

MUNIYIELD ARIZONA FUND INC /NJ/  
Form PRE 14A  
May 24, 2006

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

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

MuniYield Florida Insured Fund	Apex Municipal Fund, Inc.
MuniYield Michigan Insured Fund, Inc.	Corporate High Yield Fund, Inc.
MuniYield New Jersey Insured Fund, Inc.	Corporate High Yield Fund III, Inc.
MuniYield Pennsylvania Insured Fund	Corporate High Yield Fund V, Inc.
The S&P 500®Protected Equity Fund, Inc.	Corporate High Yield Fund VI, Inc.
Muni Intermediate Duration Fund, Inc.	MuniAssets Fund, Inc.
Muni New York Intermediate Duration Fund, Inc.	MuniEnhanced Fund, Inc.
Debt Strategies Fund, Inc.	MuniHoldings California Insured Fund, Inc.
Diversified Income Strategies Portfolio, Inc.	MuniHoldings Insured Fund II, Inc.
Floating Rate Income Strategies Fund, Inc.	MuniYield Fund, Inc.
Floating Rate Income Strategies Fund II, Inc.	MuniYield Arizona Fund, Inc.
MuniHoldings Florida Insured Fund	MuniYield California Fund, Inc.
MuniHoldings Fund, Inc.	MuniYield California Insured Fund, Inc.
MuniHoldings Fund II, Inc.	MuniYield Florida Fund
MuniHoldings Insured Fund, Inc.	MuniYield Insured Fund, Inc.
MuniHoldings New Jersey Insured Fund, Inc.	MuniYield Michigan Insured Fund II, Inc.
MuniHoldings New York Insured Fund, Inc.	MuniYield New Jersey Fund, Inc.
MuniVest Fund, Inc.	MuniYield New York Insured Fund, Inc.
MuniVest Fund II, Inc.	MuniYield Quality Fund, Inc.
Senior High Income Portfolio, Inc.	MuniYield Quality Fund II, Inc.
Preferred and Corporate Income Strategies Fund, Inc.	The Europe Fund, Inc.
Enhanced Equity Yield & Premium Fund, Inc.	Capital And Income Strategies Fund, Inc.
Enhanced Government Fund, Inc.	Preferred Income Strategies Fund, Inc.
Enhanced Equity Yield Fund, Inc.	

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(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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Payment Of Filing Fee (Check the appropriate box):

- No fee required.

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Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:  

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

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

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- 4) Proposed maximum aggregate value of transaction:  

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- 5) Total fee paid:  

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Fee paid previously with preliminary materials.

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

- 1) Amount Previously Paid:  

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

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- 3) Filing Party:  

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- 4) Date Filed:  

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June \_\_, 2006

Dear Shareholder:

An annual or special meeting of your Merrill Lynch Fund\* (each, a Fund, and collectively, the Funds ) will be held at the offices of Merrill Lynch Investment Managers, L.P., 800 Scudders Mill Road, Plainsboro, New Jersey 08536, on Monday, July 31, 2006, or Tuesday, August 15, 2006 (see Appendix A of the enclosed joint proxy statement for the date of your Fund's meeting), at 9:00 a.m. (Eastern time), to vote on the proposals listed in the enclosed joint proxy statement.

Merrill Lynch & Co., Inc. ( ML & Co. ), the parent company of the Funds' investment advisers, and BlackRock, Inc., have agreed to a transaction (the Transaction ) to combine Merrill Lynch Investment Managers, L.P. and certain affiliates ( MLIM ) with BlackRock, Inc. to form a new asset management company. The Transaction, when it is consummated, will cause the Funds' investment advisory agreements to terminate. In order for the management of each Fund to continue uninterrupted after the Transaction, we are asking the shareholders of each Fund to approve a new investment advisory agreement. We are also asking shareholders of each Fund to approve a new subadvisory agreement with BlackRock Advisors, Inc. on a contingent basis to the extent the Fund's Board of Directors/Trustees and MLIM deem it necessary and in the best interests of the Fund and its shareholders that BlackRock Advisors, Inc. assist in managing the operations of the Fund during the interim period prior to the consummation of the Transaction. Each Fund's total fees for services under its new investment advisory agreement and contingent subadvisory agreement will be no higher than the fees currently payable under its existing investment advisory agreement.

In addition, the shareholders of certain Funds will be asked to elect Directors/Trustees of their Funds.

**The Directors/Trustees responsible for your Fund recommend that you vote FOR these proposals to be presented at the meeting applicable to your Fund.**

You are cordially invited to attend any meeting at which you may vote shares. **Shareholders who do not expect to attend any such meeting in person are requested to complete, date and sign the enclosed form of proxy and return it promptly in the envelope provided for this purpose. If you have been provided with the opportunity on your proxy card or voting instruction form to provide voting instructions via telephone or the Internet, please take advantage of these prompt and efficient voting options.** The enclosed proxy is being solicited on behalf of the Board of Directors/Trustees of each Fund.

If you have any questions regarding the enclosed proxy material or need assistance in voting your shares, please contact our proxy solicitor, Computershare Fund Services, at 1-800-645-4519.

Sincerely,

ALICE A. PELLEGRINO  
Secretary

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\* The Funds are listed in the Notice of Meeting and in Appendix A to the enclosed joint proxy statement.

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### IMPORTANT NEWS FOR FUND SHAREHOLDERS

While we encourage you to read the full text of the enclosed Joint Proxy Statement, for your convenience, we have provided a brief overview of the matters to be voted on.

#### QUESTIONS AND ANSWERS

**Q: What am I being asked to approve in this proxy statement?**

**A:** You are being asked to vote in favor of proposals:

- 1 To elect a Board of Directors/Trustees for certain of the Funds.

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2. To approve a new investment advisory agreement between your Fund and BlackRock Advisors, Inc. ( BlackRock Advisors ). This new investment advisory agreement will take effect when the transaction (the Transaction ) to combine Merrill Lynch Investment Managers, L.P. and certain affiliates ( MLIM ) with BlackRock, Inc. to form a new asset management company is complete. Until that time, it is expected that your Fund s current investment adviser will continue to manage your Fund.
3. To approve a contingent subadvisory agreement between your Fund s investment adviser and BlackRock Advisors. This contingent subadvisory agreement will only take effect upon recommendation from your Fund s current investment adviser and upon the subsequent approval of your Fund s Board of Directors/Trustees. It would be put in place to ensure that an appropriate level of portfolio management capability exists until the Transaction is complete.

**Q: Why am I being asked to vote on a new investment advisory agreement and a contingent subadvisory agreement?**

A: Merrill Lynch & Co., Inc. ( ML & Co. ) is the parent company of the Funds investment advisers and certain of the Funds subadvisers. ML & Co. has entered into an agreement to combine its investment management business, which includes the business of the Funds investment advisers and certain of the Funds subadvisers, with BlackRock, Inc., to form a new asset management company. As a result of the Transaction, ML & Co. is expected to have an ownership interest (which includes a voting interest) in the combined company. The Transaction will result in an assignment of the Funds investment advisory agreements, and thereby will cause such agreements to terminate. The closing of the Transaction, which is currently expected to take place in the third quarter of 2006, is subject, among other things, to approval by shareholders of BlackRock, Inc., and approval of the proposed new investment advisory arrangements by a sufficient number of the funds managed by MLIM such that revenues generated from such investment advisory arrangements are maintained at a level equal to 75% of such revenues on December 31, 2005. Your Fund s Board of Directors/Trustees has approved, and recommends that you approve, the new investment advisory agreements. In addition, your Fund s Board of Directors/Trustees has approved, and recommends that you approve, a contingent subadvisory agreement for the Fund, which will serve to ensure, to the extent deemed necessary by your Fund s Board of Directors/Trustees, that an appropriate level of portfolio management capability can continue during the course of completing the Transaction.

**Q: How does the proposed new investment advisory agreement differ from my Fund s existing agreement?**

A: Other than the identity of the investment adviser, each Fund s new investment advisory agreement is similar in all material respects to its existing investment advisory agreement.

**Q: Will the total fees payable under my current investment advisory agreement increase?**

A: No. The total fees payable under the new investment advisory agreement, including waivers and expense reimbursements, will be no higher than the fees under your current investment advisory agreement. Any fees payable under the contingent subadvisory agreement will be paid solely by your Fund s adviser at no additional cost to you or your Fund. One Fund included in the Joint Proxy Statement, The Europe Fund, Inc., currently operates under separate investment advisory and

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administration agreements, and both functions will continue to operate independently and the fees payable under both agreements will remain the same.

**Q: How do the Board members suggest I vote in connection with the matters to be considered at the meeting?**

A: After careful consideration, the Board of your Fund recommends that you vote FOR each of the proposals being presented to shareholders at the meeting.

**Q: Will my vote make a difference?**

A: Your vote is needed to ensure that a quorum is present at the meetings and that sufficient votes are cast so that the proposals can be acted upon. We encourage all shareholders to participate in the governance of their Fund.

**Q: Are the Funds paying for preparation, printing and mailing of this proxy?**

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A: No, all costs will be borne by ML & Co. whether or not the proposals are successful.

**Q: Whom do I call if I have questions?**

A: If you need any assistance, or have any questions regarding the proposals or how to vote your shares, please call Computershare Fund Services at 1-800-645-4519.

**Q: How do I vote my shares?**

A: You can vote your shares by attending the meeting, or if you do not expect to attend, by completing and signing each enclosed proxy card and mailing it in the enclosed-postage-paid envelope. Alternatively, you may vote by telephone by calling the toll-free number on the voting instruction form or by computer by going to the Internet address provided on the proxy card and following the instructions, using your voting instruction form as a guide.

