BLACKROCK CREDIT ALLOCATION INCOME TRUST IV
Form N-14 8C/A
September 18, 2012
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As filed with the Securities and Exchange Commission on September 18, 2012

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Investment Company Act File No. 811-21972

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 1	x
Post-Effective Amendment No.	¨

(Check appropriate box or boxes)

BLACKROCK CREDIT ALLOCATION INCOME TRUST IV

(Exact Name of Registrant as Specified in Charter)

100 BELLEVUE PARKWAY WILMINGTON, DELAWARE 19809

(Address of Principal Executive Offices: Number, Street, City, State, Zip Code)

(800) 882-0052

(Area Code and Telephone Number)

John M. Perlowski

President and Chief Executive Officer

BlackRock Credit Allocation Income Trust IV

55 East 52nd Street

New York, New York 10055

(Name and Address of Agent for Service)

With copies to:

Thomas A. DeCapo, Esq.	**Janey Ahn, Esq.**
Skadden, Arps, Slate, Meagher & Flom LLP	**BlackRock Advisors, LLC**
One Beacon Street	**40 East 52nd Street**
Boston, Massachusetts 02108	**New York, NY 10022**

AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT

(Approximate Date of Proposed Public Offering)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price	Proposed Maximum Aggregate	Amount of Registration Fee(3)

		Per Unit(2)	Offering Price(1)	
Common shares $0.001 par value	68,084,696	$14.89	$1,013,781,123.44	$116,179.32

(1) Estimated solely for the purpose of calculating the filing registration fee, pursuant to Rule 457(o) under the Securities Act of 1933.
(2) Net asset value per common share on September 13, 2012.
(3) $114.60 previously paid in connection with the registration of $1,000,000 worth of common shares on August 9, 2012. The amount stated represents the $114.60 previously paid with respect to the registration of $1,000,000 worth of common shares on August 9, 2012, plus $114.60 per million with respect to the $1,012,781,123.44 worth of common shares registered hereby.

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

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EXPLANATORY NOTE

This Registration Statement is organized as follows:

a. Letter to Shareholders of BlackRock Credit Allocation Income Trust I, Inc. (PSW) and BlackRock Credit Allocation Income Trust II, Inc. (PSY), BlackRock Credit Allocation Income Trust III (BPP) and BlackRock Credit Allocation Income Trust IV (BTZ).

b. Questions and Answers to Shareholders of PSW, PSY, BPP and BTZ.

c. Notice of Joint Special Meeting of Shareholders of PSW, PSY, BPP and BTZ.

d. Joint Proxy Statement/Prospectus for PSW, PSY, BPP and BTZ.

e. Statement of Additional Information regarding the proposed Reorganizations of PSW, PSY, BPP and BTZ.

f. Part C: Other Information.

g. Exhibits.

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BLACKROCK CREDIT ALLOCATION INCOME TRUST I, INC.

BLACKROCK CREDIT ALLOCATION INCOME TRUST II, INC.

BLACKROCK CREDIT ALLOCATION INCOME TRUST III

BLACKROCK CREDIT ALLOCATION INCOME TRUST IV

100 Bellevue Parkway

Wilmington, Delaware 19809

(800) 882-0052

September 18, 2012

Dear Shareholder:

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

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

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

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

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

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

by touch-tone telephone;

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by internet;

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

in person at the Special Meeting.

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

As always, we appreciate your support.

Sincerely,

John M. Perlowski

President and Chief Executive Officer

BlackRock Credit Allocation Income Trust I, Inc.

BlackRock Credit Allocation Income Trust II, Inc.

BlackRock Credit Allocation Income Trust III

BlackRock Credit Allocation Income Trust IV

Please vote <u>now</u>. Your vote is important.

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

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September 18, 2012

IMPORTANT NOTICE

TO SHAREHOLDERS OF

BLACKROCK CREDIT ALLOCATION INCOME TRUST I, INC.

BLACKROCK CREDIT ALLOCATION INCOME TRUST II, INC.

BLACKROCK CREDIT ALLOCATION INCOME TRUST III

BLACKROCK CREDIT ALLOCATION INCOME TRUST IV

QUESTIONS & ANSWERS

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

Q: Why is a shareholder meeting being held?

