

Edgar Filing: BlackRock Enhanced Equity Dividend Trust - Form 497

BlackRock Enhanced Equity Dividend Trust  
Form 497  
September 24, 2014

**BLACKROCK DIVIDEND INCOME TRUST**

**100 Bellevue Parkway**

**Wilmington, Delaware 19809**

**(800) 882-0052**

September 17, 2014

Dear Shareholder:

You are cordially invited to attend a special shareholder meeting (the Special Meeting ) of BlackRock Dividend Income Trust ( BQY ) to be held at the offices of BlackRock Advisors, LLC, 1 University Square Drive, Princeton, New Jersey 08540-6455, on November 10, 2014 at 9:30 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 BQY which are described in the enclosed Combined Proxy Statement/Prospectus.

At the Special Meeting, shareholders of BQY will be asked to consider the reorganization of BQY into BlackRock Enhanced Equity Dividend Trust ( BDJ ), a fund with similar (but not identical) investment objectives, investment policies and investment restrictions, the termination of BQY s registration under the Investment Company Act of 1940, as amended, and the dissolution of BQY under Delaware law.

The Board of Trustees of BQY believes the proposal is in the best interests of BQY and its shareholders and unanimously recommends that you vote **FOR** such proposal.

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

By touch-tone telephone;

By internet;

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

In person at the Special Meeting.

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

As always, we appreciate your support.

Sincerely,

JOHN M. PERLOWSKI

President and Chief Executive Officer

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** the 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.

---

**QUESTIONS & ANSWERS**

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

**Q: Why is a shareholder meeting being held?**

A: Shareholders of BlackRock Dividend Income Trust ( BQY ) are being asked to vote on the reorganization (the Reorganization ) of BQY into BlackRock Enhanced Equity Dividend Trust ( BDJ ), and together with BQY, each, a Fund ), which is described in the enclosed Combined Proxy Statement/Prospectus. The term Combined Fund will refer to BDJ as the surviving Fund after the Reorganization. In the event the Reorganization is consummated, BQY will terminate its registration under the Investment Company Act of 1940, as amended (the 1940 Act ) and dissolve under Delaware law after the completion of the Reorganization.

The Funds have similar (but not identical) investment objectives, investment policies and investment restrictions, and the same investment advisor, BlackRock Advisors, LLC (the Investment Advisor ).

The Reorganization will be consummated if the shareholders of BQY approve the Reorganization. If the Reorganization is not consummated, then BQY would continue to exist and operate on a stand-alone basis.

In the event the Reorganization is consummated, shareholders of the Combined Fund, including former shareholders of BQY, would be subject to the investment policies of BDJ following the Reorganization. See Comparison of the Funds Investments in the Combined Proxy Statement/Prospectus for a comparison of the Funds investment objectives and significant investment strategies and operating policies.

**Q: Why is the Reorganization being recommended?**

A: The Board of Trustees of each Fund (each, a Board and collectively, the Boards ), considered a number of factors in reaching its determination, including, but not limited to, the following, which are discussed in further detail in the Combined Proxy Statement/Prospectus under Information About the Reorganization Reasons for the Reorganization :

potential for improved economies of scale and a lower Total Expense Ratio with respect to each Fund;

alternatives to the Reorganization for each Fund;

the potential effects of the Reorganization on the earnings and distributions of each Fund;

the potential effects of the Reorganization on each Fund s premium/discount to NAV;

the compatibility of the Funds investment objectives, investment policies and related risks and risk profiles (see How similar are the Funds? for additional information);

consistency of portfolio management and portfolio composition (see How similar are the Funds? for additional information);

## Edgar Filing: BlackRock Enhanced Equity Dividend Trust - Form 497

the potential for improved secondary market trading, including the potential for greater secondary market liquidity for the Combined Fund's common shares, which may result in tighter bid-ask spreads and better trade execution for the Combined Fund's shareholders when purchasing or selling the Combined Fund's common shares;

the potential for operating and administrative efficiencies for the Combined Fund, including the potential for the following benefits:

greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions and more favorable transaction terms;

benefits from having fewer closed-end funds offering similar products in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and

benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors;

the anticipated tax-free nature of the Reorganization (except with respect to taxable distributions from any Fund prior to, or after, the consummation of the Reorganization)(see "Will I have to pay any U.S. federal taxes as a result of the Reorganization?" for additional information);

the potential effects on the Funds' capital loss carryforwards;

the potential effects on each Fund's undistributed net investment income;

the expected costs of the Reorganization (see "Will I have to pay any sales load, commission or other similar fees in connection with the Reorganization?" for additional information);

the terms of the Reorganization and whether the Reorganization would dilute the interests of shareholders of the Funds;

the effect of the Reorganization on shareholder rights; and

any potential benefits of the Reorganization to the Investment Advisor and its affiliates.

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

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

A: For the fiscal year ended October 31, 2013, the Total Expense Ratios of BQY and BDJ were 1.18% and 0.87%, respectively. For the 12-month period ended April 30, 2014, the Total Expense Ratios of BQY and BDJ were 1.03% and 0.87%, respectively. Total Expenses means a Fund's total annual operating expenses. Total Expense Ratio means a Fund's Total Expenses expressed as a percentage of its average net assets attributable to its common shares. BQY's Total Expenses and Total Expense Ratio for the fiscal year ended October 31, 2013 includes a 0.15% licensing fee payable to Standard & Poor's that will expire in September 2014 regardless of whether the Reorganization is consummated (the Licensing Fee). BQY's Total Expenses and Total Expense Ratio for the 12-month period ended April 30, 2014 excludes the Licensing Fee.

The Funds estimate that the completion of the Reorganization would result in a Total Expense Ratio for the Combined Fund of 0.86% on a historical and pro forma basis for the 12-month period ended April 30, 2014, representing a reduction in the Total Expense Ratio for the shareholders of BQY and BDJ of 0.17% and 0.01%, respectively.

Each Fund entered into an Investment Management Agreement with the Investment Advisor to provide investment advisory services. For such services, BQY pays the Investment Advisor a monthly fee at the annual rate of 0.75% of its average weekly net assets, and BDJ pays the Investment Advisor a monthly fee at the annual rate of 0.81% its average weekly net assets.

If the Reorganization is consummated, the Investment Advisor will reduce the annual contractual investment management fee rate of the Combined Fund to 0.80% of the average weekly net assets of the Combined Fund. While the annual contractual investment management fee rate of the Combined Fund is expected to be 0.05% higher than that of BQY, the Combined Fund is expected to have a Total Expense Ratio that is 0.17% lower than the Total Expense Ratio of BQY. Based on a pro-forma Lipper expense group for the Combined Fund, the estimated Total Expense Ratio and contractual management fee rate are each projected to be in the first quartile.

## Edgar Filing: BlackRock Enhanced Equity Dividend Trust - Form 497

There can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of the Reorganization.

**Q: How will the Reorganization affect the earnings and distributions of the Funds?**

A: The Combined Fund's earnings and distribution yield on NAV are expected to be comparable (i.e., the same or slightly lower or higher) when compared with that of BDJ prior to the Reorganization. The Combined

Fund's earnings yield is expected to be lower than BQY's current earnings yield; thus, assuming that the Reorganization is consummated and that BDJ's distribution policy remains in place after the Reorganization, shareholders of BQY may experience a decrease in their distribution yield on NAV after the Reorganization. The Combined Fund's earnings and distribution yield on NAV may change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution yield on NAV prior to the Reorganization.

Although the Combined Fund's earnings yield is expected to be lower than BQY's current earnings yield, assuming the Reorganization is consummated, shareholders of BQY are expected to benefit from a reduction in BQY's Total Expense Ratio of approximately 0.17%. It is also anticipated that shareholders of BQY may benefit from other potential benefits associated with the Reorganization (including as a result of the Combined Fund's larger size) as more fully discussed in the Combined Proxy Statement/Prospectus under "Information About the Reorganization" "Reasons for the Reorganization."

Each Fund intends to make monthly distributions to shareholders. Distributions may consist of net investment income, net options premium, net realized and unrealized gains on investments, and/or return of capital.

Each Fund has adopted a plan, consistent with its investment objectives and policies, to support a level distribution of income, capital gains and/or return of capital (a "Plan"). The goal of each Plan is to provide shareholders with consistent and predictable cash flows by setting distribution rates based on expected long-term returns of a Fund. Under its Plan, each Fund will distribute all available investment income to its shareholders in order to maintain a level distribution. Such distributions, under certain circumstances, may exceed a Fund's total return performance. When distributions exceed total return performance for the period, the difference will reduce the Fund's total assets and net asset value per share and, therefore, could have the effect of increasing the Fund's expense ratio and reducing the amount of assets the Fund has available for long term investment. In order to make these distributions, a Fund may have to sell portfolio securities at less than opportune times. Shareholders should not draw any conclusions about a Fund's investment performance from the amount of the Fund's distributions or from the terms of a Plan.

The final tax characterization of distributions is determined after the end of a Fund's fiscal year and is reported to shareholders on Form 1099. Distributions will be characterized as ordinary income, capital gains and/or return of capital. A Fund's taxable net investment income or net realized capital gains (taxable income) may not be sufficient to support the level of distributions paid. To the extent that distributions exceed a Fund's current and accumulated earnings and profits in the current fiscal year, the excess may be treated as a return of capital. A return of capital distribution does not necessarily reflect a Fund's investment performance and should not be confused with yield or income. A return of capital is a return of a portion of an investor's original investment. A return of capital is generally not taxable, but it reduces a shareholder's tax basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent disposition by the shareholder of his or her shares. It is possible that a substantial portion of the distributions paid during a calendar year may ultimately be classified as return of capital for income tax purposes when the final determination of the source and character of the distributions is made.