**It is important that you vote promptly.**

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MuniYield Florida Insured Fund	Apex Municipal Fund, Inc.
MuniYield Michigan Insured Fund, Inc.	Corporate High Yield Fund, Inc.
MuniYield New Jersey Insured Fund, Inc.	Corporate High Yield Fund III, Inc.
MuniYield Pennsylvania Insured Fund	Corporate High Yield Fund V, Inc.
The S&P 500® Protected Equity Fund, Inc.	Corporate High Yield Fund VI, Inc.
Muni Intermediate Duration Fund, Inc.	MuniAssets Fund, Inc.
Muni New York Intermediate Duration Fund, Inc.	MuniEnhanced Fund, Inc.
Debt Strategies Fund, Inc.	MuniHoldings California Insured Fund, Inc.
Diversified Income Strategies Portfolio, Inc.	MuniHoldings Insured Fund II, Inc.
Floating Rate Income Strategies Fund, Inc.	MuniYield Fund, Inc.
Floating Rate Income Strategies Fund II, Inc.	MuniYield Arizona Fund, Inc.
MuniHoldings Florida Insured Fund	MuniYield California Fund, Inc.
MuniHoldings Fund, Inc.	MuniYield California Insured Fund, Inc.
MuniHoldings Fund II, Inc.	MuniYield Florida Fund
MuniHoldings Insured Fund, Inc.	MuniYield Insured Fund, Inc.
MuniHoldings New Jersey Insured Fund, Inc.	MuniYield Michigan Insured Fund II, Inc.
MuniHoldings New York Insured Fund, Inc.	MuniYield New Jersey Fund, Inc.
MuniVest Fund, Inc.	MuniYield New York Insured Fund, Inc.
MuniVest Fund II, Inc.	MuniYield Quality Fund, Inc.
Senior High Income Portfolio, Inc.	MuniYield Quality Fund II, Inc.
Preferred and Corporate Income Strategies Fund, Inc.	The Europe Fund, Inc.
Enhanced Equity Yield & Premium Fund, Inc.	Capital & Income Strategies Fund, Inc.
	Preferred Income Strategies Fund, Inc.
	Enhanced Equity Yield Fund, Inc.
	Enhanced Government Fund, Inc.

P.O. Box 9011  
Princeton, New Jersey 08543-9011

**NOTICE OF 2006 ANNUAL OR SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD JULY 31, 2006  
OR AUGUST 15, 2006**

To the Shareholders:

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NOTICE IS HEREBY GIVEN that an annual or special meeting of the shareholders of each Fund listed above will be held at the offices of Merrill Lynch Investment Managers, L.P., 800 Scudders Mill Road, Plainsboro, New Jersey 08536, on Monday, July 31, 2006, or Tuesday, August 15, 2006 (see Appendix A of the enclosed joint proxy statement for the date of each Fund's meeting), at 9:00 a.m. (Eastern time), for the following purposes:

ITEM 1. To elect Directors/Trustees of the following Funds:

Senior High Income Portfolio, Inc.  
Floating Rate Income Strategies Fund, Inc.  
Floating Rate Income Strategies Fund II, Inc.  
Debt Strategies Fund, Inc.  
MuniHoldings Fund, Inc.  
MuniHoldings Insured Fund, Inc.  
Preferred Income Strategies Fund, Inc.  
The Europe Fund, Inc.  
Capital and Income Strategies Fund, Inc.  
Preferred & Corporate Income Strategies, Inc.  
Enhanced Equity Yield Fund, Inc.  
Enhanced Equity Yield & Premium Fund, Inc.

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Enhanced Government Fund, Inc.  
Muni Intermediate Duration Fund, Inc.  
Muni New York Intermediate Duration Fund, Inc.  
Corporate High Yield Fund III, Inc.  
Corporate High Yield Fund, Inc.  
MuniAssets Fund, Inc.

For each of these Funds, the meeting will constitute the 2006 annual meeting of shareholders.

ITEM 2. To approve a new Investment Advisory Agreement for each Fund.

ITEM 3. To approve a Contingent Subadvisory Agreement for each Fund.

ITEM 4. To transact such other business as may properly come before the meeting and any adjournments or postponements thereof.

**Your Directors/Trustees recommend that you vote FOR all items.**

Shareholders of record on June 2, 2006 are entitled to vote at the meeting and at any adjournments or postponements thereof.

**If you own shares in more than one Fund as of June 2, 2006, you may receive more than one proxy card. Please be certain to vote each proxy card you receive.**

**It is very important that your voting instructions be received no later than July \_\_, 2006.** Instructions for shares held of record in the name of a nominee such as a broker-dealer or trustee of an employee benefit plan may be subject to earlier cut off dates established by such intermediaries for receipt of such instructions.

You are invited to attend any meeting at which you may vote shares. **Shareholders who do not expect to attend any such meeting in person are requested to complete, date and sign the enclosed form of proxy and return it promptly in the envelope provided for this purpose. If you have been provided with the opportunity on your proxy card or voting instruction form to provide voting instructions via telephone or the Internet, please take advantage of these prompt and efficient voting options.** The enclosed proxy is being solicited on behalf of the Board of Directors/Trustees of each Fund.

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If you have any questions regarding the enclosed proxy material or need assistance in voting your shares, please contact our proxy solicitor, Computershare Fund Services at 1-800-645-4519.

By order of the Boards of Directors/Trustees,

ALICE A. PELLEGRINO  
*Secretary of the Funds*

June \_\_, 2006

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## 2006 ANNUAL OR SPECIAL MEETING OF SHAREHOLDERS

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**JULY 31, 2006 OR**  
**AUGUST 15, 2006**


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### JOINT PROXY STATEMENT

This Joint Proxy Statement is furnished in connection with the solicitation by the Board of Directors or Trustees (each, a Board, and collectively, the Boards, and each Director or Trustee, a Board Member, and collectively, the Board Members) of the ~~(each)~~ Fund, and collectively, the Funds) listed on the accompanying Notice to be voted at the annual or special meeting of shareholders of each Fund to be held at 9:00 a.m. (Eastern time) on Monday, July 31, 2006, or Tuesday, August 15, 2006 (see *Appendix A* of this Joint Proxy Statement for the date of each Fund's meeting) at the offices of Merrill Lynch Investment Managers, L.P., 800 Scudders Mill Road, Plainsboro, New Jersey 08536 (for each Fund, a Meeting, and collectively, the Meetings), and at any and all adjournments or postponements thereof. The Meetings will be held for the purposes set forth in the accompanying Notice.

The Board of each Fund has determined that the use of this Joint Proxy Statement for each Meeting is in the best interests of the Fund and its shareholders in light of the similar matters being considered and voted on by the shareholders of each of the Funds. This Joint Proxy Statement and the accompanying materials are being mailed by the Boards on or about June \_\_, 2006.

Each Fund is organized as either a Massachusetts business trust (each, a Trust) or a Maryland corporation (each, a Corporation). The Trusts and Corporations are registered investment companies. A list of each Trust and Corporation is set forth in *Appendix A*.

Shareholders of record at the close of business on June 2, 2006 (the Record Date) are entitled to vote at the Meetings. Shareholders of the Funds are entitled to one vote for each share held, with no shares having cumulative voting rights. Holders of the preferred shares (AMPS) of the AMPS Funds<sup>(3)</sup> (collectively, the AMPS Funds) will have equal voting rights with the shares of common stock of those Funds and will vote together with the common shares as a single class on the proposals on which they are entitled to vote, and separately on proposals on which they are entitled to vote separately. The manner in which shareholders of each Fund are entitled to vote is shown in the section below entitled

Additional Information Quorum and Vote Required.



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The number of shares of each Fund outstanding on the Record Date and the net assets of each Fund as of that date are shown in *Appendix B*. Except as set forth in *Appendix Q*, to the knowledge of each Fund, as of the Record Date, no person is the beneficial owner of five percent or more of that Fund's outstanding shares.

For each Fund in which you owned shares on the Record Date, a proxy card or voting instruction form, bearing the Fund's name, is included with this Joint Proxy Statement. If you own shares in more than one Fund as of the Record Date, you will receive more than one proxy card or voting instruction form. **Please complete EACH proxy**

- <sup>2</sup> The Funds will be referred to throughout this Joint Proxy Statement by the defined terms as set forth in *Appendix A*.
- <sup>3</sup> MY New Jersey Insured, Muni Intermediate, Muni New York Intermediate, MH Fund II, MH Insured, MH New Jersey Insured, MH New York Insured, MuniVest, MuniVest II, CHY, MuniAssets, MuniEnhanced, MH California Insured, MY Fund, MY Arizona, MY California, MY California Insured, MY Insured, MY Michigan Insured II, MY New Jersey, MY New York Insured, MY Quality, MY Quality II, Preferred Income, Preferred & Corporate, MY Florida Insured, MY Pennsylvania Insured and MY Florida.

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**card you receive, or if you vote by telephone or over the Internet, please vote on the proposals affecting EACH Fund you own.**

All properly executed proxies received prior to a Fund's Meeting will be voted at that Meeting. On the matters coming before each Meeting as to which a shareholder has specified a choice on that shareholder's proxy, the shares will be voted accordingly. If you are the record owner of your Fund shares and your proxy is properly executed and returned and no choice is specified, the shares will be voted as follows: (a) FOR the election of the nominees as listed in this Joint Proxy Statement, (b) FOR approval of the new investment advisory agreement and (c) FOR approval of the contingent subadvisory agreement. Shareholders who execute proxies may revoke them at any time before they are voted by filing with the applicable Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date or by attending the Meeting and voting in person. If your shares are held by your broker or dealer, you must provide voting instructions to such broker or dealer in order to vote your shares.

**Annual reports are sent to shareholders of record of each Fund following the Fund's fiscal year end. Each Fund will furnish, without charge, a copy of its annual report and most recent semi-annual report succeeding the annual report, if any, to a shareholder upon request. Such written or oral requests should be directed to the Fund at P.O. Box 9011, Princeton, New Jersey 08543-9011 or by calling Financial Data Services, Inc. toll free at 1-800-637-3863.**

Please note that only one annual report or Joint Proxy Statement may be delivered to two or more shareholders of a Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual report or the Joint Proxy Statement, 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 applicable Fund at the address and phone number set forth above.

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### YOUR VOTE IS IMPORTANT

**To avoid unnecessary expense of further solicitation, we urge you** to indicate voting instructions on the enclosed proxy card, date and sign it and return it promptly in the envelope provided, no matter how large or small your holdings may be. If you submit a properly executed proxy but do not indicate how you wish your shares to be voted, your shares will be voted **FOR** each of the proposals. If your shares are held in the name of your broker or dealer (*i.e.*, in street name), you must provide voting instructions to your broker or dealer about how to vote your shares in order for your broker or dealer to vote your shares on any proposal other than the election of Board Members.

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### SUMMARY OF PROPOSALS AND FUNDS AFFECTED

The following chart specifies the Funds whose shareholders will be voting at the Meetings on each of the proposals being presented for shareholder consideration. The proposals are set forth in the Notice and are discussed in detail in the Joint Proxy Statement.