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

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

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

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

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

A Reorganization will be consummated if Target Fund shareholders approve the Reorganization and Acquiring Fund shareholders approve the Issuance with respect to such Reorganization. A Reorganization is not contingent upon the approval of any other Reorganization or the approval of any Policy Amendment. If any Reorganization is not consummated, then the Target Fund for which such Reorganization was not

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

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

Q: Why are the Reorganizations being recommended?

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

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

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

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

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

Reorganizations (including as a result of the Combined Fund s larger size) as more fully discussed herein. There can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings will vary depending on the combination of the proposed Reorganizations.

Q: What happens if shareholders of one Target Fund do not approve its Reorganization but shareholders of the other Target Funds approve their Reorganizations?

A: An unfavorable vote on a proposed Reorganization by the shareholders of one Target Fund will not affect the implementation of the Reorganizations of the other Target Funds if the other Reorganizations are approved by the shareholders of the other Target Funds and the issuance of additional common shares of the Acquiring Fund is approved by the shareholders of the Acquiring Fund with respect to the other Target Funds. However, if the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of BlackRock closed-end funds and its product line, recommend alternative proposals to the Board of that Target Fund.

Q: What happens if shareholders of the Acquiring Fund do not approve the issuance of additional common shares in connection with the Reorganization of one Target Fund but approve the issuance of additional common shares in connection with the Reorganizations of the other Target Funds?

A: An unfavorable vote by shareholders of the Acquiring Fund on the issuance of additional common shares in connection with the Reorganization of one Target Fund will not affect the implementation of the Reorganizations by the other Target Funds, if the issuance of additional common shares in connection with the other Reorganizations are approved by the shareholders of the Acquiring Fund and the other Reorganizations are approved by the shareholders of the other Target Funds. However, if the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of the BlackRock closed-end funds and its product line, recommend alternative proposals to the Board of that Target Fund.

Q: How similar are the Funds?

A: The Funds have the same investment adviser, the same portfolio managers, and either the same or substantially similar (but not identical) investment objectives, investment policies, strategies, risks and restrictions. The primary investment objective of PSW is to provide common shareholders with high current income. The primary investment objective of PSY is to provide common shareholders with current income. The secondary investment objective of each of PSW and PSY is to provide common shareholders with capital appreciation. The investment objective of BPP is to seek high current income consistent with capital preservation. Finally, the investment objective of BTZ is to seek current income, current gains and capital appreciation. Each Fund s investment objective(s) is a fundamental policy and may not be changed without shareholder approval.

In addition, each of the Funds, under normal market conditions, seeks to achieve its investment objective(s) by investing at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. Each Fund may invest, under normal marketing conditions, without limitation in securities rated below investment grade at the time of purchase. However, it is anticipated, under current market conditions, that the Funds will have an average credit quality of at least investment grade.

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

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

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

Q: How will the Reorganizations be effected?

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

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

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

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

A: The common shares of each Fund has historically fluctuated between a discount and a premium. As of July 31, 2012, each Fund traded at a discount to its respective NAV. To the extent PSW, PSY and BPP are trading at a wider discount (or a narrower premium) than BTZ at the time of the Reorganizations, PSW, PSY, and BPP shareholders would have the potential for an economic benefit by the narrowing of the discount/premium. To the extent PSW, PSY, and BPP are trading at a narrower discount (or wider premium) than BTZ at the time of the Reorganizations, PSW, PSY, and BPP shareholders may be negatively impacted if the Reorganizations are consummated. BTZ shareholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves. There can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at, above or below net asset value. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative net asset values (not the market values) of each respective Fund s common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganizations.

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

A: You will pay no sales loads or commissions in connection with the Reorganizations. However, regardless of whether the Reorganizations are completed, the costs associated with the proposed Reorganizations, including the costs associated with the shareholder meeting, will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate, except that the Investment Advisor will bear all of PSY s reorganization costs. Based on projected expense information, PSY shareholders are not expected to experience significant expense savings, if any, as a result of the Reorganizations; thus, the Investment Advisor has decided to cover the costs of the PSY Reorganization and the costs associated with the PSY Reorganization will not be borne directly by PSY. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined

Fund s larger size) as more fully discussed in the Joint Proxy Statement/Prospectus. Because of the expected expense savings and other benefits for each of PSW, BPP and BTZ, the Investment Advisor recommended and the Boards have approved that PSW, BPP and BTZ be responsible for their own Reorganization expenses. See Reasons for the Reorganizations in the attached Joint Proxy Statement/Prospectus. Such costs are estimated to be $1,390,000 in the aggregate, of which $300,000 is estimated to be attributable to BPP, $400,000 is estimated to be attributable to PSY (which will be covered by the Investment Advisor), $240,000 is estimated to be attributable to PSW, and $450,000 is estimated to be attributable to BTZ. Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganizations (*e.g.*, expenses incurred by the shareholder as a result of attending the shareholder meeting, voting on the Reorganizations or other action taken by the shareholder in connection with the Reorganizations). The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.