As described above, the portion of distributions that exceeds the Fund's current and accumulated earnings and profits, which are calculated under tax principles, will constitute a non-taxable return of capital. Although capital loss carryforwards from prior years can offset realized net capital gains, capital loss carryforwards will offset current earnings and profits only if they were generated in the Fund's 2012 taxable year or thereafter. If distributions in any tax year are less than the Fund's current earnings and profits but are in excess of net investment income and net realized capital gains (which would occur, for example, if the Fund utilizes pre-2012 capital loss carryforwards to offset capital gains in that tax year), such excess is not treated as a non-taxable return of capital but rather may be taxable to shareholders at ordinary income rates even though it may economically represent a return of capital. Under certain circumstances, such taxable excess distributions could be significant. Although BQY currently does not have any capital loss carryforwards, substantially all of BDJ's capital loss carryforwards are from pre-2012 tax years, and thus, shareholders of BQY may be subject to such taxable distributions as shareholders of the Combined Fund.

**Q: How similar are the Funds?**

A: The Funds have the same investment advisor, the same portfolio managers, and the same board members. Each Fund is organized as a Delaware statutory trust. BDJ's and BQY's common shares are listed on the New York Stock Exchange and NYSE MKT, respectively. The investment objectives, significant investment strategies and operating policies, and investment restrictions of the Combined Fund will be those of BDJ.

Diversification Status: BQY and BDJ are each a diversified, closed-end management investment company registered under the 1940 Act.

Investment Objectives: The Funds have similar (but not identical) investment objectives.

*BDJ:* BDJ's primary investment objective is to provide current income and current gains, with a secondary objective of long-term capital appreciation.

*BQY:* BQY's investment objective is to provide total return through a combination of current income, current gains and long-term capital appreciation.

Investment Policies: The Funds have similar (but not identical) investment policies.

*Dividend Equities:* Each Fund, under normal market conditions, invests at least 80% of its total assets in dividend paying equities and may invest up to 20% of its total assets in equity securities of issuers that do not pay dividends.

*Option Writing Strategy:* Each Fund may employ a strategy of writing (selling) covered call and put options on common stocks.

Certain significant differences in the investment policies of the Funds include the following:

- i *Non U.S. Securities.* BDJ may only invest up to 20% of its total assets in non-U.S. securities. BQY does not have such a 20% limitation on investments in non-U.S. securities. BQY may invest in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies or multinational currency units. However, each Fund may not invest more than 10% of its total assets in non-U.S. securities of emerging market issuers. Investments in non-U.S. securities involve certain risks not involved in domestic investments. Securities markets in foreign countries often are not as developed, efficient or liquid as securities markets in the United States, and therefore, the prices of non-U.S. securities can be more volatile.
- i *REITs:* BQY may only invest up to 20% of its total assets in real estate investment trusts ( REITs ). BDJ does not have such a 20% limitation on investments in REITs. To the extent the Combined Fund invests in REITs, it will be subject to the risks associated with owning real estate and with the real estate industry generally. These include difficulties in valuing and disposing of real estate, the possibility of declines in the value of real estate, risks related to general and local economic conditions, the possibility of adverse changes in the climate for real estate, environmental liability risks, the risk of increases in property taxes and operating expenses, possible adverse changes in zoning laws, the risk of casualty or condemnation losses, limitations on rents, the possibility of adverse changes in interest rates and in the credit markets and the possibility of borrowers paying off mortgages sooner than expected, which may lead to reinvestment of assets at lower prevailing interest rates.
- i *Leverage:* The Funds' ability to borrow or use leverage is subject to limitations prescribed in the 1940 Act. In addition to such 1940 Act limitations, BQY has a non-fundamental restriction prohibiting BQY from issuing senior securities or borrowing money for investment purposes (other than in connection with hedging transactions, short sales, when issued or forward



## Edgar Filing: BlackRock Enhanced Equity Dividend Trust - Form 497

commitment transactions and similar investment strategies). BDJ does not have such non-fundamental restriction. None of the Funds currently intend to incur indebtedness or issue

preferred shares for investment purposes, except the Funds may engage in Strategic Transactions, repurchase agreements, reverse repurchase agreements, when issued or forward commitment transactions and similar investment strategies, which may give rise to a form of leverage.

See Comparison of the Funds Investments in the Combined Proxy Statement/Prospectus for a comparison of the Funds investment objectives, significant investment strategies and operating policies and investment restrictions.

**Q: How will the Reorganization be effected?**

A: Assuming BQY shareholders approve the Reorganization, the assets and liabilities of BQY will be combined with those of BDJ. BQY will terminate its registration under the 1940 Act after the completion of the Reorganization and dissolve under Delaware law.

Shareholders of BQY will become shareholders of BDJ and will receive newly issued common shares of BDJ, par value \$0.001 per share, the aggregate NAV (not the market value) of which will equal the aggregate NAV (not the market value) of the common shares of BQY such shareholders held immediately prior to the Reorganization, less the applicable costs of the Reorganization (shareholders of BQY may receive cash for fractional shares).

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

**Q: Have common shares of BQY and BDJ historically traded at a premium or discount?**

A: The common shares of each Fund have historically traded at a discount. As of August 31, 2014, the NAV per common share of BQY was \$14.90 and the market price per common share of BQY was \$13.43, representing a discount to NAV of 9.87%, and the NAV per common share of BDJ was \$9.34 and the market price per common share of BDJ was \$8.43, representing a discount to NAV of 9.74%.

To the extent BQY is trading at a wider discount (or a narrower premium) than BDJ at the time of the Reorganization, the shareholders of BQY would have the potential for an economic benefit by the narrowing of the discount/premium if the Reorganization is consummated. To the extent BQY is trading at a narrower discount (or wider premium) than BDJ at the time of the Reorganization, the shareholders of BQY may be negatively impacted if the Reorganization is consummated. There can be no assurance that, after the Reorganization, common shares of the Combined Fund will trade at, above or below NAV. In the Reorganization, shareholders of BQY will receive common shares of BDJ based on the relative NAVs (not the market values) of the 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 Reorganization.

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

A: You will pay no sales loads or commissions in connection with the Reorganization. Regardless of whether the Reorganization is completed, however, the costs associated with the proposed Reorganization, including the costs associated with the shareholder meeting, will be borne directly by the respective Fund incurring the expense or will otherwise be allocated among the Funds proportionately or on another reasonable basis as discussed more fully in the Combined Proxy Statement/Prospectus.

The expenses of the Reorganization are estimated to be \$300,000 for BQY and \$215,000 for BDJ. Because of the expected expense savings and other benefits for BQY, the Investment Advisor recommended and the Board of BQY has approved that BQY be responsible for its own Reorganization expenses. See Information About the Reorganization Reasons for the Reorganization in the attached Combined Proxy Statement/Prospectus. The Investment Advisor will bear all of the costs of the Reorganization for BDJ.

because BDJ shareholders do not have the right to vote on the Reorganization and are not expected to experience the same level of economic benefits from the Reorganization as the shareholders of BQY.

Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganization (e.g., expenses incurred by the shareholder as a result of attending the shareholder meeting, voting on the Reorganization or other action taken by the shareholder in connection with the Reorganization). The actual costs associated with the proposed Reorganization 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 Reorganization?**

A: The Reorganization 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 the Reorganization so qualifies, in general, shareholders of BQY will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their BQY common shares for BDJ common shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, BQY will recognize no gain or loss for U.S. federal income tax purposes by reason of the Reorganization. Neither BDJ nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to the Reorganization.

On or prior to the closing date of the Reorganization (the Closing Date), BQY will declare a distribution to its shareholders that, together with all previous distributions, will have the effect of distributing to BQY'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 BQY'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 Reorganization, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax laws.

**Q: How does the Board of BQY suggest that BQY shareholders vote?**

A: After careful consideration, the Board of BQY unanimously recommends that shareholders of BQY vote FOR the Reorganization.

**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 the Combined 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., BQY's proxy solicitor, at 1-866-628-6021.

**BLACKROCK DIVIDEND INCOME TRUST**

**100 Bellevue Parkway**

**Wilmington, Delaware 19809**

**(800) 882-0052**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON NOVEMBER 10, 2014**

Notice is hereby given that a special meeting of shareholders (the Special Meeting) of BlackRock Dividend Income Trust ( BQY ) will be held at the offices of BlackRock Advisors, LLC, 1 University Square Drive, Princeton, New Jersey 08540-6455, on November 10, 2014 at 9:30 a.m. (Eastern time) for the following purpose:

1. The shareholders of BQY are being asked to approve an Agreement and Plan of Reorganization between BQY and BlackRock Enhanced Equity Dividend Trust ( BDJ ) (the Reorganization Agreement ), the termination of BQY 's registration under the Investment Company Act of 1940, as amended (the 1940 Act ), and the dissolution of BQY under Delaware law.

Shareholders of record as of the close of business on September 12, 2014 are entitled to vote at the Special Meeting or any adjournment or postponement thereof.