	Proposal No. 1 to Elect Board Members	Proposal No. 2 to	Proposal No. 3 to

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Name of Fund	Board A	Board B	Board C	Board D	Approve New Investment Advisory Agreement	Approve Contingent Subadvisory Agreement
MY Florida Insured					a	a
MY Michigan Insured					a	a
MY New Jersey Insured					a	a
MY Pennsylvania Insured					a	a
S&P 500 Protected Equity					a	a
Muni Intermediate	a				a	a
Muni New York Intermediate	a				a	a
Debt Strategies		a			a	a
Diversified Income					a	a
FRIS		a			a	a
FRIS II		a			a	a
MH Florida Insured					a	a
MH Fund		a			a	a
MH Fund II					a	a
MH Insured		a			a	a
MH New Jersey Insured					a	a
MH New York Insured					a	a
MuniVest					a	a
MuniVest II					a	a
SHIP		a			a	a
Preferred & Corporate				a	a	a
Enhanced Equity Yield & Premium				a	a	a
Apex					a	a
CHY			a		a	a
CHY III			a		a	a
CHY V					a	a
CHY VI					a	a
MuniAssets			a		a	a
MuniEnhanced					a	a
MH California Insured					a	a
MH Insured II					a	a
MY Fund					a	a
MY Arizona					a	a
MY California					a	a
MY California Insured					a	a
MY Florida					a	a
MY Insured					a	a
MY Michigan Insured II					a	a
MY New Jersey					a	a
MY New York Insured					a	a
MY Quality					a	a
MY Quality II					a	a
Europe Fund				a	a	a

Capital & Income				a	a	a
Preferred Income				a	a	a
Enhanced Equity Yield				a	a	a
Enhanced Government				a	a	a

For each Fund electing Board Members, the Meeting constitutes the 2006 annual meeting of shareholders.

**ITEM 1 ELECTION OF BOARD MEMBERS**

The purpose of this proposal is to elect the Board Members of the Boards of the Funds listed below.

Each Board supervises more than one Fund. It is intended that the enclosed proxy card will be voted for all nominees (each a Nominee and, collectively, the Nominees ) for the Board of the applicable Fund, as shown below, unless a proxy contains specific instructions to the contrary.

**Funds Supervised By Board A**

Muni Intermediate  
Muni New York Intermediate

**Funds Supervised By Board B**

SHIP  
FRIS  
FRIS II  
Debt Strategies  
MH Fund  
MH Insured

**Funds Supervised By Board C**

CHY III  
CHY  
MuniAssets

**Funds Supervised By Board D**

Preferred Income  
Europe Fund  
Capital and Income  
Preferred & Corporate  
Enhanced Equity Yield  
Enhanced Equity Yield & Premium  
Enhanced Government

If, before the election, any Nominee refuses or is unable to serve, proxies will be voted for a replacement Nominee designated by the current Board Members.

Each Board Member will be elected to hold office until his or her successor is elected and qualified or until his or her earlier death, resignation, retirement or removal.

With respect to the AMPS Funds to which this Item applies, it is intended that all properly executed proxies of the holders of AMPS, voting separately as a class, will be voted (unless such authority has been withheld in the proxy or revoked as described herein) FOR the two (2) Nominees listed in the applicable Board below identified as AMPS Nominees to be elected by the holders of AMPS, and all properly executed proxies of the holders of common shares and AMPS, voting together as a single class, will be voted FOR the other Nominees listed in the chart.

With respect to all other Funds that are not AMPS Funds to which this Item applies, it is intended that all properly executed proxies will be voted (unless such authority has been withheld in the proxy or revoked as described herein) FOR the election of the Nominees:

Board A Nominees:

Donald W. Burton\*

Robert C. Doll, Jr.  
 Jack F. O'Brien  
 David H. Walsh  
 Fred G. Weiss\*

Board B Nominees:

Robert C. Doll, Jr.  
 Ronald W. Forbes\*  
 Cynthia A. Montgomery  
 Jean Margo Reid  
 Roscoe S. Suddarth  
 Richard R. West\*  
 Edward D. Zinbarg

Board C Nominees:

James H. Bodurtha  
 Robert C. Doll, Jr.  
 Kenneth A. Froot  
 Joe Grills  
 Herbert I. London  
 Roberta Cooper Ramo  
 Robert S. Salomon, Jr.

Board D Nominees:

David O. Beim  
 Robert C. Doll, Jr.\*  
 James T. Flynn  
 W. Carl Kester\*  
 Karen P. Robards

\* AMPS Nominee.

The Nominees listed above, with the exception of Robert C. Doll, Jr., are current Board Members who are not interested persons (as defined in the Investment Company Act of 1940, as amended (the 1940 Act)) of the Funds or MLIM or BlackRock Advisors, Inc. (the Independent Board Members).

Certain biographical and other information concerning the Nominees for the Boards is set forth in *Appendix D* to this Joint Proxy Statement. Each Nominee has consented to serve on the Board to which he or she has been nominated if elected by shareholders.

**Committee and Board Meetings**

Each Fund maintains two standing Board committees, the Audit Committee and the Nominating Committee. Currently, all of the Independent Board Members are members of each Fund's Audit Committee. The following table lists the current members of each Fund's Nominating Committee:

Funds	Nominating Committee Members
Funds supervised by Board A	Donald W. Burton, Jack F. O'Brien, David H. Walsh and Fred G. Weiss
Funds supervised by Board B	Cynthia A. Montgomery and Edward D. Zinbarg
Funds supervised by Board C	Herbert I. London, Roberta Cooper Ramo and Robert S. Salomon, Jr.

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Funds	Nominating Committee Members
Funds supervised by Board D	David O. Beim, James T. Flynn, W. Carl Kester and Karen P. Robards

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During each Fund's last fiscal year, each of the Board Members then in office attended at least 75% of the aggregate of the total number of meetings of the Board of that Fund held during the fiscal year and, if a member, the total number of meetings of the Audit Committee and Nominating Committee held during the period for which he or she served. For information about the number of meetings of the Board, the Audit Committee and the Nominating Committee held during each Fund's most recently completed fiscal year, see *Appendix C* to the Joint Proxy Statement.

### *Audit Committees*

The principal responsibilities of each Audit Committee are the appointment, compensation, retention and oversight of the Fund's independent registered public accounting firm, including the resolution of disagreements regarding financial reporting between Fund management and such independent registered public accounting firm. The Audit Committee's responsibilities include, without limitation, to (i) review with the independent registered public accounting firm the arrangements for and scope of annual and special audits and any other services provided by the independent registered public accounting firm to the Fund; (ii) discuss with the independent registered public accounting firm certain matters relating to the Fund's financial statements, including any adjustment to such financial statements recommended by such independent registered public accounting firm or any other results of any audit; (iii) ensure that the independent registered public accounting firm submits on a periodic basis a formal written statement with respect to their independence, discuss with the independent registered public accounting firm any relationships or services that may impact the objectivity and independence of the Fund's independent registered public accounting firm; and (iv) consider information and comments of the independent registered public accounting firm with respect to the Fund's accounting and financial reporting policies, procedures and internal control over financial reporting and Fund management's responses thereto. The Board of each Fund has adopted a written charter for the Audit Committee, a copy of which is attached to this Joint Proxy Statement as *Appendix F*. Each Audit Committee has independent legal counsel to assist it in connection with these duties.

Each Fund's Audit Committee also has received written disclosures and the letter required by Independence Standards Board Standard No. 1, as may be modified or supplemented, from either Deloitte & Touche LLP (D&T) or Ernst & Young LLP (E&Y), the independent registered public accounting firms for the Funds. Each Audit Committee has discussed with D&T and E&Y, as applicable, such firm's independence with respect to the Fund and certain matters required to be discussed by Statements on Auditing Standards No. 61. Each Audit Committee has considered whether the provision of non-audit services by the Fund's independent registered public accounting firm is compatible with maintaining the independence of that registered public accounting firm.

Each Audit Committee also reviews and discusses the audit of the Fund's financial statements with Fund management and the independent registered public accounting firm. If any material concerns arise during the course of the audit and the preparation of the audited financial statements mailed to shareholders and included in the Fund's Annual Report to Shareholders, the Audit Committee would be notified by Fund management or the independent registered public accounting firm. The Audit Committees received no such notifications for any Fund. Following each Audit Committee's review and discussion the Fund's independent registered public accounting firm, each Audit Committee and Fund's independent registered public accounting firm, each Audit Committee recommended to the Board Members that the Fund's audited financial statements for the Fund's most recently completed fiscal year (each Fund's fiscal year end is set forth in *Appendix B*) for which audited financial statements are available be included in each Fund's Annual Report to Shareholders.

### *Nominating Committees*

The principal responsibilities of the Nominating Committee are to identify individuals qualified to serve as Independent Board Members of the Fund and to recommend its nominees for consideration by the full Board. Each Nominating Committee has independent legal counsel to assist it in connection with these duties. While the Nominating Committee is solely responsible for the selection and nomination of the Fund's Independent Board

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Members, the Nominating Committee may consider nominations made by Fund shareholders as it deems appropriate. Fund shareholders who wish to recommend a nominee should send nominations to the Secretary of the Fund that include biographical information and set forth the qualifications of the proposed nominee. The Board of each Fund has adopted a written charter for the Nominating Committee, a copy of which is attached to this Joint Proxy Statement as *Appendix G*. The Nominating Committee charter is not available on any Fund website. The nomination of Jean Margo Reid to serve on Board B and Kenneth A. Froot to serve on Board C was recommended to the Nominating Committee of the respective Board by an Independent Board Member serving on that Board. The Nominating Committee was established as a separate Board Committee for each Fund in February 2004.

In identifying and evaluating a potential nominee to serve as an Independent Board Member of a Fund, the Nominating Committee will consider, among other factors, (i) the contribution that the person can make to the Board, with consideration being given to the person's business and professional experience, education and such other factors as the Committee may consider relevant; (ii) the character and integrity of the person; (iii) whether or not the person is an interested person as defined in the 1940 Act, and whether the person is otherwise qualified under applicable laws and regulations to serve as a Board Member of the Fund; (iv) whether or not the person has any relationships that might impair his or her independence, such as any business, charitable, financial or family relationships with Fund management, the investment adviser or manager of the Fund, any sub-adviser to the Fund, Fund service providers or their affiliates; (v) whether or not the person is financially literate pursuant to any applicable standards; (vi) whether or not the person serves on boards of, or is otherwise affiliated with, competing financial service organizations or their related investment company complexes; (vii) whether or not the person is willing to serve, and willing and able to commit the time necessary for the performance of the duties of a Board Member of the Fund; and (viii) whether or not the selection and nomination of the person would be consistent with the requirements of the Fund's retirement policy.