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

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

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

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

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

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

Q: Why are the Policy Amendments being recommended?

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

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

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

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

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

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

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

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

Q: How do I vote my proxy?

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

Q: Whom do I contact for further information?

A: You may contact your financial advisor for further information. You may also call Georgeson Inc., the Funds proxy solicitor, at 1-866-328-5445.

Please vote now. Your vote is important.

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

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BLACKROCK CREDIT ALLOCATION INCOME TRUST I, INC.

BLACKROCK CREDIT ALLOCATION INCOME TRUST II, INC.

BLACKROCK CREDIT ALLOCATION INCOME TRUST III

BLACKROCK CREDIT ALLOCATION INCOME TRUST IV

100 Bellevue Parkway

Wilmington, Delaware 19809

(800) 882-0052

NOTICE OF JOINT SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON FRIDAY, NOVEMBER 2, 2012

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

1. The Reorganizations of the Target Funds

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

Proposal 1(A): The shareholders of PSW are being asked to approve an Agreement and Plan of Reorganization among PSW, BTZ and a new direct, wholly-owned subsidiary of BTZ (the BTZ Merger Subsidiary) (the PSW Reorganization Agreement) and the termination of PSW s registration under the Investment Company Act of 1940 (the 1940 Act).

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

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

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

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

2. Issuances of Additional Acquiring Fund Common Shares

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

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

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

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

3. Removal of the Industry Concentration Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For the Board of Directors/Trustees of

BlackRock Credit Allocation Income Trust I, Inc.

BlackRock Credit Allocation Income Trust II, Inc.

BlackRock Credit Allocation Income Trust III

BlackRock Credit Allocation Income Trust IV

JOHN M. PERLOWSKI

President and Chief Executive Officer

BlackRock Credit Allocation Income Trust I, Inc.

BlackRock Credit Allocation Income Trust II, Inc.

BlackRock Credit Allocation Income Trust III

BlackRock Credit Allocation Income Trust IV

September 18, 2012

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YOUR VOTE IS IMPORTANT.

PLEASE VOTE PROMPTLY BY SIGNING AND RETURNING THE

ENCLOSED PROXY CARD OR BY RECORDING YOUR VOTING INSTRUCTIONS BY TELEPHONE OR VIA THE INTERNET, NO MATTER HOW MANY SHARES YOU OWN.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR

THE SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON NOVEMBER 2, 2012.

THE PROXY STATEMENT FOR THIS MEETING IS AVAILABLE AT:

HTTPS://WWW.PROXY-DIRECT.COM/BLK-23888

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

SUBJECT TO COMPLETION, DATED SEPTEMBER 18, 2012

JOINT PROXY STATEMENT/PROSPECTUS

BLACKROCK CREDIT ALLOCATION INCOME TRUST I, INC.

BLACKROCK CREDIT ALLOCATION INCOME TRUST II, INC.

BLACKROCK CREDIT ALLOCATION INCOME TRUST III

BLACKROCK CREDIT ALLOCATION INCOME TRUST IV

100 Bellevue Parkway

Wilmington, Delaware 19809

(800) 882-0052

JOINT SPECIAL MEETING OF SHAREHOLDERS

NOVEMBER 2, 2012

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

The purposes of the Special Meeting are:

1. The Reorganizations of the Target Funds

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

Proposal 1(A): The shareholders of PSW are being asked to approve an Agreement and Plan of Reorganization among PSW, BTZ and a new direct, wholly-owned subsidiary of BTZ (the BTZ Merger Subsidiary) (the PSW Reorganization Agreement) and the termination of PSW s registration under the 1940 Act.