**THE BOARD OF TRUSTEES RECOMMENDS 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 TRUSTEES UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:**

- **FOR THE REORGANIZATION OF BQY INTO BDJ PURSUANT TO THE REORGANIZATION AGREEMENT AS DESCRIBED IN THE COMBINED PROXY STATEMENT/PROSPECTUS, THE TERMINATION OF BQY 'S REGISTRATION UNDER THE 1940 ACT, AND THE DISSOLUTION OF BQY UNDER DELAWARE LAW.**  
**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 Trustees,

JOHN M. PERLOWSKI

*President and Chief Executive Officer*

September 17, 2014

**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 10, 2014.**

**THE PROXY STATEMENT FOR THIS MEETING IS AVAILABLE AT:**

**[HTTPS://WWW.PROXY-DIRECT.COM/BLK-25973](https://www.proxy-direct.com/blk-25973)**

**COMBINED PROXY STATEMENT/PROSPECTUS**

**BLACKROCK DIVIDEND INCOME TRUST**

**BLACKROCK ENHANCED EQUITY DIVIDEND TRUST**

**100 Bellevue Parkway**

**Wilmington, Delaware 19809**

**(800) 882-0052**

This Combined Proxy Statement/Prospectus is furnished to you as a shareholder of BlackRock Dividend Income Trust ( BQY ). A special meeting (the Special Meeting ) of shareholders of BQY will be held at the offices of BlackRock Advisors, LLC (the Investment Advisor ), 1 University Square Drive, Princeton, New Jersey 08540-6455, on November 10, 2014 at 9:30 a.m. (Eastern time) to consider the items listed below and discussed in greater detail elsewhere in this Combined Proxy Statement/Prospectus. If you are unable to attend the Special Meeting or any adjournment or postponement thereof, the Board of Trustees (the Board ) of BQY recommends that you vote your common shares of beneficial interests ( 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 Combined Proxy Statement/Prospectus and accompanying form of proxy is September 22, 2014.

The purpose of the Special Meeting is:

1. The shareholders of BQY are being asked to approve an Agreement and Plan of Reorganization (the Reorganization Agreement ) between BQY and BlackRock Enhanced Equity Dividend Trust ( BDJ or the Acquiring Fund and together with BQY, the Funds ), the termination of BQY 's registration under the Investment Company Act of 1940, as amended (the 1940 Act ), and the dissolution of BQY under Delaware law.

Shareholders of record as of the close of business on September 12, 2014 are entitled to vote at the Special Meeting or any adjournment or postponement thereof.

The Reorganization Agreement that BQY shareholders and BDJ shareholders are being asked to consider involves transactions that will be referred to in this Combined Proxy Statement/Prospectus as the Reorganization. The Fund surviving the Reorganization is referred to herein as the Combined Fund.

Each Fund is organized as a Delaware statutory trust. BDJ and BQY are each a diversified, closed-end management investment company registered under the 1940 Act. The Reorganization seeks to achieve certain economies of scale and other operational efficiencies by combining two Funds that have similar (but not identical) investment policies and investment restrictions. In the Reorganization, BDJ will acquire substantially all of the assets and assume substantially all of the liabilities of BQY in exchange for an equal aggregate value of newly-issued common shares of BDJ, par value \$0.001 per share ( Acquiring Fund Shares ) in the form of book entry interests. BQY will distribute Acquiring Fund Shares to common shareholders of BQY, and will then terminate its registration under the 1940 Act and dissolve under Delaware law. BDJ will continue to operate after the Reorganization as a registered, diversified, closed-end management investment company with the investment objectives, investment policies and investment restrictions described in this Combined Proxy Statement/Prospectus.

The aggregate net asset value ( NAV ) (not the market value) of Acquiring Fund Shares received by the shareholders of BQY in the Reorganization will equal the aggregate NAV (not the market value) of BQY common shares held by such shareholders immediately prior to the Reorganization, less the applicable costs of the Reorganization (although BQY shareholders may receive cash for their fractional common shares). The Investment Advisor will bear all of the costs of the Reorganization for BDJ because BDJ shareholders do not have the right to vote on the Reorganization and are not expected to experience the same level of economic benefits from the Reorganization as the shareholders of BQY. In the Reorganization, shareholders of BQY will receive common shares of BDJ based on the relative NAV (not the market value) of the 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 BQY prior to the Reorganization.

## Edgar Filing: BlackRock Enhanced Equity Dividend Trust - Form 497

---

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

In the event that shareholders of BQY do not approve the Reorganization, BQY would continue to exist and operate on a stand-alone basis. However, if the Reorganization is not approved, the Investment Advisor may, in connection with the ongoing management of BQY and its product line, recommend alternative proposals to the Board of BQY.

This Combined Proxy Statement/Prospectus sets forth concisely the information that shareholders of BQY should know before voting on the proposal and constitutes an offering of Acquiring Fund Shares. Please read it carefully and retain it for future reference. A Statement of Additional Information, dated , 2014, relating to this Combined 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](http://www.blackrock.com). In addition, each Fund will furnish, without charge, a copy of the Statement of Additional Information, or 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 100 Bellevue Parkway, Wilmington, Delaware 19809. The Statement of Additional Information and the annual and semi-annual reports of each Fund are available on the EDGAR Database on the SEC's website at [www.sec.gov](http://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 (the Exchange Act ) and the Investment Company Act of 1940 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](http://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](mailto:publicinfo@sec.gov)) or by writing the Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 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](http://www.blackrock.com). Shareholders are advised to periodically check the website for updated performance information and other information about the Funds. References to BlackRock's website are intended to allow investors public access to information regarding the Funds and do not, and are not intended to, incorporate BlackRock's website in this Combined Proxy Statement/Prospectus.

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 Enhanced Equity Dividend Trust are listed on the New York Stock Exchange ( NYSE ) under the ticker symbol BDJ and will continue to be so listed after the completion of the Reorganization. The common shares of BlackRock Dividend Income Trust are listed on the NYSE MKT under the ticker symbol BQY. 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 Combined Proxy Statement/Prospectus serves as a prospectus of BDJ in connection with the issuance of Acquiring Fund Shares in the Reorganization (the Issuance ). No person has been authorized to give any information or make any representation not contained in this Combined Proxy Statement/Prospectus and, if so given or made, such information or representation must not be relied upon as having been authorized. This Combined 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 Geogeson Inc., the firm assisting us in the solicitation of proxies, at 1-866-628-6021.

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

**The date of this Combined Proxy Statement/Prospectus is September 17, 2014.**



---

TABLE OF CONTENTS

<u>SUMMARY</u>	1
<u>EXPENSE TABLE FOR SHAREHOLDERS</u>	13
<u>RISK FACTORS AND SPECIAL CONSIDERATIONS</u>	15
<u>INFORMATION ABOUT THE REORGANIZATION</u>	33
<u>THE FUNDS</u>	41
<u>THE ACQUIRING FUNDS' INVESTMENTS</u>	41
<u>COMPARISON OF THE FUNDS' INVESTMENTS</u>	50
<u>MANAGEMENT OF THE FUNDS</u>	57
<u>INFORMATION ABOUT THE COMMON SHARES OF THE FUNDS</u>	60
<u>FINANCIAL HIGHLIGHTS</u>	62
<u>DIVIDENDS AND DISTRIBUTIONS</u>	66
<u>AUTOMATIC DIVIDEND REINVESTMENT PLAN</u>	67
<u>CERTAIN PROVISIONS OF THE CHARTER</u>	69
<u>GOVERNING LAW</u>	70
<u>CONVERSION TO OPEN-END FUND</u>	71
<u>CAPITALIZATION</u>	71
<u>VOTING RIGHTS</u>	72
<u>APPRAISAL RIGHTS</u>	72
<u>CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE REORGANIZATION</u>	72
<u>VOTING INFORMATION AND REQUIREMENTS</u>	73
<u>SHAREHOLDER INFORMATION</u>	75
<u>SHAREHOLDER PROPOSALS</u>	76
<u>SOLICITATION OF PROXIES</u>	76
<u>LEGAL MATTERS</u>	76
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	76
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	76
<u>OTHER MATTERS WITH RESPECT TO THE MEETING</u>	77
<u>PRIVACY PRINCIPLES OF THE FUNDS</u>	77
<u>OTHER INFORMATION</u>	78

## SUMMARY

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

### **The Proposed Reorganization**

The Board of each Fund, including the trustees (the Board Members), who are not interested persons of each Fund (as defined in the 1940 Act) (the Independent Board Members), has unanimously approved the Reorganization, including the Reorganization Agreement. Assuming BQY's shareholders approve the Reorganization, BDJ will acquire substantially all of the assets and assume substantially all of the liabilities of BQY in exchange for an equal aggregate value of newly-issued Acquiring Fund Shares in the form of book entry interests. BQY will distribute Acquiring Fund Shares to common shareholders of BQY, and will then terminate its registration under the 1940 Act and dissolve under Delaware law.

In connection with the Reorganization, BDJ will issue additional Acquiring Fund Shares to BQY and list such common shares on the NYSE. BQY will then distribute the newly-issued Acquiring Fund Shares to its shareholders. The aggregate NAV (not the market value) of Acquiring Fund Shares received by BQY shareholders in the Reorganization will equal the aggregate NAV (not the market value) of BQY common shares held by such shareholders immediately prior to the Reorganization, less the applicable costs of the Reorganization (although BQY shareholders may receive cash for their fractional common shares). In the Reorganization, shareholders of BQY will receive common shares of BDJ based on the relative NAV, 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 BQY prior to the Reorganization.