### **Shareholder Communications**

Shareholders may send written communications to a Fund's Board or to an individual Board Member by mailing such correspondence to the Secretary of the applicable Fund at 800 Scudders Mill Road, Plainsboro, New Jersey 08536. Such communications must be signed by the shareholder and identify the class and number of shares held by the shareholder. Properly submitted shareholder communications will, as appropriate, be forwarded to the entire Board or to the individual Board Member. Any shareholder proposal submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act), must continue to meet all the requirements of Rule 14a-8. See Additional Information Shareholder Proposals herein.

### **Compliance with Section 16(a) of the Securities Exchange Act of 1934**

Section 16(a) of the Exchange Act requires the officers and Board Members of each Fund and persons who own more than ten percent of a registered class of the Fund's equity securities to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission (Commission). Officers, Board Members and greater than ten percent shareholders of each Fund are required by Commission regulations to furnish the Fund with copies of all Forms 3, 4 and 5 they file.

Based solely on a review of the copies of such forms, and amendments thereto, with respect to each Fund, furnished to it during or with respect to its most recent fiscal year, and written representations from certain reporting persons that they were not required to file Form 5 with respect to the most recent fiscal year, each Fund believes that all of its officers, Board Members, greater than ten percent beneficial owners and other persons subject to Section 16 of the Exchange Act due to the requirements of Section 30 of the Investment Company Act (*i.e.*, any advisory board member, investment adviser or affiliated person of a Fund's investment adviser) have complied with all filing requirements applicable to them with respect to transactions during each Fund's most recent fiscal year.

### **Board Member Attendance at Shareholder Meetings**

The Funds have no formal policy regarding Board Member attendance at shareholder meetings. None of the Board Members attended the Funds' most recent annual meeting of shareholders.

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### **Interested Persons**

Each Fund considers Mr. Doll to be an interested person of the Fund within the meaning of Section 2(a)(19) of the 1940 Act based on positions Mr. Doll holds with Merrill Lynch Investment Managers, L.P. (MLIM), Fund Asset Management, L.P. (FAM), Princeton Services, Inc. (Princeton Services) and Princeton Administrators, L.P. (Princeton Administrators) or their affiliates. Mr. Doll also serves as the President of each Fund.

### **Compensation of Board Members**

The investment adviser or administrator of each Fund pays all compensation to all officers of each Fund and all Board Members of each Fund who are affiliated with Merrill Lynch & Co., Inc. (ML & Co.) or its subsidiaries. Each Fund supervised by Board A or Board B pays each Independent Board Member a combined fee for service on the Board and the Audit Committee. Each Fund supervised by Board C or Board D pays each Independent Board Member an annual retainer for his or her services to all funds advised by MLIM or FAM (MLIM/FAM-advised

funds ). The portion of the annual retainer allocated to each MLIM/FAM-advised fund is determined quarterly based, in general, on the relative net assets of each such Fund. In addition, each Fund pays each Independent Board Member a per meeting fee for each in-person Board meeting and in-person Audit Committee meeting attended. The Chairman of each Fund's Audit Committee, and the Chairman of the Board of Europe Fund, Capital & Income, Preferred Income, Enhanced Equity Yield, Enhanced Government, Preferred & Corporate, and Enhanced Equity Yield & Premium, each receives an additional annual fee. Each Independent Board Member also receives an aggregate fee for each special in-person meeting attended, which is allocated equally among all the applicable Funds overseen by the Board Member. The Fund reimburses each Independent Board Member for his or her out-of-pocket expenses relating to attendance at Board, Audit Committee and any Nominating Committee meetings. Information relating to (i) the aggregate fees and expenses paid by each Fund to its Independent Board Members during each Fund's most recently completed fiscal year is set forth in *Appendix C* to this Joint Proxy Statement and (ii) the compensation received by each Independent Board Member from each Fund and from all MLIM/FAM-advised funds is set forth in *Appendix D* to this Joint Proxy Statement. Compensation of Board Members is considered by each Fund's entire Board in lieu of a compensation committee.

#### Officers of Each Fund

Information relating to the officers of each Fund is set forth in *Appendix E* to this Joint Proxy Statement. Officers of the Funds are elected and appointed by the Board and hold office until they resign, are removed or are otherwise disqualified to serve.

#### Share Ownership

Set forth in *Appendix D* to this Joint Proxy Statement is the following information for each Nominee: (i) the number of shares of common stock or shares of beneficial interest of each Fund owned; (ii) the aggregate dollar range such share ownership represents; and (iii) the aggregate dollar range of securities owned in all MLIM/FAM-advised funds for which the Nominee currently serves as a Board Member.

As of April 30, 2006, no non-interested Nominee or his or her immediate family members, owned beneficially or of record any securities of ML & Co. or BlackRock, Inc. As of April 30, 2006, the Board Members and officers of each Fund as a group owned an aggregate of less than 1% of the Fund's outstanding shares. At such date, Mr. Doll, a Board Member and President of each Fund, and the other officers of each Fund, owned an aggregate of less than 1% of the outstanding shares of common stock of ML & Co. or BlackRock, Inc.

See Additional Information Quorum and Vote Required for the required vote necessary for the election of the Nominees with respect to each Fund.

**The Board of each Fund recommends that shareholders of the Fund vote FOR the election of each of the Nominees to the Board.**

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## ITEM 2 APPROVAL OF A NEW INVESTMENT ADVISORY AGREEMENT

At the Meeting, you will be asked to approve a new investment advisory agreement between your Fund and BlackRock Advisors, Inc. (each a New Investment Advisory Agreement, and collectively, the New Investment Advisory Agreements ). For a general description of the proposed New Investment Advisory Agreement and a general comparison of the proposed New Investment Advisory Agreement and the investment advisory or management agreements currently in effect for each Fund (each, a Current Investment Advisory Agreement, and collectively, the Current Investment Advisory Agreements ) see The New Investment Advisory Agreement and Comparison of Current Investment Advisory Agreements to the New Investment Advisory Agreements below. A detailed comparison of the proposed New Investment Advisory Agreement with a standard form of Current Investment Advisory Agreement is included in *Appendix H*. The form of the New Investment Advisory Agreement for the Funds is attached hereto as *Appendix I*.

MLIM, FAM, Merrill Lynch Investment Managers International Limited ( MLIM-LTD ), and Merrill Lynch Asset Management U.K. Limited ( MLAM U.K. ) currently provide investment advisory services to the Funds. MLIM, FAM, MLIM-LTD and MLAM U.K. (each, an Adviser, and collectively, the Advisers ) serve as investment advisers to the Funds as set forth in *Appendix B* and are responsible for the Funds overall investment strategy and its implementation. The date of each Fund's Current Investment Advisory Agreement and the date on which it was last approved by shareholders and approved for continuance by the Board is provided in *Appendix K*.

The Board Members are proposing a New Investment Advisory Agreement for each Fund because the Current Investment Advisory Agreements will terminate upon completion of the Transaction. This Transaction is discussed in more detail below. As required by the 1940 Act,

each Current Investment Advisory Agreement provides for automatic termination upon its assignment. Under the 1940 Act, a change in control of an investment adviser constitutes an assignment. The consummation of the Transaction will result in the assignment of the Current Investment Advisory Agreements, and their automatic termination. Therefore, as described below, shareholders of each Fund are being asked to approve a New Investment Advisory Agreement for their Fund. The New Investment Advisory Agreements would only be effective as of the consummation of the Transaction. If the Transaction is never completed, the New Investment Advisory Agreements would not go into effect and the Current Investment Advisory Agreements would continue in effect.

### Description of the Transaction

On February 15, 2006, ML & Co. entered into a definitive agreement (the Transaction Agreement) with BlackRock, Inc. to combine MLIM and certain affiliates, including FAM, MLAM U.K. and MLIM-LTD (together, MLIM), with BlackRock, Inc., to form a new asset management company (New BlackRock) that will be one of the world's largest asset management firms with approximately \$1 trillion of assets under management based on pro forma combined assets as of December 31, 2005. ML & Co. is expected to own up to a 49.8% economic interest (which includes a 45% voting interest) in New BlackRock.

The closing of the Transaction, which is currently expected to take place in the third quarter of 2006, is subject, among other things, to approval by shareholders of BlackRock, Inc., approval of the proposed new investment advisory arrangements by a sufficient number of the funds managed by MLIM such that revenues generated from such investment advisory arrangements are maintained at a level equal to 75% of such revenues on December 31, 2005, and receipt of certain domestic and international regulatory approvals (including expiration of the required waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended) and other customary closing conditions.

ML & Co., a Delaware corporation formed in 1973, is a holding company that, through its subsidiaries and affiliates, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis. ML & Co.'s investment management business being transferred to BlackRock, Inc. in the Transaction had \$576.1 billion of assets under management as of March 31, 2006. MLIM offers a wide range of investment management capabilities to retail and institutional investors through proprietary and third-party distribution channels globally. MLIM's asset management capabilities include equity, fixed income, money market, index, enhanced index and alternative investments, which are offered through vehicles such as mutual funds, privately managed accounts, and retail and institutional separate accounts. ML & Co., MLIM and their respective affiliates are sometimes referred to herein as Merrill Lynch.

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BlackRock, Inc., a Delaware corporation formed in 1988 (together, with its subsidiaries, BlackRock), is one of the largest publicly traded investment management-specific firms in the United States, with \$463.1 billion of assets under management at March 31, 2006. BlackRock manages fixed income, cash management, equity and alternative investment products on behalf of institutional and individual investors worldwide. BlackRock also offers risk management, investment system outsourcing and financial advisory services to institutional investors under the *BlackRock Solutions*<sup>®</sup> brand name.

It is anticipated that following the closing of the Transaction the majority of the Funds and any Advisers being transferred to BlackRock in the Transaction will operate under the BlackRock brand.

New BlackRock will be the largest publicly traded investment management-specific firm in the United States on the basis of pro forma combined assets under management as of December 31, 2005. Its shares of common stock will be listed on the New York Stock Exchange, Inc. (the NYSE). The board of directors of New BlackRock will consist of 17 members (nine independent, four New BlackRock management, two Merrill Lynch and two PNC Financial Services Group, Inc.). The audit, nominating and compensation committees of the board will consist exclusively of independent directors.