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

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

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

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

2. Issuances of Additional Acquiring Fund Common Shares

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

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

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

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

3. Removal of the Industry Concentration Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

However, in the event a Reorganization is consummated, shareholders of the Combined Fund, including former shareholders of the applicable Target Fund, would be subject to the investment policies of the Acquiring Fund following the Reorganization. If the Acquiring Fund s shareholders do not approve the Acquiring Fund s Policy Amendment, then the Combined Fund would operate under the Acquiring Fund s current investment policies and shareholders of the Combined Fund, including former shareholders of the Target Funds, would not

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be subject to a Policy Amendment. In such an event, Target Fund shareholders would not be subject to a Policy Amendment even if Target Fund shareholders had previously approved its respective Policy Amendment. If the Acquiring Fund shareholders approve its Policy Amendment, then shareholders of the Combined Fund, including former shareholders of the Target Funds, would be subject to the Acquiring Fund s Policy Amendment. In such an event, Target Fund shareholders would be subject to the Acquiring Fund s Policy Amendment even if Target Fund shareholders had not previously approved its respective Policy Amendment. There can be no assurance that Acquiring Fund shareholders will approve the Acquiring Fund s Policy Amendment.

This Joint Proxy Statement/Prospectus sets forth concisely the information that shareholders of each Fund should know before voting on the proposals for their Fund and constitutes an offering of Acquiring Fund Shares. Please read it carefully and retain it for future reference. A Statement of Additional Information, dated September 18, 2012, relating to this Joint Proxy Statement/Prospectus (the Statement of Additional Information) has been filed with the United States Securities and Exchange Commission (the SEC) and is incorporated herein by reference. Copies of each Fund s most recent annual report and semi-annual report can be obtained on a website maintained by BlackRock, Inc. (BlackRock) at www.blackrock.com. In addition, each Fund will furnish, without charge, a copy of the Statement of Additional Information, its most recent annual report or semi-annual report to any shareholder upon request. Any such request should be directed to BlackRock by calling (800) 882-0052 or by writing to the respective Fund at Park Avenue Plaza, 55 East 52nd Street, New York, New York 10055. The Statement of Additional Information and the annual and semi-annual reports of each Fund are available on the EDGAR Database on the Securities and Exchange Commission s Internet site at www.sec.gov. The address of the principal executive offices of the Funds is 100 Bellevue Parkway, Wilmington, Delaware 19809, and the telephone number is (800) 882-0052.

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

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

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

The common shares of BlackRock Credit Allocation Income Trust IV are listed on the New York Stock Exchange (NYSE) under the ticker symbol BTZ and will continue to be so listed subsequent to the Reorganization. The common shares of BlackRock Credit Allocation Income Trust I, Inc. are listed on the NYSE under the ticker symbol PSW. The common shares of BlackRock Credit Allocation Income Trust II, Inc. are listed on the NYSE under the ticker symbol PSY. The common shares of BlackRock Credit Allocation Income

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Trust III are listed on the NYSE under the ticker symbol BPP . Reports, proxy statements and other information concerning the Funds may be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

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

Photographic identification and proof of ownership will be required for admission to the meeting. For directions to the meeting, please contact Georgeson Inc., the firm assisting us in the solicitation of proxies, at 1-866-328-5445.

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

The date of this Joint Proxy Statement/Prospectus is September 18, 2012.

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SUMMARY

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

PROPOSAL 1: THE REORGANIZATIONS OF THE TARGET FUNDS

The Proposed Reorganization

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

Background and Reasons for the Proposed Reorganization

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

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

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

- potential for improved economies of scale and a lower total expense ratio;

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

- alternatives to the Reorganization for each Fund, if such Fund s Reorganization is not approved;
- the potential effects of the Reorganizations on the earnings and distributions of each Fund;
- the potential effects of the Reorganizations on each Fund s premium/discount to NAV;
- the compatibility of the Funds investment objectives, policies and related risks;
- consistency of portfolio management and portfolio composition;
- potential for improved secondary market trading;
- potential for operating and administrative efficiencies;
- the anticipated tax-free nature of the Reorganization;
- the potential effects on the Funds capital loss carry-forwards;
- the expected costs of the Reorganization;
- the terms of the Reorganizations and whether the Reorganizations would dilute the interests of shareholders of the Funds;
- the effect of the Reorganizations on shareholder rights; and

any potential benefits of the Reorganizations to the Investment Advisor and its affiliates as a result of the Reorganizations.

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

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

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Expenses

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

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

Appraisal Rights

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

Comparison of the Funds

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

PSW	**PSY**	**BPP**	**BTZ**
Credit-Related Securities	**Credit-Related Securities**	**Credit-Related Securities**	**Credit-Related Securities**
Same as BTZ	Same as BTZ	Same as BTZ	Under normal market conditions, the Fund will invest at least 80% of its total assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds, bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities (the 80% Policy).