Each Fund's Board has determined that the Reorganization or the Issuance, as applicable, is in the best interests of its Fund and the shareholders of such Fund and that the interests of such shareholders will not be diluted with respect to NAV as a result of the Reorganization or the Issuance, as applicable. As a result of the Reorganization or the Issuance, as applicable, however, shareholders of each Fund will hold a reduced percentage of ownership in the larger Combined Fund than they did in either individual Fund.

The Board of BQY recommends that shareholders of BQY approve the proposed Reorganization at the Special Meeting to be held on November 10, 2014.

Subject to the requisite approval of the shareholders of BQY with regard to the Reorganization, it is expected that the closing date of the Reorganization (the Closing Date) will be sometime during the fourth quarter 2014, but it may be at a different time as described

herein. For information regarding voting requirements, please see Voting Information and Requirements.

Please see Information about the Reorganization for additional information.

### **Background and Reasons for the Proposed Reorganization**

The Reorganization seeks to combine two funds with similar (but not identical) investment objectives, investment policies, strategies, risks and restrictions. The Board of each Fund, based upon its evaluation of all relevant information, anticipates that the Reorganization would benefit shareholders of its Fund. The Board of each Fund, including the Independent Board Members, approved the Reorganization or the Issuance, as applicable, concluding that the Reorganization or the Issuance, as applicable, is in the best interests of its Fund and that the interests of existing shareholders of its Fund will not be diluted with respect to NAV as a result of the Reorganization or the Issuance as applicable. This determination was made on the basis of each Board Member's business judgment after consideration of all of the factors and considerations (discussed below) 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.

The Board of each Fund considered the Reorganization at meetings of the Board of each Fund held on July 30, 2014 (the Meeting). The Board of each Fund considered a number of factors presented at the time of the Meeting or at a prior meeting in reaching their determinations, including, but not limited to, the following:

potential for improved economies of scale and a lower Total Expense Ratio with respect to each Fund;

alternatives to the Reorganization for each Fund;

the potential effects of the Reorganization on the earnings and distributions of each Fund;

the potential effects of the Reorganization on each Fund's premium/discount to NAV;

the compatibility of the Funds' investment objectives, investment policies and related risks and risk profiles;

consistency of portfolio management and portfolio composition;

the potential for improved secondary market trading, including the potential for greater secondary market liquidity for the Combined Fund's common shares, which may result in tighter bid-ask spreads and better trade execution for the Combined Fund's shareholders when purchasing or selling the Combined Fund's common shares;



the potential for operating and administrative efficiencies for the Combined Fund, including the potential for the following benefits:

greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions and more favorable transaction terms;

benefits from having fewer closed-end funds offering similar products in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and

benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors;

the anticipated tax-free nature of the Reorganization (except with respect to taxable distributions from any Fund prior to, or after, the consummation of the Reorganization);

the potential effects on the Funds' capital loss carryforwards;

the potential effects on each Fund's undistributed net investment income;

the expected costs of the Reorganization;

the terms of the Reorganization and whether the Reorganization would dilute the interests of shareholders of the Funds;

the effect of the Reorganization on shareholder rights; and

any potential benefits of the Reorganization to the Investment Advisor and its affiliates.

There can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of the Reorganization. In addition, a Fund's earnings and net investment income are variables, which depend on many factors, including its asset mix, portfolio turnover level, performance of its investments, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Reorganization, will remain constant.

The Board of BQY recommends that BQY shareholders approve the Reorganization.

## Edgar Filing: BlackRock Enhanced Equity Dividend Trust - Form 497

If the Reorganization is not approved by BQY's shareholders, BQY will continue to operate for the time being as a stand-alone Delaware statutory trust and will continue to be advised by the Investment Advisor. However, if the Reorganization is not approved, the

Investment Advisor may, in connection with ongoing management of BQY and its product line, recommend alternative proposals to the Board of BQY.

Please see [Information About the Reorganization](#) [Reasons for the Reorganization](#) for additional information.

## Expenses

For the fiscal year ended October 31, 2013, the Total Expense Ratios of BQY and BDJ were 1.18% and 0.87%, respectively. For the 12-month period ended April 30, 2014, the Total Expense Ratios of BQY and BDJ were 1.03% and 0.87%, respectively. Total Expenses means a Fund's total annual operating expenses. Total Expense Ratio means a Fund's Total Expenses expressed as a percentage of its average net assets attributable to its common shares. BQY's Total Expenses and Total Expense Ratio for the fiscal year ended October 31, 2013 includes a 0.15% licensing fee payable to Standard & Poor's that will expire in September 2014 regardless of whether the Reorganization is consummated (the Licensing Fee). BQY's Total Expenses and Total Expense Ratio for the 12-month period ended April 30, 2014 excludes the Licensing Fee.

The Funds estimate that the completion of the Reorganization would result in a Total Expense Ratio for the Combined Fund of 0.86% on a historical and pro forma basis for the 12-month period ended April 30, 2014, representing a reduction in the Total Expense Ratio for the shareholders of BQY and BDJ of 0.17% and 0.01%, respectively.

For the investment advisory services, BQY currently pays the Investment Advisor a monthly fee at the annual rate of 0.75% of its average weekly net assets, and BDJ currently pays the Investment Advisor a monthly fee at the annual rate of 0.81% its average weekly net assets. If the Reorganization is consummated, the Investment Advisor will reduce the annual contractual investment management fee rate of the Combined Fund to 0.80% of the average weekly net assets of the Combined Fund. While the annual contractual investment management fee rate of the Combined Fund is expected to be 0.05% higher than that of BQY, the Combined Fund is expected to have a Total Expense Ratio that is 0.17% lower than the Total Expense Ratio of BQY. Based on a pro-forma Lipper expense group for the Combined Fund, the estimated Total Expense Ratio and contractual management fee rate are each projected to be in the first quartile.

There can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of the Reorganization.

Please see [Expense Table for Shareholders](#) for additional information.

## Earnings and Distributions

The Combined Fund's earnings and distribution yield on NAV are expected to be comparable (i.e., the same or slightly lower or higher) when compared with that of BDJ prior to the Reorganization. The

Combined Fund's earnings yield is expected to be lower than BQY's current earnings yield; thus, assuming that the Reorganization is consummated and that BDJ's distribution policy remains in place after the Reorganization, shareholders of BQY may experience a decrease in their distribution yield on NAV after the Reorganization. The Combined Fund's earnings and distribution yield on NAV may change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution yield on NAV prior to the Reorganization.

Although the Combined Fund's earnings yield is expected to be lower than BQY's current earnings yield, assuming the Reorganization is consummated, shareholders of BQY are expected to benefit from a reduction in BQY's Total Expense Ratio of approximately 0.17%. It is also anticipated that shareholders of BQY may benefit from other potential benefits associated with the Reorganization (including as a result of the Combined Fund's larger size) as more fully discussed herein under "Information About the Reorganization - Reasons for the Reorganization."

#### **Appraisal Rights**

BQY's shareholders do not have appraisal rights for their common shares with respect to the Reorganization. Please see "Appraisal Rights" for additional information.

#### **Federal Tax Consequences of the Reorganization**

The Reorganization 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 the Reorganization so qualifies, in general, shareholders of BQY will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their BQY common shares for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, BQY will recognize no gain or loss for U.S. federal income tax purposes by reason of the Reorganization. Neither BDJ nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to the Reorganization. Shareholders of each Fund may receive distributions prior to, or after, the consummation of the Reorganization, including distributions attributable to their proportionate share of Combined Fund built-in gains, if any, recognized after the Reorganization, when such income and gains are eventually distributed by the Combined Fund. Such distribution may be taxable to shareholders for U.S. federal income tax purposes. It is a condition to the closing of the Reorganization that BQY and BDJ receive an opinion from Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden Arps"), dated as of the Closing Date, regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code.

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



Please see "Certain Federal Income Tax Consequences of the Reorganization" for additional information.

**Comparison of the Funds General Information and History** Each Fund is organized as a Delaware statutory trust and is a diversified, closed-end management investment company registered under the 1940 Act.

BDJ's common shares are listed on the New York Stock Exchange.

BQY's common shares are listed on the NYSE MKT.

Each Fund has an October 31 fiscal year end.

See "The Funds" for additional information about the history of the Funds.

**Comparison of the Funds Investment Objectives and Policies** The Funds have similar (but not identical) investment objectives, investment policies and investment restrictions.

Investment Objectives: The Funds have similar (but not identical) investment objectives.

*BDJ:* BDJ's primary investment objective is to provide current income and current gains, with a secondary objective of long-term capital appreciation.

*BQY:* BQY's investment objective is to provide total return through a combination of current income, current gains and long-term capital appreciation.

Investment Policies: The Funds have similar (but not identical) investment policies.

*Dividend Equities:* Each Fund, under normal market conditions, invests at least 80% of its total assets in dividend paying equities and may invest up to 20% of its total assets in equity securities of issuers that do not pay dividends.

*Option Writing Strategy:* Each Fund may employ a strategy of writing (selling) covered call and put options on common stocks.

Certain significant differences in the investment policies of the Funds include the following:

- i *Non U.S. Securities.* BDJ may only invest up to 20% of its total assets in non-U.S. securities. BQY does not have such a 20% limitation on investments in non-U.S. securities. BQY may invest in non-U.S. securities, which may

include securities denominated in U.S. dollars or in non-U.S. currencies or multinational currency units. However, each

Fund may not invest more than 10% of its total assets in non-U.S. securities of emerging market issuers. Investments in non-U.S. securities involve certain risks not involved in domestic investments. Securities markets in foreign countries often are not as developed, efficient or liquid as securities markets in the United States, and therefore, the prices of non-U.S. securities can be more volatile.