The strategic rationale of the Transaction for ML & Co. and BlackRock is to bring together the highly complementary strengths of MLIM and BlackRock in asset classes, investment products, distribution channels and global platforms and achieve the larger operating and financial scale necessary to compete effectively on a global basis. MLIM and BlackRock believe they share similar values and cultures with a commitment to teamwork and excellence and a strong emphasis on performance and regulatory compliance. ML & Co. believes that there are certain advantages to operating an investment advisory business as an independent company rather than as part of a diversified financial company in part because of differences between the broker-dealer and investment advisory businesses. Each business is distinct in terms of the services provided to and the relationship with customers, the marketing of such services, the compensation arrangements and the potential conflicts of interest involved. Broker-dealers and investment advisers operate under separate regulatory regimes which reflect these differences. The increased independence of the investment adviser may alleviate some of the potential conflicts of interest that exist between providing



investment advisory services and the distribution of advisory services by broker-dealers.

The Funds have been advised by ML & Co. and BlackRock that the Transaction is designed by ML & Co. and BlackRock to bring together the best of both organizations including:

New BlackRock will offer investment management services in every major asset class, encompassing equity, fixed income, liquidity and alternative investments.

Access to Merrill Lynch's industry-leading retail presence in the U.S. and its strong reputation in Europe and Asia match up well with BlackRock's global institutional client base.

Use of the BlackRock brand provides a well-known, established brand that can be used in all channels and provides New BlackRock with a significant opportunity to access a larger U.S. third party retail distribution operation which in the case of MLIM is now constrained by the use of the Merrill Lynch brand.

New BlackRock is expected to have enhanced growth prospects both organically and through acquisitions due to the larger operational and financial scale and its ability to use the asset management-specific publicly traded stock of New BlackRock to make acquisitions.

MLIM is expected to benefit from access to BlackRock's state of the art technology and risk management analytic tools, including the investment tools, outsourcing and advisory services to institutional investors provided under the *BlackRock Solutions*® brand name.

The enhanced scale and leverage and the singular focus on investment management should provide New BlackRock with opportunities to provide the highest quality client service, to attract and retain talented

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professionals as well as to enhance the ability to make ongoing reinvestments in the business and achieve cost efficiencies.

New BlackRock is expected to have over 4,500 employees in 18 countries and a major presence in most key markets, including the United States, the United Kingdom, Asia, Australia, the Middle East and Europe.

In anticipation of the Transaction, members of the Funds' Boards have had a number of telephonic and in person meetings and have met both formally and in informational sessions during April and May 2006 for purposes of, among other things, considering whether it would be in the best interests of each Fund and its shareholders to approve the New Investment Advisory Agreement between each Fund and BlackRock Advisors, Inc. (BlackRock Advisors). The 1940 Act requires that the New Investment Advisory Agreements be approved by the Funds' shareholders in order to become effective. At those Board meetings, and for the reasons discussed below (see Board Considerations below), each Board, including a majority of the Independent Board Members approved each New Investment Advisory Agreement applicable to each Fund overseen by that Board and recommended its approval by shareholders as being in the best interests of the Fund and its shareholders. In the event shareholders of a Fund do not approve the New Investment Advisory Agreement, the Fund's Board will take such action as it deems to be in the best interests of the Fund and its shareholders.

#### **Section 15(f) of the 1940 Act**

In completing the Transaction, Merrill Lynch and BlackRock have agreed to comply with Section 15(f) of the 1940 Act. Section 15(f) provides in substance that when a sale of securities or a controlling interest in an investment adviser to an investment company occurs, the investment adviser or any of its affiliated persons may receive any amount or benefit in connection with the sale so long as two conditions are satisfied. The first condition of Section 15(f) is that during the three-year period following the consummation of a transaction, at least 75% of the investment company's board must not be interested persons (as defined in the 1940 Act) of the investment adviser or predecessor adviser. Each Fund's Board currently meets this test and is expected to do so after the Transaction is completed. Second, an unfair burden must not be imposed on the investment company as a result of the transaction relating to the sale of such interest, or any express or implied terms, conditions or understandings applicable thereto. The term unfair burden (as defined in the 1940 Act) includes any arrangement during the two-year period after the transaction whereby the investment adviser (or predecessor or successor adviser), or any interested person (as defined in the 1940 Act) of such an adviser, receives or is entitled to receive any compensation, directly or indirectly, from the investment company or its security holders (other than fees for bona fide investment advisory or other services) or from any person in connection with the purchase or sale of securities or other property to, from or on behalf of the investment company (other than bona fide ordinary compensation as principal underwriter for the investment company). Merrill Lynch and BlackRock have agreed under the Transaction Agreement to conduct, and use reasonable best efforts to cause their respective affiliates to conduct, their respective businesses in compliance with the conditions of Section 15(f) in relation to any public funds advised by BlackRock or MLIM, respectively.

#### **The New Investment Advisory Agreement**

As noted above, under the requirements of the 1940 Act, each Fund is required to enter into a new investment advisory agreement as a result of the Transaction. The Current Investment Advisory Agreements pursuant to which the Funds currently receive investment advisory services differ in many cases from Fund to Fund and in some cases contain different provisions as to the nature of the services provided. It is proposed that the Funds use this opportunity to both standardize the terms of the agreements used in the fund complex and to update the agreements. Although each Fund's agreement may vary, it is proposed that the basic management arrangements applicable to a Fund not change. Therefore, the fees to be paid and services to be provided under the New Investment Advisory Agreement applicable to a Fund will be no higher than the fees under that Fund's Current Investment Advisory Agreement.

Under the New Investment Advisory Agreements, BlackRock Advisors will provide the same level of advisory and, as applicable, administrative services to each Fund as provided under the Current Investment Advisory Agreements. The schedule of fees payable under a Fund's New Investment Advisory Agreement will be identical to

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the schedule of fees currently payable by that Fund under its Current Investment Advisory Agreement. Therefore, assuming identical asset levels, the fees payable to BlackRock Advisors under each New Investment Advisory Agreement will in each case be no greater than the aggregate fees currently payable to the Advisers by the Fund for investment advisory and fund administration services. In addition, Merrill Lynch and BlackRock have assured the Boards that the same level of advisory and administrative services will be provided to each Fund under the New Investment Advisory Agreements as are currently provided under the Current Investment Advisory Agreements and, in the case of the Europe Fund, its separate administrative agreement. Merrill Lynch and BlackRock have assured the Board of each Fund that the nature and scope of services provided under the Current Investment Advisory Agreements will continue undiminished under the New Investment Advisory Agreements.

#### **Comparison of Current Investment Advisory Agreements to the New Investment Advisory Agreements**

Set forth below is a general description of the terms of the New Investment Advisory Agreements and a general comparison with the terms of the Current Investment Advisory Agreements. A copy of the form of the New Investment Advisory Agreement for each Fund is attached to this Joint Proxy Statement as *Appendix I* and you should refer to *Appendix I* for the complete terms of your Fund's New Investment Advisory Agreement. A more detailed comparison of the proposed New Investment Advisory Agreement with a standard form of Current Investment Advisory Agreement is set forth in *Appendix H*.

*Fees.* There is no change in the schedule of fees payable by any Fund under its New Investment Advisory Agreement for investment advisory and, if applicable, for fund administration services. In addition, with respect to certain Funds the Advisers have either contractually or voluntarily agreed to waive advisory fees or reimburse the Fund to the extent that total operating expenses (excluding interest, taxes, certain securities lending costs, brokerage commissions, and extraordinary expenses), as a percentage of its average net assets, exceeds the rates agreed to in the existing fee waiver or expense limitation agreements. MLIM and BlackRock have agreed to continue for the time being any such fee waivers or expense reimbursements on the same terms and conditions.

Fees for investment advisory, and, if applicable, for fund administration services will be paid by each Fund as a percentage of such Fund's average net assets (including any proceeds from the issuance of any AMPS, if applicable). For Capital & Income, Diversified Income, Enhanced Equity Yield & Premium, Enhanced Equity Yield, Enhanced Government, FRIS, FRIS II, Muni Intermediate, Muni New York Intermediate, and Preferred & Corporate, the fee rate also is paid based upon the proceeds of any borrowings or debt for leverage purposes. The following Funds currently pay their investment advisory fee based on average weekly net assets: MY Florida Insured, MY Michigan Insured, MY New Jersey Insured, MY Pennsylvania Insured, S&P 500 Protected Equity, Debt Strategies, MH Florida Insured, MH Fund, MH Fund II, MH Insured, MH New Jersey Insured, MH New York Insured, MuniVest, MuniVest II, SHIP, Apex, CHY, CHY III, CHY V, CHY VI, MuniAssets, MuniEnhanced, MH California Insured, MH Insured II, MY Fund, MY Arizona, MY California, MY California Insured, MY Florida, MY Insured, MY Michigan Insured II, MY New Jersey, MY New York Insured, MY Quality, MY Quality II, Europe Fund and Preferred Income. Under the New Investment Advisory Agreement, the fee for investment advisory services will be paid based upon average daily net assets in order that the fee calculation methodology be consistent with other more recently organized Funds, and be consistent throughout the complex. The change is not expected to have any material effect on the amount of advisory fees paid by these Funds. S&P 500 receives a fee as a percentage of the average net assets of the Fund, paid out of the available assets from dividends, cash or cash equivalents, and such fee will be deferred to the extent no such assets are available. For more information about the fee paid by each Fund, see *Appendix K*, which lists the rate of compensation described in each Fund's Current Investment Advisory Agreement and New Investment Advisory Agreement. Amounts paid (after waivers and reimbursements, if any) by each Fund to its Adviser or an affiliate of the Adviser during the Fund's last fiscal year are shown in *Appendix M*.

*Investment Advisory Services.* Each New Investment Advisory Agreement generally provides that, subject to the direction and control of the Fund's Board, BlackRock Advisors will (a) act as investment adviser for and supervise and manage the investment and reinvestment of the Fund's assets with complete discretion in purchasing and selling securities and other assets for the Fund and in voting, exercising consents and exercising all other rights pertaining to such securities and other assets on behalf of the Fund, (b) supervise continuously the investment program of the Fund and the composition of its investment portfolio, (c) arrange, subject to the restrictions of the Fund's organizational documents, the provisions of the 1940 Act and the Investment Advisers Act of 1940, as

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amended (the Advisers Act ), and the Fund's investment objectives and policies, and the applicable rules and regulations of the Commission, and other applicable federal and state law, as well as any specific policies and determinations of the Fund's Board disclosed to BlackRock Advisors, for the purchase and sale of securities and other assets held in the investment portfolio of the Fund; and (d) provide investment research to the Fund. Each Current Investment Advisory Agreement provides for substantially similar services.