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PSW	PSY	BPP	BTZ
Investment Grade Policy	**Investment Grade Policy**	**Investment Grade Policy**	**Investment Grade Policy**
Same as BTZ	Same as BTZ	Same as BTZ	Under normal market conditions, the Fund may invest without limitation in securities rated below investment grade at the time of purchase.
Financial Sector Concentration*	**Financial Sector Concentration***	**Financial Sector Concentration***	**Financial Sector Concentration***
Under normal circumstances, the Fund will invest at least 25% of its total assets in the industries comprising the financial services sector. The companies in the financial services sector are companies principally engaged in financial services. A company is principally engaged in financial services if it owns financial service related assets that constitute at least 50% of its revenue from providing financial services. The Fund also may emphasize investments in the industries comprising the utilities sector; however, the Fund will not invest 25% or more of its total assets in any one of the industries comprising the utilities sector.	Same as PSW	Same as BTZ	The Fund will invest at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services. A company is principally engaged in financial services if it derives at least 50% of its consolidated revenues from providing financial services.

* See Proposal 3: Removal of Financial Sector Concentration Policies, which proposes the removal of the financial sector concentration policy.

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PSW **Non-U.S. Securities**	PSY **Non-U.S. Securities**	BPP **Non-U.S. Securities**	BTZ **Non-U.S. Securities**
The Fund may invest without limitation in securities of issuers domiciled outside the United States that are U.S. dollar denominated investments or otherwise provide for payment to the Fund in U.S. dollars.	Same as PSW	The Fund may invest up to 35% of its Managed Assets in U.S. dollar denominated securities of non-U.S. issuers that are traded or listed in U.S. markets. For purposes of this 35% limitation, non-U.S. securities include securities represented by American Depository Receipts.	Under normal market conditions, the Fund may invest up to 35% of its Managed Assets in non-U.S. securities. Non-U.S. securities may include securities denominated in U.S. dollars or in non-U.S. currencies or multinational current units.
The Fund also may invest up to 35% of its total assets in non-U.S. dollar denominated securities.		The Fund also may invest up to 35% of its Managed Assets in non-U.S. dollar denominated securities.	The Fund may invest in non-U.S. securities of so-called emerging market issuers.
		The Fund may invest in any region of the world and invests in companies operating in developed countries such as Canada, Japan, Australia, New Zealand and most Western European countries.	For purposes of the Fund, a company is deemed to be a non-U.S. company if it meets any of the following tests: (i) such company was not organized in the United States; (ii) such company s primary business office is not in the United States; (iii) the principal trading market for such company s assets is not located in the United States; (iv) less than 50% of such company s assets are located in the United States; or (v) 50% or more of such issuer s revenues are derived from outside the United States.

PSW	PSY	BPP	BTZ
		The Fund does not intend to invest in companies based in emerging markets such as the Far East, Latin America and Eastern Europe, but if it did, may invest no more than 10% of its managed assets in emerging markets securities.	
Common Stock	**Common Stock**	**Common Stock**	**Common Stock**
Same as BTZ	Same as BTZ	Same as BTZ	The Fund may invest in common stocks, subject to the 80% Policy.
Illiquid Securities	**Illiquid Securities**	**Illiquid Securities**	**Illiquid Securities**
The Fund may invest in preferred securities, debt securities and other securities that lack a secondary trading market or are otherwise considered illiquid.	Same as PSW	Same as BTZ	The Fund may invest up to 10% of its managed assets in illiquid securities
Defensive Measures	**Defensive Measures**	**Defensive Measures**	**Defensive Measures**
The Fund for temporary defensive purposes may invest up to 100% of its total assets in securities issued or guaranteed by the United States Government or its instrumentalities or agencies, certificates of deposit, bankers acceptances and other bank obligations, commercial paper rated in the highest category by an established rating agency, or other debt securities deemed by the Investment Advisor to be consistent with a defensive posture, or may hold its assets in cash.	Same as PSW	Substantially the same as BTZ	For temporary defensive purposes or to keep cash on hand, the Fund may invest up to 100% of its Managed Assets in cash equivalents and short-term debt securities.