- i *REITs:* BQY may only invest up to 20% of its total assets in real estate investment trusts ( REITs ). BDJ does not have such a 20% limitation on investments in REITs. To the extent the Combined Fund invests in REITs, it will be subject to the risks associated with owning real estate and with the real estate industry generally. These include difficulties in valuing and disposing of real estate, the possibility of declines in the value of real estate, risks related to general and local economic conditions, the possibility of adverse changes in the climate for real estate, environmental liability risks, the risk of increases in property taxes and operating expenses, possible adverse changes in zoning laws, the risk of casualty or condemnation losses, limitations on rents, the possibility of adverse changes in interest rates and in the credit markets and the possibility of borrowers paying off mortgages sooner than expected, which may lead to reinvestment of assets at lower prevailing interest rates.
  
- i *Leverage:* The Funds' ability to borrow or use leverage is subject to limitations prescribed in the 1940 Act. In addition to such 1940 Act limitations, BQY has a non-fundamental restriction prohibiting BQY from issuing senior securities or borrowing money for investment purposes (other than in connection with hedging transactions, short sales, when issued or forward commitment transactions and similar investment strategies). BDJ does not have such non-fundamental restriction. None of the Funds currently intend to incur indebtedness or issue preferred shares for investment purposes, except the Funds may engage in Strategic Transactions, repurchase agreements, reverse repurchase agreements, when issued or forward commitment transactions and similar investment strategies, which may give rise to a form of leverage.

The investment objectives, significant investment strategies and operating policies, and investment restrictions of the Combined Fund will be those of BDJ.

A more detailed comparison of the Funds' investment objectives and significant investment strategies and operating policies is set forth in Comparison of the Funds Investments.

**Comparison of the Funds Premium/Discount to NAV**

The common shares of each Fund have historically traded at a discount. As of August 31, 2014, the NAV per common share of BQY was \$14.90 and the market price per common share of BQY was \$13.43, representing a discount to NAV of 9.87%, and the NAV per common share of BDJ was \$9.34 and the market price per common share of BDJ was \$8.43, representing a discount to NAV of 9.74%.

To the extent that BQY is trading at a wider discount (or a narrower premium) than BDJ at the time of the Reorganization, BQY's shareholders would have the potential for an economic benefit if the Reorganization is consummated. To the extent that BQY is trading at a narrower discount (or wider premium) than BDJ at the time of its Reorganization, BQY's shareholders may be negatively impacted if the Reorganization is consummated. BDJ's 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 Reorganization, common shares of the Combined Fund will trade at, above or below NAV. Upon consummation of the Reorganization, Acquiring Fund Shares may trade at a price that is less than BDJ's current market price. In the Reorganization, shareholders of BQY will receive Acquiring Fund Shares based on the relative NAVs (not the market values) of the 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 Reorganization.

**Comparison of the Funds Distribution Policy**

Each Fund intends to make monthly distributions to shareholders. Distributions may consist of net investment income, net options premium, net realized and unrealized gains on investments, and/or return of capital.

Each Fund intends to pay any capital gains distributions at least annually.

Each Fund has adopted a plan, consistent with its investment objectives and policies, to support a level distribution of income, capital gains and/or return of capital (a Plan). The goal of each Plan is to provide shareholders with consistent and predictable cash flows by setting distribution rates based on expected long-term returns of a Fund. Under its Plan, each Fund will distribute all available investment income to its shareholders in order to maintain a level distribution. Such distributions, under certain circumstances, may exceed a Fund's total return performance. When distributions exceed total return performance for the period, the difference will reduce the Fund's total assets and net asset value per share and, therefore, could have the effect of increasing the Fund's expense ratio and reducing the amount of assets the Fund has available for long term investment. In order to make these distributions, a Fund may have to sell portfolio

securities at less than opportune times. Shareholders should not draw any conclusions about a Fund's investment performance from the amount of the Fund's distributions or from the terms of a Plan.

The Board may amend, suspend or terminate a Fund's Plan without prior notice if it deems such actions to be in the best interests of the Fund or its shareholders. The suspension or termination of the Plan could have the effect of creating a trading discount (if the Fund's stock is trading at or above net asset value) or widening an existing trading discount. The Funds are subject to risks that could have an adverse impact on their ability to maintain level distributions. Examples of potential risks include, but are not limited to, economic downturns impacting the markets, decreased market volatility, companies suspending or decreasing corporate dividend distributions and changes in the Code.

The final tax characterization of distributions is determined after the end of a Fund's fiscal year and is reported to shareholders on Form 1099. Distributions will be characterized as ordinary income, capital gains and/or return of capital. A Fund's taxable net investment income or net realized capital gains (taxable income) may not be sufficient to support the level of distributions paid. To the extent that distributions exceed a Fund's current and accumulated earnings and profits in the current fiscal year, the excess may be treated as a return of capital. A return of capital distribution does not necessarily reflect a Fund's investment performance and should not be confused with yield or income. A return of capital is a return of a portion of an investor's original investment. A return of capital is generally not taxable, but it reduces a shareholder's tax basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent disposition by the shareholder of his or her shares. It is possible that a substantial portion of the distributions paid during a calendar year may ultimately be classified as return of capital for income tax purposes when the final determination of the source and character of the distributions is made.

As described above, the portion of distributions that exceeds a Fund's current and accumulated earnings and profits, which are calculated under tax principles, will constitute a non-taxable return of capital. Although capital loss carryforwards from prior years can offset realized net capital gains, capital loss carryforwards will offset current earnings and profits only if they were generated in the Fund's 2012 taxable year or thereafter. If distributions in any tax year are less than the Fund's current earnings and profits but are in excess of net investment income and net realized capital gains (which would occur, for example, if the Fund utilizes pre-2012 capital loss carryforwards to offset capital gains in that tax year), such excess is not treated as a non-taxable return of capital but rather may be taxable to shareholders at ordinary income rates even though it may economically represent a return of capital. Under certain circumstances, such taxable excess distributions could be significant. Although BQY currently does not have any capital loss carryforwards, substantially all of BDJ's capital

loss carryforwards are from pre-2012 tax years, and thus, shareholders of BQY may be subject to such taxable distributions as shareholders of the Combined Fund.

Shareholders will automatically have all dividends and distributions reinvested in common shares of a Fund in accordance with the Fund's dividend reinvestment plan, unless an election is made to receive cash by contacting Computershare Trust Company, N.A. ( Reinvestment Plan Agent ), each Fund's reinvestment plan agent, at (800) 699-1236.

Each Fund reserves the right to change its distribution policy and the basis for establishing the rate of its periodic distributions at any time and may do so without prior notice to common shareholders.

#### **Comparison of the Funds Management**

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

#### **The Funds Advisor**

BlackRock Advisors, LLC serves as the investment advisor for each Fund and is expected to continue to serve as investment advisor for the Combined Fund. The Investment Advisor is responsible for the management of each Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of each Fund.

Each Fund entered into an Investment Management Agreement with the Investment Advisor to provide investment advisory services. For such services, BQY pays the Investment Advisor a monthly fee at the annual rate of 0.75% of its average weekly net assets, and BDJ pays the Investment Advisor a monthly fee at the annual rate of 0.81% its average weekly net assets.

If the Reorganization is consummated, the Investment Advisor will reduce the annual contractual investment management fee rate of the Combined Fund to 0.80% of the average weekly net assets of the Combined Fund. While the annual contractual investment management fee rate of the Combined Fund is expected to be 0.05% higher than that of BQY, the Combined Fund is expected to have a Total Expense Ratio that is 0.17% lower than the Total Expense Ratio of BQY. Based on a pro-forma Lipper expense group for the Combined Fund, the estimated Total Expense Ratio and contractual management fee rate are each projected to be in the first quartile.

There can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of the Reorganization.

BlackRock Financial Management, Inc. served as the sub-advisor for each Fund until July 1, 2014.

Additional information about the Investment Advisor and its arrangements with the Funds are set forth in Management of the Funds in this Combined Proxy Statement/Prospectus and in the Statement of Additional Information.

**Comparison of the Funds Portfolio Management** Each Fund is managed by a team of investment professionals comprised of Kathleen Anderson, Managing Director at BlackRock, Robert Shearer, Managing Director at BlackRock, Kyle G. McClements, CFA, Managing Director at BlackRock, Antonio DeSpirito, III, Managing Director at BlackRock and Christopher Accettella, Director at BlackRock.

Ms. Anderson and Messrs. Shearer, McClements and Accettella are each Fund's portfolio managers and are responsible for the day-to-day management of each Fund's portfolio and the selection of its investments. Ms. Anderson and Messrs. Shearer and McClements have been members of each Fund's portfolio management team since 2010. Mr. Accettella has been a member of each Fund's portfolio management team since 2012. Mr. DeSpirito has been a member of each Fund's portfolio management team since 2014.

After the Reorganization, it is expected that BDJ's current portfolio management team, consisting of Ms. Anderson and Messrs. Shearer, McClements, DeSpirito and Accettella, will continue to comprise the team of investment professionals for the Combined Fund.

Additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in BDJ and BQY are set forth in the Statement of Additional Information.