Under each Fund's New Investment Advisory Agreement, BlackRock Advisors also will place orders either directly with the issuer or with any broker or dealer. In placing orders with brokers and dealers, BlackRock Advisors will attempt to obtain the best price and the most favorable execution of its orders. Consistent with this obligation, BlackRock Advisors may select brokers on the basis of the research, statistical and pricing services they provide to the Fund and other clients of BlackRock Advisors. Subject to this requirement and the provisions of the 1940 Act, the 1934 Act, and other applicable provisions of law, BlackRock Advisors may select brokers and dealers with which it or the Fund is affiliated. Each Current Investment Advisory Agreement also contains substantially similar provisions regarding the selection of brokers or dealers to execute transactions on behalf of a Fund.

The New Investment Advisory Agreement for each Fund provides that the services of BlackRock Advisors are not exclusive to the Funds, and BlackRock Advisors and its affiliates may render services to others. Each Current Investment Advisory Agreement contains the same provision.

The New Investment Advisory Agreement for each Fund provides that BlackRock Advisors may to the extent permitted by applicable law appoint one or more sub-advisers, including affiliates of BlackRock Advisors, to perform investment advisory services with respect to the Funds. BlackRock Advisors may terminate any or all sub-advisers in its sole discretion at any time to the extent permitted by applicable law. A similar provision is included in many of the Current Investment Advisory Agreements. It is anticipated that pursuant to this provision, and in compliance with Commission rules and interpretations, BlackRock Advisors may appoint one or more affiliates to act as sub-advisers for some or all of the Funds. Subject to approval of a specific Fund's Board, BlackRock Advisors may appoint affiliated sub-advisers under certain conditions without shareholder approval under current applicable law.

*Fund Administration Services.* Under the New Investment Advisory Agreement for each Fund, BlackRock Advisors is obligated to provide, or arrange for its affiliates to provide, certain administrative services on behalf of the Fund. These administrative services include furnishing office facilities and equipment and clerical, bookkeeping and administrative services (other than such services provided by a Fund's custodian, transfer agent and dividend disbursing agent and other service providers) to a Fund. To the extent requested by a Fund, BlackRock Advisors will provide other administrative services, including overseeing the maintenance by a Fund's custodian and transfer agent and dividend disbursing agent of certain books and records of a Fund and consulting with the Fund's officers, independent accountants, legal counsel, custodian, accounting agent and transfer and dividend disbursing agent in establishing the accounting policies of a Fund and monitoring financial and shareholder accounting services. The Current Investment Advisory Agreement for each Fund, with the exception of Europe Fund, provides for substantially similar administration services.

In addition, Europe Fund will have a separate administration agreement with BlackRock Advisors or one of its affiliates pursuant to which the administrative services discussed above will be provided.

Regardless of whether a Fund receives administrative services under its Current Investment Advisory Agreement, or under a separate administration agreement in the case of Europe Fund, Merrill Lynch and BlackRock have assured the Boards that the nature and level of administrative services provided to the Funds will not be diminished as a result of the Transaction or the implementation of the New Investment Advisory Agreements. In addition, any fees for administrative services, whether payable under a Current Investment Advisory Agreement or a separate administrative agreement, will not increase as a result of the Transaction or the New Investment Advisory Agreement.

*Payment of Expenses.* The New Investment Advisory Agreements require BlackRock Advisors to bear all costs and expenses of its employees and any overhead incurred in connection with its duties under the New Investment Advisory Agreement and to bear the costs of any salaries or fees of any officers or Board Members of the Fund who are affiliated persons (as defined in the 1940 Act) of BlackRock Advisors;

provided that the Board of the Fund may approve reimbursement to BlackRock Advisors of a pro-rata portion of certain employment costs for the time spent

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on Fund operations (including, without limitation, compliance matters) (other than the provision of investment advice and administrative services required to be provided under the New Investment Advisory Agreement) of all personnel employed by BlackRock Advisors who devote substantial time to Fund operations or the operations of other investment companies advised by BlackRock Advisors.

Except for these expenses detailed above, BlackRock Advisors is not responsible for a Fund's expenses.

The provisions contained in each Fund's New Investment Advisory Agreement addressing allocation of expenses is substantially similar in all material respects to those contained in that Fund's Current Investment Advisory Agreement.

*Indemnity.* The New Investment Advisory Agreement provides that the Fund may, in the Board's discretion, indemnify BlackRock Advisors, and each of BlackRock Advisors' directors, officers, employees, agents, associates and controlling persons and such persons' directors, partners, members, officers, employees and agents (each such person being an Indemnitee) against any liabilities and expenses, reasonably incurred by such Indemnitee in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which such Indemnitee may be or may have been involved as a party while acting for the Fund, unless the Indemnitee is adjudicated not to have acted in good faith in the reasonable belief that his or her action was in the best interest of the Fund, and in the case of any criminal proceeding, so long as such Indemnitee had no reasonable cause to believe that the conduct was unlawful and so long as the conduct was not arising by reason of (i) willful misfeasance, (ii) bad faith, (iii) gross negligence or (iv) reckless disregard of the duties involved in the conduct of such Indemnitee's position.

*Limitation on Liability.* Under each Fund's New Investment Advisory Agreement, BlackRock Advisors will not be liable for any error of judgment or mistake of law or for any loss suffered by BlackRock Advisors or by the Fund in connection with the performance of the New Investment Advisory Agreement, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its duties under the New Investment Advisory Agreement. Other than the identity of the Fund and the Adviser, each Fund's Current Investment Advisory Agreement includes a similar provision.

*Term and Continuance.* If approved by shareholders of a Fund, the New Investment Advisory Agreement for the Fund will terminate, unless sooner terminated as set forth therein and discussed below, two years from the date of implementation unless the continuation is specifically approved as set forth below. Thereafter, if not terminated, each New Investment Advisory Agreement will continue in effect from year to year if such continuance is specifically approved at least annually by both (a) the vote of a majority of the Fund's Board or the vote of a majority of the outstanding voting securities of the Fund, and (b) the vote of a majority of the Board Members who are not parties to the New Investment Advisory Agreement or interested persons (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of voting on such approval. The Current Investment Advisory Agreements have similar provisions for their term and continuance, although the initial dates of the Agreements differ and the initial two year period has elapsed in most cases.

A vote of a majority of the outstanding voting securities is defined in the 1940 Act as the lesser of the vote of (i) 67% or more of the voting securities of the Fund that are present at a meeting called for the purpose of voting on such approval or represented by proxy if holders of shares representing more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Fund (a 1940 Act Majority).

*Termination.* Each Fund's New Investment Advisory Agreement generally provides that the Agreement may be terminated at any time, without the payment of any penalty, by the Fund upon giving BlackRock Advisors 60 days' notice (which notice may be waived by BlackRock Advisors), provided that such termination by the Fund is directed or approved by the vote of a majority of the Board Members of the Fund in office at the time or by the vote of the holders of a 1940 Act Majority of the outstanding voting securities of the Fund, or by BlackRock Advisors on 60 days' written notice (which notice may be waived by the Fund). Each New Investment Advisory Agreement will also immediately terminate in the event of its assignment (as defined in the 1940 Act). The Current Investment Advisory Agreements contain similar termination provisions.

## **Board Considerations**

At a meeting in February in which the Board of each Fund was present, the Board Members were informed of the Transaction. Thereafter, at meetings held during the month of April 2006, the Board of each Fund was presented with information regarding the Transaction and the proposed New Investment Advisory Agreement. Following the April meetings, the Board of each Fund requested additional information and materials for their deliberations at a meeting in May, 2006. Those additional materials were provided to the Board Members of each Fund at in-person meetings during the week of May 8, 2006, at which the Board of each Fund, including the Independent Board Members, discussed and approved the New Investment Advisory Agreement between the Fund and BlackRock Advisors. The exact dates of each Board's meetings is noted in *Appendix L*.

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To assist the Boards in their consideration of the New Investment Advisory Agreements, BlackRock provided materials and information about BlackRock, including its financial condition and asset management capabilities and organization, and Merrill Lynch provided materials and information about the Transaction. The Independent Board Members, through their independent legal counsel, also requested and received additional information from Merrill Lynch and BlackRock in connection with their consideration of the New Investment Advisory Agreements. The additional information was provided in advance of each May 2006 meeting. In addition, the Independent Board Members consulted with their counsel and Fund counsel on numerous occasions, discussing, among other things, the legal standards and certain other considerations relevant to the Board Members' deliberations.

At the Board meetings, members of the Boards discussed with Merrill Lynch management and certain BlackRock representatives the Transaction and BlackRock's general plans and intentions regarding the Funds. At these Board meetings, representatives of Merrill Lynch and BlackRock made presentations to and responded to questions from the Boards. The Board Members also inquired about the plans for and anticipated roles and responsibilities of certain employees and officers of MLIM being transferred to BlackRock in connection with the Transaction. The Independent Board Members of each Board also conferred separately and with their counsel about the Transaction on a number of occasions, including in connection with the April and May 2006 meetings. After the presentations and after reviewing the written materials provided, the Independent Board Members met in executive sessions with their counsel to consider the New Investment Advisory Agreements.

In connection with their review of the New Investment Advisory Agreements, the Board Members were advised by ML & Co. and/or BlackRock about the following, among other things:

- the strategic rationale for the Transaction discussed above under "Description of the Transaction";
- that BlackRock is an experienced and respected asset management firm;
- that management of Merrill Lynch and BlackRock have advised the Boards that following the Transaction, there is not expected to be any diminution in the nature, quality and extent of services provided to the Funds and their shareholders by BlackRock Advisors, including compliance services;
- that operation of New BlackRock as an independent investment management firm will enhance its ability to attract and retain talented professionals and the potential benefits to fund shareholders from this;
- that the Funds should benefit from having access to BlackRock's state of the art technology and risk management analytic tools, including investment tools, provided under the BlackRock Solutions® brand name;
- that BlackRock has no present intention to alter the expense waivers and reimbursements currently in effect and, while it reserves the right to do so in the future, it would seek the approval of the applicable Boards before making any changes; and
- that under the Transaction Agreement, Merrill Lynch and BlackRock have agreed to conduct, and use reasonable best efforts to cause their respective affiliates to conduct, their respective businesses in compliance with the conditions of Section 15(f) of the 1940 Act in relation to any public funds advised by BlackRock or MLIM, respectively.