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PSW Leverage	PSY Leverage	BPP Leverage	BTZ Leverage
The Fund may not issue senior securities or borrow money other than as permitted by Section 18 of the 1940 Act or otherwise as permitted by applicable law.	The Fund may not issue senior securities or borrow money except as permitted by Section 18 of the 1940 Act.	The Fund may not issue senior securities or borrow money other than as permitted by the 1940 Act.	The Fund may not issue senior securities or borrow money other than as permitted by the 1940 Act.
The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities. The Fund at times may borrow from affiliates of the Investment Advisor, provided that the terms of such borrowings are no less favorable than those available from comparable sources of funds in the marketplace.	The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities. The Fund at times may borrow from affiliates of the Investment Advisor, provided that the terms of such borrowings are no less favorable than those available from comparable sources of funds in the marketplace.	The Fund may borrow from banks and other financial institutions and may also borrow additional funds using such investment techniques as BlackRock may from time to time determine.	The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.
The Fund currently voluntarily limits its aggregate economic leverage to 50% of its Managed Assets.	The Fund currently voluntarily limits its aggregate economic leverage to 50% of its Managed Assets.	The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.	The Fund currently voluntarily limits its aggregate economic leverage to 33 $^{1}/_{3}$% of its Managed Assets.

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PSW	PSY	BPP	BTZ
		The Fund currently voluntarily limits its aggregate economic leverage to 33 $^{1}/_{3}$% of its Managed Assets.	
Reverse Repurchase Agreements	**Reverse Repurchase Agreements**	**Reverse Repurchase Agreements**	**Reverse Repurchase Agreements**
Same as BTZ	Same as BTZ	Same as BTZ	The Fund may engage in reverse repurchase agreements.
When-Issued and Forward Commitment Securities	**When-Issued and Forward Commitment Securities**	**When-Issued and Forward Commitment Securities**	**When-Issued and Forward Commitment Securities**
Same as BTZ	Same as BTZ	Same as BTZ	The Fund may purchase securities on a when-issued basis and may purchase or sell securities on a forward commitment basis.
Options	**Options**	**Options**	**Options**
The Fund may purchase call options on any of the types of securities in which it may invest. The Fund also may purchase and sell call options on indices. The Fund is authorized to write (i.e., sell) covered call options on the securities in which it may invest and to enter into closing purchase transactions with respect to certain of such options.	Same as PSW	The Fund may sell or purchase call options (calls) on securities and indices based upon the prices of debt securities that are traded on U.S. securities exchanges and on the over-the-counter markets. All such calls sold by the Fund must be covered as long as the call is outstanding (i.e., the Fund must own the instrument subject to the call or other securities or assets acceptable for applicable segregation and coverage requirements).	The Fund may purchase call options on any of the types of individual securities, indices or instruments in which it may invest. The Fund is also authorized to write (i.e., sell) covered call options on the individual securities, indices or instruments in which it may invest and to enter into closing purchase transactions with respect to certain of such options.

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PSW	PSY	BPP	BTZ
The Fund is authorized to write (i.e., sell) uncovered call options on securities in which it may invest but that are not currently held by the Fund.		As with calls, the Fund may purchase put options (puts) on securities (whether or not it holds such securities in its portfolio).	The Fund also is authorized to write (i.e., sell) uncovered call options on individual securities, indices or instruments in which it may invest but that are not currently held by the Fund.
The Fund is authorized to purchase put options. The Fund may also purchase uncovered put options.		The Fund will not sell puts if, as a result, more than 50% of the Fund s assets would be required to cover its potential obligation under its hedging and other investment transactions.	The Fund is authorized to purchase put options. The Fund also may purchase uncovered put options.
The Fund also has authority to write (i.e., sell) put options on the types of securities that may be held by the Fund, provided that such put options are covered, meaning that such options are secured by segregated, liquid instruments. The Fund will not sell puts if, as a result, more than 50% of the Fund s assets would be required to cover its potential obligations under its hedging and other investment transactions.			The Fund has authority to write (i.e., sell) put options on the types of securities or instruments that may be held by the Fund, provided that such put options are covered, meaning that such options are secured by segregated, liquid instruments. The Fund will not sell put options if, as a result, more than 50% of the Fund s total assets would be required to cover its potential obligations under the put options and under any other transactions (excluding calls) that would be treated as senior securities under the 1940 Act.