**Comparison of the Funds Other Service Providers**The other professional service providers for the Funds are as follows:

Service	Service Providers to the Funds
Custodian	The Bank of New York Mellon
Transfer Agent, Dividend Disbursing Agent and Registrar	Computershare Trust Company, N.A.
Accounting Services Provider	The Bank of New York Mellon
Independent Registered Public Accounting Firm	Deloitte & Touche LLP
Fund Counsel	Skadden, Arps, Slate, Meagher & Flom LLP
Counsel to the Independent Board Members	Debevoise & Plimpton LLP

It is not anticipated that the Reorganization will result in any change in the organizations providing services to BDJ as set forth above. As a

result of the Reorganization, the service providers to BDJ are anticipated to be the service providers to the Combined Fund.

Additional information about the other professional service providers for BDJ and BQY are set forth in the Statement of Additional Information.



---

**EXPENSE TABLE FOR SHAREHOLDERS**
**Total Expenses Table for Shareholders of the Funds as of April 30, 2014**

The following tables illustrate the anticipated reduction or increases in the Total Expense Ratio for the shareholders of each Fund expected as a result of the completion of the Reorganization. The table sets forth (i) the Total Expense Ratio for each Fund for the 12-month period ended April 30, 2014; and (ii) the *pro forma* Total Expense Ratio for the Combined Fund, assuming the Reorganization had taken place on April 30, 2014.

	BQY	BDJ	BDJ Pro Forma Combined Fund <sup>(a)</sup>
<b>Shareholder Transaction Expenses</b>			
Maximum Sales Load (as a percentage of the offering price) imposed on purchases of common shares <sup>(b)</sup>	None	None	None
	\$0.02 per share for open-market purchases of common shares <sup>(c)</sup>		
Dividend Reinvestment and Cash Purchase Plan Fees		Same as BQY	Same as BQY
<b>Annual Total Expenses (as a percentage of average net assets attributable to common shares)</b>			
Investment Management Fees <sup>(d)</sup>	0.75%	0.81%	0.80%
Other Expenses	0.28% <sup>(e)</sup>	0.06%	0.06%
Total Annual Fund Operating Expenses	1.03% <sup>(e)</sup>	0.87%	0.86%

(a) Assumes the Reorganization had taken place on April 30, 2014.

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

(c) The Reinvestment Plan Agent's fees for the handling of the reinvestment of dividends will be paid by the Fund. However, you will pay a \$0.02 per share fee incurred in connection with open-market purchases, which will be deducted from the value of the dividend. You will also be charged a \$0.02 per share fee if you direct the Reinvestment Plan Agent to sell your common shares held in a dividend reinvestment account. Per share fees include any applicable brokerage commissions the Reinvestment Plan Agent is required to pay. See Automatic Dividend Reinvestment Plan for additional information.

(d) BQY pays the Investment Advisor a contractual management fee at an annual rate of 0.75% of BQY's average weekly net assets. BDJ pays the Investment Advisor a contractual management fee at an annual rate of 0.81% of BDJ's average weekly net assets. If the Reorganization is consummated, the annual contractual investment advisory fee rate of the Combined Fund will be 0.80% of the average weekly net assets of the Combined Fund.

(e) Other Expenses and Total Annual Fund Operating Expenses exclude a 0.15% licensing fee payable to Standard & Poor's that will expire in September 2014 regardless of whether the Reorganization is consummated.

The following example is intended to help you compare the costs of investing in the common shares of the Combined Fund *pro forma* if the Reorganization is completed with the costs of investing in BQY and BDJ without the Reorganization. An investor in common shares would pay the following expenses on a \$1,000 investment, assuming (1) the Total Annual Fund Operating Expenses for each Fund set forth in the total expenses table above and (2) a 5% annual return throughout the period:

Edgar Filing: BlackRock Enhanced Equity Dividend Trust - Form 497

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
BQY	\$ 11	\$ 33	\$ 57	\$ 126
BDJ	\$ 9	\$ 28	\$ 48	\$ 107
BDJ Pro Forma Combined Fund	\$ 9	\$ 27	\$ 48	\$ 106

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

The expenses of the Reorganization are estimated to be \$300,000 for BQY and \$215,000 for BDJ. The Investment Advisor will bear all of the costs of the Reorganization for BDJ because BDJ shareholders do not have the right to vote on the Reorganization and are not expected to experience the same level of economic benefits from the Reorganization as the shareholders of BQY. The actual costs associated with the proposed Reorganization may be more or less than the estimated costs discussed herein.

---

## RISK FACTORS AND SPECIAL CONSIDERATIONS

### Comparison of Risks

The Combined Fund will be managed in accordance with the same investment objective and investment policies, and subject to the same risks, as BDJ. The Funds have substantially similar (but not identical) investment policies and investment restrictions and are subject to substantially similar investment risks. Risks that predominately affect the common shares of the Funds include common stock risk, dividend risk, industry and business sector risk, and risks associated with option writing. 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' NAV. Accordingly, the Funds are primarily designed for long-term investors and should not be considered a vehicle for trading purposes. In the normal course of business, each Fund invests in securities and enters into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer of a security to meet all its obligations (issuer credit risk). The value of securities held by the Funds may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Funds; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate and price fluctuations. Similar to issuer credit risk, the Funds may be exposed to counterparty credit risk, or the risk that an entity with which the Funds have unsettled or open transactions may fail to or be unable to perform on its commitments.

A brief comparison of the Funds' investment policies is set forth below:

BDJ's primary investment objective is to provide current income and current gains, with a secondary objective of long-term capital appreciation. BQY's investment objective is to provide total return through a combination of current income, current gains and long-term capital appreciation.

Each Fund, under normal market conditions, invests at least 80% of its total assets in dividend paying equities and may invest up to 20% of its total assets in equity securities of issuers that do not pay dividends. In addition, each Fund may employ a strategy of writing (selling) covered call and put options on common stocks.

BDJ may only invest up to 20% of its total assets in non-U.S. securities. BQY does not have such a 20% limitation on investments in non-U.S. securities. BQY may invest in non-U.S. securities, which may include securities denominated in U.S. dollars or in non-U.S. currencies or multinational currency units. However, each Fund may not invest more than 10% of its total assets in non-U.S. securities of emerging market issuers.

BQY may only invest up to 20% of its total assets in REITs. BDJ does not have such a 20% limitation on investments in REITs.

The Funds' ability to borrow or use leverage is subject to limitations prescribed in the 1940 Act. In addition to such 1940 Act limitations, BQY has a non-fundamental restriction prohibiting BQY from issuing senior securities or borrowing money for investment purposes (other than in connection with hedging transactions, short sales, when issued or forward commitment transactions and similar investment strategies). BDJ does not have such non-fundamental restriction. None of the Funds currently intend to incur indebtedness or issue preferred shares for investment purposes, except the Funds may engage in Strategic Transactions, repurchase agreements, reverse repurchase agreements, when issued or forward commitment transactions and similar investment strategies, which may give rise to a form of leverage.

Unlike BDJ, BQY does not have a 20% limitation on investments in non-U.S. securities. However, like BDJ, BQY may not invest more than 10% of its total assets in non-U.S. securities of emerging market issuers. Investments in non-U.S. securities involve certain risks not involved in domestic investments. Securities markets in foreign countries often are not as developed, efficient or liquid as securities markets in the United States, and therefore, the prices of non-U.S. securities can be more volatile.

Unlike BQY, BDJ does not have a 20% limitation on investments in REITs. To the extent the Combined Fund invests in REITs, it will be subject to the risks associated with owning real estate and with the real estate industry generally. These include difficulties in valuing and disposing of real estate, the possibility of declines in the value of real estate, risks related to general and local economic conditions, the possibility of adverse changes in the climate for real estate, environmental liability risks, the risk of increases in property taxes and operating expenses, possible adverse changes in zoning laws, the risk of casualty or condemnation losses, limitations on rents, the possibility of adverse changes in interest rates and in the credit markets and the possibility of borrowers paying off mortgages sooner than expected, which may lead to reinvestment of assets at lower prevailing interest rates.

The foregoing is just a summary of the significant differences in the risks associated with an investment in each Fund's common shares. Please see Comparison of the Funds' Investments in this Combined Proxy Statement/Prospectus for a more detailed description of the salient differences among the Funds.

**Risks Related to the Reorganization**

*Expenses.*

While the Funds currently estimate that the Reorganization will result in reduced aggregate expenses of the Combined Fund by approximately \$287,000 per year, the realization of these reduced expenses will not affect holders of the Funds proportionately, and may take longer than expected to be realized or may not be realized at all.

For the fiscal year ended October 31, 2013, the Total Expense Ratios of BQY and BDJ was 1.18% and 0.87%, respectively. As of April 30, 2014, the historical and *pro forma* Total Expense Ratios applicable to the Reorganization are as follows:

	<b>BDJ</b>	
	<i>Pro Forma</i>	
<b>BQY</b>	<b>BDJ</b>	<b>Combined Fund</b>
1.03%	0.87%	0.86%

BQY's Total Expenses and Total Expense Ratio for the fiscal year ended October 31, 2013 includes the Licensing Fee. BQY's Total Expenses and Total Expense Ratio for the 12-month period ended April 30, 2014 excludes the Licensing Fee.

The Funds estimate that the completion of the Reorganization would result in a Total Expense Ratio for the Combined Fund of 0.86% on a historical and pro forma basis for the 12-month period ended April 30, 2014, representing a reduction in the Total Expense Ratio for the shareholders of BQY and BDJ of 0.17% and 0.01%, respectively.