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The Board Members considered the information provided by ML & Co. and BlackRock above, and the following considerations, among other things:

- the potential benefits to Fund shareholders from being part of a combined fund family with BlackRock-sponsored funds, including possible, economies of scale, and broader access to investment opportunities;

the reputation, financial strength and resources of BlackRock and its investment advisory subsidiaries and the anticipated financial strength and resources of New BlackRock;

that Merrill Lynch and BlackRock would derive benefits from the Transaction and that, as a result, they have a different financial interest in the matters that were being considered than do Fund shareholders;

the fact that the schedule of each Fund's total advisory and administrative fees will not increase by virtue of the New Investment Advisory Agreements, but will remain the same;

the terms and conditions of the New Investment Advisory Agreements, including the fact that the fees to be paid and services to be provided under each Fund's New Investment Advisory Agreement are substantially similar to its Current Investment Advisory Agreement (see Comparison of Current Investment Advisory Agreements to the New Investment Advisory Agreements above and Appendix I), and that within the past year each Board has performed a full annual review of or initially approved, if applicable, the Current Investment Advisory Agreement as required by the 1940 Act and had determined that each applicable Adviser has the capabilities, resources and personnel necessary to provide the advisory and administrative services currently provided to each Fund; and that the advisory and/or management fees paid by each Fund, taking into account any applicable agreed-upon fee waivers and breakpoints, represent reasonable compensation to the Adviser in light of the services provided, the costs to the Adviser of providing those services, economies of scale, the fees and other expenses paid by similar funds (including information provided by Lipper), and such other matters as the Board Member considered relevant in the exercise of their reasonable judgment, (the date of each Board's most recent full annual review of the Current Investment Advisory Agreement is noted in Appendix K); and

that Merrill Lynch agreed to pay all expenses of the Funds in connection with the Boards' consideration of the New Investment Advisory Agreements and related agreements and all costs of shareholder meetings and, as a result, the Funds would bear no costs in obtaining shareholder approval of the New Investment Advisory Agreements.

Certain of these considerations are discussed in more detail below.

In their review of the New Investment Advisory Agreement, each Board assessed the nature, scope and quality of the services to be provided to each Fund by the personnel of BlackRock Advisors and its affiliates, including administrative services, shareholder services, oversight of fund accounting, marketing services and assistance in meeting legal and regulatory requirements. In its review of the New Investment Advisory Agreement, each Board also considered a range of information in connection with its oversight of the services to be provided by BlackRock Advisors and its affiliates. Among the matters considered were: (a) fees (in addition to management fees) to be paid to BlackRock Advisors and its affiliates by each Fund; (b) Fund operating expenses paid to third parties; (c) the resources devoted to and compliance reports relating to each Fund's investment objective, policies and restrictions, and its compliance with its Code of Ethics and BlackRock Advisors' compliance policies and procedures; and (d) the nature, cost and character of non-investment management services to be provided by BlackRock Advisors and its affiliates.

In the period prior to the Board meetings to consider renewal of each Current Investment Advisory Agreement, each Board had requested and received materials specifically relating to each Fund's Current Investment Advisory Agreement. These materials were prepared separately for each Fund, and included (a) information compiled by

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Lipper Inc. (Lipper) on the fees and expenses and the investment performance of the Fund as compared to a comparable group of funds as classified by Lipper; (b) information comparing the Fund's market price with its net asset value per share; (c) a discussion by the Fund's portfolio management team on investment strategies used by the Fund during its most recent fiscal year; (d) information on the profitability to the Adviser of the Current Investment Advisory Agreement and other payments received by the Adviser and its affiliates from the Fund; and (e) information provided by the Adviser concerning services related to the valuation and pricing of Fund portfolio holdings, allocation of Fund brokerage fees, the Fund's portfolio turnover statistics, and direct and indirect benefits to the Adviser and its affiliates from their relationship with the Fund.

In their deliberations, the Board Members considered information received in connection with their most recent approval or continuation of each Current Investment Advisory Agreement, in addition to information provided by BlackRock and BlackRock Advisors in connection with their evaluation of the terms and conditions of the New Investment Advisory Agreement. The Board Members did not identify any particular information that was all-important or controlling, and each Board Member attributed different weights to the various factors. The Board Members evaluated all information available to them on a Fund-by-Fund basis, and their determinations were made separately in respect of each Fund. The Board Members, including a majority of the Independent Board Members, concluded that the terms of the New Investment Advisory Agreement are appropriate, that the fees to be paid are reasonable in light of the services to be provided to each Fund, and that the New Investment Advisory Agreement should be approved and recommended to Fund shareholders.

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*Nature, Quality and Extent of Services Provided.* The Board reviewed the nature, extent and quality of services provided by MLIM, including the investment advisory services and the resulting performance of the Funds, as well as the nature, quality and extent of services expected to be provided by BlackRock Advisors. The Board focused primarily on each Adviser's investment advisory services and each Fund's investment performance, but also considered certain areas in which both MLIM and the Funds receive services as part of the Merrill Lynch complex. The Board compared each Fund's performance both including and excluding the effects of each Fund's fees and expenses to the performance of a comparable group of mutual funds, and the performance of a relevant index or combination of indices. While the Board reviews performance data at least quarterly, consistent with the applicable Adviser's investment goals, the Board attaches more importance to performance over relatively long periods of time, typically three to five years.

In evaluating the nature, quality and extent of the services to be provided by BlackRock Advisors under the New Investment Advisory Agreements, the Board Members considered, among other things, the expected impact of the Transaction on the operations, facilities, organization and personnel of New BlackRock and how it would affect the Funds; the ability of BlackRock Advisors to perform its duties after the Transaction; and any anticipated changes to the current investment and other practices of the Funds. The Board Members considered BlackRock's advice, as to proposed changes in portfolio management personnel in certain of the Funds after the closing of the Transaction.

The Board Members were given information with respect to the potential benefits to the Funds and their shareholders from having access to BlackRock's state of the art technology and risk management analytic tools, including the investment tools, provided under the *BlackRock Solutions*® brand name.

The Board Members were advised that, as a result of Merrill Lynch's equity interest in BlackRock after the Transaction, the Funds will continue to be subject to restrictions concerning certain transactions involving Merrill Lynch affiliates (for example, transactions with a Merrill Lynch broker-dealer acting as principal) absent revised or new regulatory relief. The Board Members were advised that a revision of existing regulatory relief with respect to these restrictions was being sought from the Commission and were advised of the likelihood of receipt of such revised regulatory relief.

Based on their review of the materials provided and the assurances they had received from the management of Merrill Lynch and of BlackRock, the Board Members determined that the nature and quality of services to be provided to the Funds under the New Investment Advisory Agreements was expected to be as good or better than that provided under the Current Investment Advisory Agreements. It was noted, however, that it is expected that there will be changes in personnel following the Transaction and the combination of MLIM's operations with those of BlackRock. The Board Members noted that if current portfolio managers or other personnel cease to be

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available, each Board would consider all available options, which could include seeking the investment advisory or other services of BlackRock affiliates. Accordingly, the Board Members concluded that, overall, they were satisfied at the present time with assurances from BlackRock and BlackRock Advisors as to the expected nature, extent and quality of the services to be provided to the Funds under the New Investment Advisory Agreements.

*Costs of Services Provided and Profitability.* It was noted that, in conjunction with the recent review of the Current Investment Advisory Agreements, the Board Members had received, among other things, a report from Lipper comparing each Fund's fees, expenses and performance to those of a peer group for that Fund selected by Lipper, and information as to the fees charged by each Adviser to other registered investment company clients for investment management services. The Boards reviewed each Fund's contractual management fee rate and actual management fee rate as a percentage of total assets at common asset levels the actual rate includes advisory and administrative service fees and the effects of any fee waivers compared to the other funds in its Lipper category. They also compared each Fund's total expenses to those of other, comparable funds. The Boards considered the services to be provided by and the fees to be charged by BlackRock Advisors to other closed-end funds with similar investment mandates and noted that the fees charged by BlackRock Advisors in those cases, including fee waivers and reimbursements, were generally comparable to those being charged to the Funds. The Boards also noted that, as a general matter, according to the information provided by BlackRock Advisors, fees charged to institutional clients were lower than the fees charged to the Funds, but that BlackRock Advisors provided less extensive services to such clients. The Boards concluded that each Fund's management fee and fee rate and overall expense ratio are reasonable compared to those of other comparable funds.

In evaluating the costs of the services to be provided by BlackRock Advisors under the New Investment Advisory Agreements, the Board Members considered, among other things, whether advisory and administrative fees or other expenses would change as a result of the Transaction. Based on their review of the materials provided and the fact that the New Investment Advisory Agreements and administrative agreement, with respect to Europe Fund, are substantially similar to the Current Investment Advisory Agreements and administrative agreement, as applicable, in all material respects, including the rate of compensation, each Fund's Board Members determined that the Transaction should

not increase the total fees payable for advisory and administrative services, including fee waivers and reimbursements, and that overall Fund expenses were not expected to increase as a result of the Transaction. Each Fund's Board Members noted that it was not possible to predict how the Transaction would affect BlackRock Advisors' profitability from its relationship with the Fund.

The Board Members discussed with BlackRock Advisors its general methodology to be used in determining its profitability with respect to its relationship with each Fund. The Board Members noted that they expect to receive profitability information from BlackRock Advisors on at least an annual basis and thus be in a position to evaluate whether any adjustments in Fund fees and/or fee breakpoints would be appropriate.

*Fall-Out Benefits.* In evaluating the fall-out benefits to be received by BlackRock Advisors under the New Investment Advisory Agreements, each Fund's Board Members considered whether the Transaction would have an impact on the fall-out benefits received by the Fund's Adviser by virtue of the Current Investment Advisory Agreement. Based on their review of the materials provided, including materials received in connection with their most recent approval or continuance of each Current Investment Advisory Agreement, and their discussions with management of MLIM and BlackRock, the Board Members determined that those benefits could include increased ability for BlackRock to distribute shares of its funds and other investment products and, where applicable, to obtain research services using the Fund's portfolio transaction brokerage. The Board Members noted that any such benefits were difficult to quantify with certainty at this time, and indicated that they would continue to evaluate them going forward.