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PSW	PSY	BPP	BTZ
The Fund is also authorized to write (i.e., sell) uncovered put options on securities in which it may invest but that the Fund does not currently have a corresponding short position or has not deposited cash equal to the exercise value of the put option with the broker dealer through which it made the uncovered put option as collateral. The Fund will engage in transactions in OTC options only with banks or dealers which have capital of at least $50 million or whose obligations are guaranteed by an entity having capital of at least $50 million.			The Fund is also authorized to write (i.e., sell) uncovered put options on securities or instruments in which it may invest but that the Fund does not currently have a corresponding short position or has not deposited cash equal to the exercise value of the put option with the broker dealer through which it made the uncovered put option as collateral.
Interest Rate Transactions	**Interest Rate Transactions**	**Interest Rate Transactions**	**Interest Rate Transactions**
Same as BTZ	Same as BTZ	Same as BTZ	The Fund may engage in interest rate swap, cap or floor transactions.
Credit Derivatives	**Credit Derivatives**	**Credit Derivatives**	**Credit Derivatives**
The Fund may enter into credit default swap agreements.	Same as PSW	Same as BTZ	The Fund may engage in credit derivative transactions.

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PSW	PSY	BPP	BTZ
The Fund will enter into credit default swap agreements only with counterparties who are rated investment grade quality by at least one nationally recognized statistical rating organization at the time of entering into such transaction or whose creditworthiness is believed by the Investment Advisor to be equivalent to such rating.			
Futures	**Futures**	**Futures**	**Futures**
The Fund is authorized to engage in transactions in financial futures contracts and related options on such futures contracts.	Same as PSW	Same as BTZ	The Fund may enter into futures contracts of securities, aggregates of securities or indices or prices thereof, other financial indices and U.S. Government debt securities or options on the above.
Short Sales	**Short Sales**	**Short Sales**	**Short Sales**
The Fund may make short sales of securities. The Fund also may make short sales against the box.	Same as PSW	Substantially the Same as BTZ	The Fund may make short sales of securities. The Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its total assets or the Fund s aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class. The Fund may also make short sales against the box without respect to such limitations.

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PSW	PSY	BPP	BTZ
Securities Lending	**Securities Lending**	**Securities Lending**	**Securities Lending**
Same as BTZ	Same as BTZ	Same as BTZ	The Fund will not lend portfolio securities if, as a result, the aggregate of such loans exceeds 33 $^{1}/_{3}$% of the value of the Fund s total assets (including such loans).
Indexed and Inverse Floating Obligations	**Indexed and Inverse Floating Obligations**	**Indexed and Inverse Floating Obligations**	**Indexed and Inverse Floating Obligations**
The Fund may invest in securities whose potential returns are directly related to changes in an underlying index or interest rate, known as indexed securities. The Fund also may invest in securities whose return is inversely related to changes in an interest rate.	Same as PSW	No Stated Policy	No Stated Policy

Further Information Regarding the Reorganization

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

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

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

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

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

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

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

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

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

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

PROPOSAL 2: ISSUANCES OF ADDITIONAL ACQUIRING FUND SHARES

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

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

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

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

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

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

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

PROPOSAL 3: REMOVAL OF FINANCIAL SECTOR CONCENTRATION POLICIES

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

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

The Fund may not:

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

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

The Fund may not:

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

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

The Fund may not:

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

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The Board of BTZ has approved, and recommends that shareholders of BTZ approve, the removal of BTZ s investment policy requiring that BTZ invests at least 25% of its Managed Assets in securities of companies principally engaged in providing financial services and amending BTZ s fundamental investment restriction regarding industry concentration to reflect the removal of such investment policy (the BTZ Policy Amendment and together with the PSW Policy Amendment, PSY Policy Amendment and BPP Policy Amendment, the Policy Amendments). BTZ s fundamental investment restriction regarding industry concentration as proposed to be amended is set forth below.

The Fund may not:

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

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

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

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

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

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

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

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

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

RISK FACTORS AND SPECIAL CONSIDERATIONS

Comparison of Risks

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

However, there are some differences between the Acquiring Fund and the Target Funds. BPP and the Acquiring Fund are each registered as a non-diversified investment company under the 1940 Act, while PSW and PSY are each registered as a diversified investment company under the 1940 Act. This means that each of BPP and the Acquiring Fund may invest a greater percentage of its assets in the obligations of a single issuer than PSW or PSY. To the extent that the Acquiring Fund assumes large positions in the securities of a small number of issuers, the Ac