For the investment advisory services, BQY currently pays the Investment Advisor a monthly fee at the annual rate of 0.75% of its average weekly net assets, and BDJ currently pays the Investment Advisor a monthly fee at the annual rate of 0.81% its average weekly net assets. If the Reorganization is consummated, the Investment Advisor will reduce the annual contractual investment management fee rate of the Combined Fund to 0.80% of the average weekly net assets of the Combined Fund. While the annual contractual investment management fee rate of the Combined Fund is expected to be 0.05% higher than that of BQY, the Combined Fund is expected to have a Total Expense Ratio that is 0.17% lower than the Total Expense Ratio of BQY. Based on a pro-forma Lipper expense group for the Combined Fund, the estimated Total Expense Ratio and contractual management fee rate are each projected to be in the first quartile.

The Combined Fund may incur higher Total Expenses for a period after the completion of the Reorganization due to expenses associated with the Reorganization prior to experiencing any savings or may never experience any savings if the Combined Fund's fixed costs were to increase or the value of its assets were to decrease.

There can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized as a result of the Reorganization. Please see the Expense Table for Shareholders for additional information about the Funds' expenses.

*Earnings and Distribution Yield.*

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

The Combined Fund's earnings yield is expected to be lower than BQY's current earnings yield; thus, assuming that the Reorganization is consummated and that BDJ's distribution policy remains in place after the Reorganization, shareholders of BQY may experience a decrease in their distribution yield on NAV after the Reorganization. Although the Combined Fund's earnings yield is expected to be lower than BQY's current earnings yield, assuming the Reorganization is consummated, shareholders of BQY are expected to benefit from a reduction in BQY's Total Expense Ratio of approximately 0.17%. It is also anticipated that shareholders of BQY may benefit from other potential benefits associated with the Reorganization (including as a result of the Combined Fund's larger size) as more fully discussed herein. See Information About the Reorganization Reasons for the Reorganization.

A Fund's earnings and net investment income are variables which depend on many factors, including its asset mix, portfolio turnover level, performance of its investments, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Reorganization, will remain constant.

*Premium/Discount to NAV.*

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

The common shares of each Fund have historically traded at a discount. As of August 31, 2014, the NAV per common share of BQY was \$14.90 and the market price per common share of BQY was \$13.43, representing a discount to NAV of 9.87%, and the NAV per common share of BDJ was \$9.34 and the market price per common share of BDJ was \$8.43, representing a discount to NAV of 9.74%.

To the extent that BQY is trading at a wider discount (or a narrower premium) than BDJ at the time of its Reorganization, BQY's shareholders would have the potential for an economic benefit if the Reorganization is consummated. To the extent that BQY is trading at a narrower discount (or wider premium) than BDJ at the time of its Reorganization, BQY's shareholders may be negatively impacted if the Reorganization is consummated. BDJ's 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 Reorganization, common shares of the Combined Fund will trade at, above or below NAV. Upon consummation of the Reorganization, Acquiring Fund Shares may trade at a price that is less than BDJ's current trading market price. In the Reorganization, shareholders of BQY will receive

common shares of BDJ based on the relative NAVs (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 Reorganization.

*Dividends and Distributions.*

The final tax characterization of distributions is determined after the end of a Fund's fiscal year and is reported to shareholders on Form 1099. Distributions will be characterized as ordinary income, capital gains and/or return of capital. A Fund's taxable net investment income or net realized capital gains (taxable income) may not be sufficient to support the level of distributions paid. To the extent that distributions exceed a Fund's current and accumulated earnings and profits in the current fiscal year, the excess may be treated as a return of capital. A return of capital distribution does not necessarily reflect a Fund's investment performance and should not be confused with yield or income. A return of capital is a return of a portion of an investor's original investment. A return of capital is generally not taxable, but it reduces a shareholder's tax basis in his or her shares, thus reducing any loss or increasing any gain on a subsequent disposition by the shareholder of his or her shares. It is possible that a substantial portion of the distributions paid during a calendar year may ultimately be classified as return of capital for income tax purposes when the final determination of the source and character of the distributions is made.

As described above, the portion of distributions that exceeds the Fund's current and accumulated earnings and profits, which are calculated under tax principles, will constitute a non-taxable return of capital. Although capital loss carryforwards from prior years can offset realized net capital gains, capital loss carryforwards will offset current earnings and profits only if they were generated in the Fund's 2012 taxable year or thereafter. If distributions in any tax year are less than the Fund's current earnings and profits but are in excess of net investment income and net realized capital gains (which would occur, for example, if the Fund utilizes pre-2012 capital loss carryforwards to offset capital gains in that tax year), such excess is not treated as a non-taxable return of capital but rather may be taxable to shareholders at ordinary income rates even though it may economically represent a return of capital. Under certain circumstances, such taxable excess distributions could be significant. Although BQY currently does not have any capital loss carryforwards, substantially all of BDJ's capital loss carryforwards are from pre-2012 tax years, and thus, shareholders of BQY may be subject to such taxable distributions as shareholders of the Combined Fund.

*Tax Considerations.*

The Reorganization is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. If the Reorganization so qualifies, in general, shareholders of BQY will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their BQY common shares for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, BQY will recognize no gain or loss for U.S. federal income tax purposes by reason of the Reorganization. Neither BDJ nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to the Reorganization. Shareholders of each Fund may receive distributions prior to, or after, the consummation of the Reorganization, including distributions attributable to their proportionate share of Combined Fund built-in gains, if any, recognized after the Reorganization, when such income and gains are eventually distributed by the Combined Fund. Such distribution may be taxable to shareholders for U.S. federal income tax purposes. It is a condition to the closing of the Reorganization that BQY and BDJ receive an opinion from Skadden Arps, dated as of the Closing Date, regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code.

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

See Certain Federal Income Tax Consequences of the Reorganization for a summary of certain U.S. federal income tax consequences of the Reorganization.

### **General Risks of Investing in the Acquiring Fund**

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. Risk is inherent in all investing. The value of your investment in the Acquiring Fund, as well as the amount of return you receive on your investment, may fluctuate significantly from day to day and over time. The Acquiring Fund is not meant to provide a vehicle for those who wish to exploit short-term swings in the stock market and is intended for long-term investors. An investment in shares of the Acquiring Fund should not be considered a complete investment program. Each shareholder should take into account the Acquiring Fund's investment objectives as well as the shareholder's other investments when considering an investment in the Acquiring Fund. You may lose part or all of your investment in the Acquiring Fund or your investment may not perform as well as other similar investments. The risks that predominately affect shares of the Acquiring Fund include the following:

Investment and Market Discount Risk. An investment in the Acquiring Fund's common shares is subject to investment risk, including the possible loss of the entire amount that you invest. As with any stock, the price of the Acquiring Fund's common shares will fluctuate with market conditions and other factors. Common shares are designed for long-term investors and the Acquiring Fund should not be treated as a trading vehicle. Shares of closed-end management investment companies frequently trade at a discount from their NAV. This risk is separate and distinct from the risk that the Acquiring Fund's NAV could decrease as a result of its investment activities. At any point in time an investment in the Acquiring Fund's common shares may be worth less than the original amount invested, even after taking into account distributions paid by the Acquiring Fund. This risk may be greater for investors who sell their common shares in a relatively short period of time after completion of the Reorganization.

Equity Securities Risk. The Acquiring Fund will have exposure to common stocks. Stock markets are volatile, and the price of equity securities fluctuates based on changes in a company's financial condition and overall market and economic conditions. Although common stocks have historically generated higher average total returns than fixed income securities over the long-term, common stocks also have experienced significantly more volatility in those returns and, in certain periods, have significantly under-performed relative to fixed income securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Acquiring Fund. A common stock may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. The value of a particular common stock held by the Acquiring Fund may decline for a number of other reasons which directly relate to the issuer, such as management performance, financial leverage, the issuer's historical and prospective earnings, the value of its assets and reduced demand for its goods and services. Also, the price of common stocks is sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which the Acquiring Fund has exposure. Common stock prices fluctuate for several reasons, including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase. Common equity securities in which the Acquiring Fund may invest are structurally subordinated to preferred stock, bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and are therefore inherently more risky than preferred stock or debt instruments of such issuers.

Dividend Risk. Dividends on common stocks are not fixed but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of the common stocks in which the Acquiring Fund invests will declare dividends in the future or that if declared they will remain at current levels or increase over time. There is no assurance as to what portion of the Acquiring Fund's distributions will constitute qualified dividend income.



Risks Associated with the Acquiring Fund's Option Strategy. The ability of the Acquiring Fund to achieve current gains is partially dependent on the successful implementation of its option strategy. Risks that may adversely affect the ability of the Acquiring Fund to successfully implement its option strategy include the following:

*Risks Associated with Options on Securities Generally.* There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objective. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

*Risks of Writing Options.* As the writer of a covered call option, the Acquiring Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained the risk of loss should the price of the underlying security decline. As the Acquiring Fund writes covered calls over more of its portfolio, its ability to benefit from capital appreciation becomes more limited and the risk of net asset value erosion increases. If the Acquiring Fund experiences net asset value erosion, which itself may have an indirect negative effect on the market price of the Acquiring Fund's shares, the Acquiring Fund will have a reduced asset base over which to write covered calls, which may eventually lead to reduced distributions to shareholders. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

Writing covered call options entails certain risks, which include, but are not limited to, the following: an increase in the value of the underlying equity security above the strike price can result in the exercise of a written option (sale by the Acquiring Fund to the counterparty) when the Acquiring Fund might not otherwise have sold the security; exercise of the option by the counterparty will result in a sale below the current market value and will result in a gain or loss being realized by the Acquiring Fund; and writing covered call options limits the potential appreciation that could be realized on the underlying equity security to the extent of the strike price of the option. As such, an option over-writing strategy may outperform the general equity market in flat or falling markets but underperform in rising markets.

