Previous</u>    | <u>Current</u>                      | <u>Previous</u>    | <u>Current</u>            | <u>Previous</u>    | <u>Current</u>                  | <u>Previous</u>    |
|   | <u>Fiscal Year</u> | <u>Fiscal Year</u> | <u>Fiscal Year</u>                  | <u>Fiscal Year</u> | <u>Fiscal Year</u>        | <u>Fiscal Year</u> | <u>Fiscal Year</u>              | <u>Fiscal Year</u> |
| BlackRock Credit Allocation Income Trust II, Inc. | End                | End                | End                                 | End                | End                       | End                | End                             | End                |
|   | \$41,600           | \$41,200           | \$4,100                             | \$3,500            | \$31,200                  | \$15,100           | \$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 <sup>1</sup> | \$0                     | \$0                      |
| (c) Tax Fees <sup>2</sup>           | \$0                     | \$0                      |
| (d) All Other Fees <sup>3</sup>     | \$2,970,000             | \$3,030,000              |

<sup>1</sup> 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.

<sup>2</sup> The nature of the services includes tax compliance, tax advice and tax planning.

<sup>3</sup> 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



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(e.g., unanticipated but permissible services). The Committee is informed of each service approved 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:

|   | <u>Current Fiscal Year</u> | <u>Previous Fiscal Year</u> |
|---|----------------------------|-----------------------------|
| <u>Entity Name</u>                                | <u>End</u>                 | <u>End</u>                  |
| BlackRock Credit Allocation Income Trust II, Inc. | \$35,300                   | \$18,600                    |

Additionally, SSAE 16 Review (Formerly, SAS No. 70) fees for the current and previous fiscal years of \$2,970,000 and \$3,030,000, 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](http://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, 2012.

(a)(1) The Fund is managed by a team of investment professionals comprised of Jeff Cucunato, Managing Director at BlackRock, Mitchell S. Garfin, Managing Director at BlackRock and Stephan Bassas, Director at BlackRock. Messrs. Cucunato, Bassas and Garfin are the Fund’s portfolio managers and are responsible for the day-to-day management of the Fund’s portfolio and the selection of its investments. Messrs. Cucunato, Bassas and Garfin have been members of the Fund’s portfolio management team since 2011.

| <b>Portfolio Manager</b> | <b>Biography</b>  |
|--------------------------|---|
| Jeffrey Cucunato         | Managing Director of BlackRock since 2005.  |
| Mitchell S. Garfin       | Managing Director of BlackRock since 2009; Director of BlackRock from 2005 to 2008. |
| Stephan Bassas           | Director of BlackRock since 2006.   |

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(a)(2) As of October 31, 2012:

| (i) Name of<br>Portfolio Manager | (ii) Number of Other Accounts Managed<br>and Assets by Account Type |                      |                       | (iii) Number of Other Accounts and<br>Assets for Which Advisory Fee is |                                   |                      |
|----------------------------------|---|----------------------|-----------------------|--|-----------------------------------|----------------------|
|                                  | Other   | Other Pooled         | Other                 | Other  | Performance-Based<br>Other Pooled | Other                |
|                                  | Registered  | Investment           | Other                 | Registered   | Investment                        | Other                |
|                                  | Investment<br>Companies   | Vehicles             | Accounts              | Investment<br>Companies  | Vehicles                          | Accounts             |
| Jeffrey Cucunato                 | 5<br>\$1.85 Billion   | 11<br>\$4.33 Billion | 70<br>\$37.67 Billion | 0<br>\$0   | 0<br>\$0                          | 2<br>\$817.5 Million |
| Mitchell Garfin                  | 16<br>\$12.86 Billion   | 5<br>\$7.87 Billion  | 24<br>\$7.14 Billion  | 0<br>\$0   | 0<br>\$0                          | 4<br>\$555.5 Million |
| Stephan Bassas                   | 3<br>\$796.8 Million  | 17<br>\$11.7 Billion | 71<br>\$40.36 Billion | 0<br>\$0   | 0<br>\$0                          | 2<br>\$817.5 Million |

## (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. Cucunato and Bassas 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. Cucunato and Bassas 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 flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base, as appropriate.

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(a)(3) As of October 31, 2012:

**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, Inc., 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 Fund 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 Fund and other accounts managed by each portfolio manager relative to the various benchmarks. Performance of fixed income 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. With respect to these portfolio managers, such benchmarks for the Fund and other accounts are:

| <b>Portfolio Manager</b>          | <b>Applicable Benchmarks</b>  |
|-----------------------------------|---|
| Jeffrey Cucunato                  | A combination of market-based indices (e.g., Barclays Capital Long Government/Credit Index), certain customized indices and certain fund industry peer groups                       |
| Stephen Bassas<br>Mitchell Garfin | A combination of market-based indices (e.g., The Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index), certain customized indices and certain fund industry peer groups. |

**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 portion of the discretionary incentive compensation, when combined with base salary, represents more than 60% of total compensation for the portfolio managers. Paying a portion of discretionary incentive compensation in BlackRock stock puts compensation earned by a portfolio manager for a given year at risk

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based on BlackRock’s ability to sustain and improve its performance over future periods. Providing a portion of discretionary incentive compensation 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. Cucunato, Bassas and Garfin have each received long-term incentive awards.

*Deferred Compensation Program* A portion of the compensation paid to eligible BlackRock employees may be voluntarily deferred at their election for defined periods of time into an account that tracks the performance of certain of the firm’s investment products. All of the eligible portfolio managers have 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 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 up to the IRS limit (\$250,000 for 2012). The RSP offers a range of investment options, including registered investment companies and collective investment funds managed by the firm. BlackRock 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, Inc. 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 of common stock or a dollar value of \$25,000 based on its fair market value on the Purchase Date. Messrs. Cucunato, Bassas and Garfin are each eligible to participate in these plans.

(a)(4) *Beneficial Ownership of Securities* As of October 31, 2012.

| Portfolio Manager | Dollar Range of Equity Securities<br>of the Fund Beneficially Owned |
|-------------------|---|
| Jeffrey Cucunato  | None  |
| Mitchell Garfin   | None  |
| Stephan Bassas    | \$10,001-\$50,000   |

(b) Not Applicable

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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

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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 Credit Allocation Income Trust II, Inc.

By: /s/ John M. Perlowski  
John M. Perlowski  
Chief Executive Officer (principal executive officer) of  
BlackRock Credit Allocation Income Trust II, Inc.

Date: January 7, 2013

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 Credit Allocation Income Trust II, Inc.

Date: January 7, 2013

By: /s/ Neal J. Andrews  
Neal J. Andrews  
Chief Financial Officer (principal financial officer) of  
BlackRock Credit Allocation Income Trust II, Inc.

Date: January 7, 2013