*Exchange-Listed Option Risks.* There can be no assurance that a liquid market will exist when the Acquiring Fund seeks to close out an option position on an options exchange. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options). If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. However, outstanding options on that exchange that had been issued by the Options Clearing Corporation as a result of trades on that exchange would continue to be exercisable in accordance with their terms. If the Acquiring Fund were unable to close out a covered call option that it had written on a security, it would not be able to sell the underlying security unless the option expired without exercise.

The hours of trading for options on an exchange may not conform to the hours during which the underlying securities are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets. Call options are marked to market daily and their value will be affected by changes in the value and dividend rates of the underlying common stocks, an

increase in interest rates, changes in the actual or perceived volatility of the stock market and the underlying common stocks and the remaining time to the options' expiration. Additionally, the exercise price of an option may be adjusted downward before the option's expiration as a result of the occurrence of certain corporate events affecting the underlying equity security, such as extraordinary dividends, stock splits, merger or other extraordinary distributions or events. A reduction in the exercise price of an option would reduce the Acquiring Fund's capital appreciation potential on the underlying security.

*Over-the-Counter Option Risk.* The Acquiring Fund may write (sell) unlisted over-the-counter or OTC options to a significant extent. Options written by the Acquiring Fund with respect to non-U.S. securities, indices or sectors generally tend to be OTC options. OTC options differ from exchange-listed options in that they are two-party contracts, with exercise price, premium and other terms negotiated between buyer and seller, and generally do not have as much market liquidity as exchange-listed options. The counterparties to these transactions typically will be major international banks, broker-dealers and financial institutions. The Acquiring Fund may be required to treat as illiquid securities being used to cover certain written OTC options. The OTC options written by the Acquiring Fund will not be issued, guaranteed or cleared by the Options Clearing Corporation. In addition, the Acquiring Fund's ability to terminate the OTC options may be more limited than with exchange-traded options. Banks, broker-dealers or other financial institutions participating in such transactions may fail to settle a transaction in accordance with the terms of the option as written. In the event of default or insolvency of the counterparty, the Acquiring Fund may be unable to liquidate an OTC option position.

*Index Option Risk.* The Acquiring Fund may sell index call and put options from time to time. The purchaser of an index call option has the right to any appreciation in the value of the index over the exercise price of the option on or before the expiration date. The purchaser of an index put option has the right to any depreciation in the value of the index below the exercise price of the option on or before the expiration date. Because the exercise of an index option is settled in cash, sellers of index call options, such as the Acquiring Fund, cannot provide in advance for their potential settlement obligations by acquiring and holding the underlying securities. The Acquiring Fund will lose money if it is required to pay the purchaser of an index option the difference between the cash value of the index on which the option was written and the exercise price and such difference is greater than the premium received by the Acquiring Fund for writing the option. The value of index options written by the Acquiring Fund, which will be priced daily, will be affected by changes in the value and dividend rates of the underlying common stocks in the respective index, changes in the actual or perceived volatility of the stock market and the remaining time to the options' expiration. The value of the index options also may be adversely affected if the market for the index options becomes less liquid or smaller. Distributions paid by the Acquiring Fund on its common shares may be derived in part from the net index option premiums it receives from selling index call and put options, less the cost of paying settlement amounts to purchasers of the options that exercise their options. Net index option premiums can vary widely over the short term and long term.

*Limitation on Option Writing Risk.* The number of call options the Acquiring Fund can write is limited by the total assets the Acquiring Fund holds and is further limited by the fact that all options represent 100 share lots of the underlying common stock. Furthermore, the Acquiring Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Acquiring Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Investment Advisor. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose certain other sanctions.

*Tax Risk.* Income on options on individual stocks will not be recognized by the Acquiring Fund for tax purposes until an option is exercised, lapses or is subject to a closing transaction (as defined by applicable regulations) pursuant to which the Acquiring Fund's obligations with respect to the option are otherwise terminated. If the option lapses without exercise or is otherwise subject to a closing transaction, the premiums received by the Acquiring Fund from the writing of such options will generally be characterized as short-term capital gain. If an option written by the Acquiring Fund is exercised, the Acquiring Fund may recognize taxable gain depending on the exercise price of the option, the option premium, and the Acquiring Fund's tax basis in the security underlying the option. The character of any gain on the sale of the underlying security as short-term or long-term capital gain will depend on the holding period of the Acquiring Fund in the underlying security. In general, distributions received by shareholders of the Acquiring Fund that are attributable to short-term capital gains recognized by the Acquiring Fund from its option writing activities will be taxed to such shareholders as ordinary income and will not be eligible for the reduced tax rate applicable to qualified dividend income.

Options on indices of securities and sectors of securities will generally be marked-to-market for U.S. federal income tax purposes. As a result, the Acquiring Fund will generally recognize gain or loss on the last day of each taxable year equal to the difference between the value of the option on that date and the adjusted basis of the option. The adjusted basis of the option will consequently be increased by such gain or decreased by such loss. Any gain or loss with respect to options on indices and sectors will be treated as short-term capital gain or loss to the extent of 40% of such gain or loss and long-term capital gain or loss to the extent of 60% of such gain or loss. Because the mark-to-market rules may cause the Acquiring Fund to recognize gain in advance of the receipt of cash, the Acquiring Fund may be required to dispose of investments in order to meet its distribution requirements.

Small and Mid-Cap Stock Risk. The Acquiring Fund may invest in companies with small or medium capitalizations. Smaller and medium company stocks can be more volatile than, and perform differently from, larger company stocks. There may be less trading in a smaller or medium company's stock, which means that buy and sell transactions in that stock could have a larger impact on the stock's price than is the case with larger company stocks. As a result, the purchase or sale of more than a limited number of shares of a small or medium company may affect its market price. The Acquiring Fund may need a considerable amount of time to purchase or sell its positions in these securities. In addition, smaller or medium company stocks may not be well known to the investing public. Smaller and medium companies may have fewer business lines; changes in any one line of business, therefore, may have a greater impact on a smaller and medium company's stock price than is the case for a larger company.

Investments in Unseasoned Companies. The Acquiring Fund may invest in the securities of smaller, less seasoned companies. These investments may present greater opportunities for growth, but also involve greater risks than customarily are associated with investments in securities of more established companies. Some of the companies in which the Acquiring Fund may invest will be start-up companies which may have insubstantial operational or earnings history or may have limited products, markets, financial resources or management depth. Some may also be emerging companies at the research and development stage with no products or technologies to market or approved for marketing. Securities of emerging companies may lack an active secondary market and may be subject to more abrupt or erratic price movements than securities of larger, more established companies or stock market averages in general. Competitors of certain companies may have substantially greater financial resources than many of the companies in which the Acquiring Fund may invest.

Non-U.S. Securities Risk and Emerging Markets Risk. Investing in non-U.S. securities involves certain risks not involved in domestic investments, including, but not limited to: fluctuations in foreign exchange rates; future foreign economic, financial, political and social developments; different legal systems; the possible imposition of exchange controls or other foreign governmental laws or restrictions, including expropriation; lower trading volume; much greater price volatility and illiquidity of certain non-U.S. securities markets; different trading and

settlement practices; less governmental supervision; changes in currency exchange rates; high and volatile rates of inflation; fluctuating interest rates; less publicly available information; and different accounting, auditing and financial recordkeeping standards and requirements.

Certain countries in which the Acquiring Fund may invest, especially emerging market countries, historically have experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. Many of these countries are also characterized by political uncertainty and instability. The cost of servicing external debt will generally be adversely affected by rising international interest rates because many external debt obligations bear interest at rates that are adjusted based upon international interest rates. In addition, with respect to certain foreign countries, there is a risk of: the possibility of expropriation or nationalization of assets; confiscatory taxation; difficulty in obtaining or enforcing a court judgment; restrictions on currency repatriation; economic, political or social instability; and diplomatic developments that could affect investments in those countries.

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

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

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

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

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

**Derivatives Risk.** Derivatives are financial contracts whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. The Acquiring Fund typically uses derivatives as a substitute for taking a position in the underlying asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate or currency risk.

Certain derivative transactions may give rise to a form of leverage. Leverage associated with derivative transactions may cause the Acquiring Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, pursuant to applicable SEC rules and regulations, or may cause the Acquiring Fund to be more volatile than if the Acquiring Fund had not been leveraged.

The Acquiring Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks described elsewhere in this section, such as liquidity risk, interest rate risk, market risk, credit risk and management risk. They also involve the risk of mispricing or improper valuation.

Derivatives also involve the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. In this regard, the Acquiring Fund seeks to achieve its investment objectives, in part, by investing in derivatives positions that are designed to closely track the performance (or inverse performance) of an index on a daily basis. However, the overall investment strategies of the Acquiring Fund are not designed or expected to produce returns which replicate the performance (or inverse performance) of the particular index, and the degree of variation could be substantial, particularly over longer periods. There are a number of factors which may prevent the Acquiring Fund, or the derivatives or other strategies used by the Acquiring Fund, from achieving desired correlation (or inverse correlation) with an index, such as the impact of fees, expenses and transaction costs, the timing of pricing, and disruptions or illiquidity in the markets for derivative instruments or securities in which the Acquiring Fund invests.