*Fees and Economies of Scale.* The Boards considered the extent to which economies of scale might be realized as the assets of the Funds increase and whether there should be changes in the management fee rate or structure in order to enable the Funds to participate in these economies of scale. The Boards determined that changes were not currently necessary and that the Funds appropriately participated in these economies of scale.

In reviewing the Transaction, the Board Members considered, among other things, whether advisory and administrative fees or other expenses would change as a result of the Transaction. Based on the fact that the New Investment Advisory Agreements and, with respect to Europe Fund, administrative agreement, are substantially

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similar to the Current Investment Advisory Agreements and administrative agreement, as applicable, in all material respects, including the rate of compensation, the Board Members determined that as a result of the Transaction, each Fund's total advisory and administrative fees would be no higher than the fees under its Current Investment Advisory Agreement. The Board Members noted that in conjunction with their most recent deliberations concerning the Current Investment Advisory Agreements, the Board Members had determined that the total fees for advisory and administrative services for each Fund were reasonable in light of the services provided. It was noted that in conjunction with the recent review of the Current Investment Advisory Agreements, the Board Members had received, among other things, a report from Lipper comparing each Fund's fees, expenses and performance to those of a peer group for that Fund selected by Lipper, and information as to the fees charged by each Adviser to other registered investment company clients for investment management services. The Board Members concluded that, because the rates for advisory and administrative fees for each Fund would be no higher than its current fee rates, including fee waivers and reimbursements, the proposed management fee structure was reasonable and that no changes were currently necessary. The Board Members recognized that BlackRock may realize economies of scale from the Transaction based on certain consolidations and synergies of operations, but concluded that the actual economies of scale could not be predicted in advance.

*Investment Performance.* The Board Members considered investment performance for the Funds. Although the Board Members believed that performance for certain Funds was in need of improvement, Fund performance was generally satisfactory or better. Also, the Board Members took into account the investment performance of funds currently advised by BlackRock Advisors. The Board also noted that, following the close of the Transaction, BlackRock Advisors intended to implement steps to seek to improve the investment performance in certain Funds. It was noted that these steps include changes in the portfolio management personnel in certain of the Funds. The Boards noted BlackRock's considerable investment management experience and capabilities, but were unable to predict what effect, if any, consummation of the Transaction and these proposed steps would have on the future performance of the Funds.

*Conclusion.* After the Independent Board Members of each Fund deliberated in executive session, the entire Board of each Fund, including the Independent Board Members, approved each New Investment Advisory Agreement, concluding that the advisory fee rate was reasonable in relation to the services provided and that the New Investment Advisory Agreement was in the best interests of the shareholders. In approving each New Investment Advisory Agreement, each Board noted that it anticipated reviewing the continuance of the agreement prior to the expiration of its initial two year period.

#### **Information About the Advisers**



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Each current Adviser is a registered investment adviser under the Advisers Act and is an indirect wholly owned subsidiary of ML & Co. MLIM and FAM are each Delaware limited partnerships. As of March 31, 2006, MLIM and its affiliates had approximately \$576.1 billion of assets under management. The partners of FAM and MLIM are ML & Co. and Princeton Services. ML & Co. and Princeton Services are controlling persons (as defined under the 1940 Act) of FAM and MLIM because of their ownership of FAM's and MLIM's voting securities or their power to exercise a controlling influence over FAM's and MLIM's management or policies. MLIM-LTD is a limited liability company organized under the laws of England and is a subsidiary of Merrill Lynch Investment Managers Limited, the ultimate parent of which is ML & Co. The following entities may be considered controlling persons of MLAM U.K.: Merrill Lynch Europe PLC (MLAM U.K.'s parent), a subsidiary of Merrill Lynch International Holdings, Inc., a subsidiary of Merrill Lynch International, Inc., a subsidiary of ML & Co.

BlackRock Advisors, located at 100 Bellevue Parkway, Wilmington, Delaware 19809, and BlackRock Financial Management, located at 40 East 52nd Street, New York, New York 10022, are wholly owned subsidiaries of BlackRock, Inc., which is one of the largest publicly traded investment management firms in the United States with approximately \$463.1 billion of assets under management as of March 31, 2006. BlackRock manages assets on behalf of institutional and individual investors worldwide through a variety of equity, fixed income, liquidity and alternative investment products, including the BlackRock Funds and BlackRock Liquidity Funds. In addition, BlackRock provides risk management and investment system services to institutional investors under the *BlackRock Solutions*® name. BlackRock, Inc. is currently a majority-owned subsidiary of The PNC Financial Services Group, Inc. (PNC), one of the largest diversified financial services organizations in the United States.

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ML & Co., a Delaware corporation formed in 1973, is a holding company that, through its subsidiaries and affiliates, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis. Each Adviser or an affiliate provides administrative services to the Funds to which the Adviser provides investment management services. These administrative services are provided under the Fund's Current Investment Advisory Agreement, or, in the case of Europe Fund, both the Current Investment Advisory Agreement and a separate administration agreement. The address of ML & Co. is World Financial Center, North Tower, 250 Vesey Street, New York, New York 10080. The address of MLIM, FAM and MLIM-LTD is P.O. Box 9011, Princeton, New Jersey 08543-9011. The address of MLAM U.K. is 33 King William Street, London EC4R 9AS, England.

The tables set forth in *Appendix M* show amounts paid to affiliates of the Advisers during each Fund's most recently completed fiscal year for the services noted in *Appendix M*.

The name and principal occupation of the directors and principal executive officers of BlackRock Advisors are as set forth in *Appendix N*. The principal address of each individual as it relates to his or her duties at BlackRock Advisors is the same as that of BlackRock Advisors.

The Advisers and BlackRock Advisors provide investment advisory services to certain other funds that may have investment objectives and policies similar to those of the Funds. In addition to the information about the Funds in *Appendix B*, the table set forth in *Appendix O* lists closed-end funds advised by BlackRock Advisors, the net assets of those funds, and the management fees BlackRock Advisors received from those funds during the fiscal years ended on the dates noted.

### Shareholder Approval

To become effective with respect to a particular Fund, the New Investment Advisory Agreement for that Fund must be approved by a vote of a 1940 Act Majority of the outstanding voting securities of the Fund. Each New Investment Advisory Agreement was approved by the Independent Board Members, separately, and by the Board of the applicable Fund, as a whole, after consideration of all factors that it determined to be relevant to its deliberations, including those discussed above. The Board of each Fund also determined to submit the Fund's New Investment Advisory Agreement for consideration by the shareholders of the Fund.

**The Board of each Fund recommends that shareholders of each Fund vote FOR the approval of the New Investment Advisory Agreement.**

### ITEM 3 APPROVAL OF A CONTINGENT SUBADVISORY AGREEMENT

This proposal is applicable to all of the Funds.

At the Meeting, you will also be asked to approve a contingent subadvisory agreement (each a Contingent Subadvisory Agreement and collectively, the Contingent Subadvisory Agreements ) between your Fund's Adviser and BlackRock Advisors (the BlackRock Subadviser ). You are being asked to approve a Contingent Subadvisory Agreement for your Fund in order to ensure that the Funds operate with efficient management services until the closing of the Transaction, in the event that the Fund's Board deems it necessary and in the best interests of the Fund and its shareholders that the BlackRock Subadviser assist in managing the operations of the Fund during the interim period until the closing of the Transaction. If you approve the Contingent Subadvisory Agreement, it will take effect only upon recommendation from your Fund's Adviser and upon subsequent approval of your Fund's Board in the period up to the closing of the Transaction. The effectiveness of the Contingent Subadvisory Agreements, therefore, would be contingent on further Board approval after shareholders approve them. The existence of a Contingent Subadvisory Agreement will not result in an increase of fees paid by the Fund, since all costs under the Contingent Subadvisory Agreements will be borne by your Fund's Adviser.

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A description of the terms of the Contingent Subadvisory Agreements is included below. The form of the Contingent Subadvisory Agreement is attached hereto as *Appendix J*.

### **Description of the Terms of the Contingent Subadvisory Agreements**

*Investment Advisory Services.* Each Contingent Subadvisory Agreement generally provides that, subject to the oversight and supervision of the Fund's Adviser and the direction and control of the Fund's Board, the BlackRock Subadviser will perform certain of the day-to-day operations of the Fund, which may include one or more of the following services, at the request of the Fund's Adviser: (a) acting as investment adviser for and managing the investment and reinvestment of those assets of the Fund as the Fund's Adviser may from time to time request with complete discretion in purchasing and selling such securities and other assets for the Fund and in voting, exercising consents and exercising all other rights pertaining to such securities and other assets on behalf of the Fund, (b) arranging, subject to the restrictions of the Fund's organizational documents, the provisions of the 1940 Act and the Advisers Act, and the Fund's investment objectives and policies, and the applicable rules and regulations of the Commission, and other applicable federal and state law, as well as any specific policies and determinations of the Fund's Board disclosed to the BlackRock Subadviser, for the purchase and sale of securities and other assets held in the investment portfolio of the Fund; (c) providing investment research and credit analysis concerning the Fund's investments, (d) assisting the Fund's Adviser in concerning the Fund's investments, (d) assisting the Fund's Adviser i equivalents and money market instruments, (e) placing orders for all purchases and sales of such investments made for the Fund, and (f) maintaining the books and records as are required to support Fund investment operations. At the request of the Fund's Adviser, the BlackRock Subadviser will also, subject to the oversight and supervision of the Fund's Adviser and the direction and control of the Fund's Board, provide to the Fund's Adviser or the Fund any of the facilities and equipment and perform any of the administrative services described in the Current Investment Advisory Agreement.

The Contingent Subadvisory Agreement for each Fund provides that the services of the BlackRock Subadviser are not exclusive to the Fund, and the BlackRock Subadviser and its affiliates may render services to others.

*Fees.* There will be no increase in Fund expenses as a result of the Contingent Subadvisory Agreements. Each Fund's Adviser will pay the BlackRock Subadviser out of its own resources. Pursuant to each Contingent Subadvisory Agreement, the BlackRock Subadviser will receive a monthly fee from a Fund's Adviser equal to 50% of the advisory fee received by the Adviser.

*Payment of Expenses.* Each Contingent Subadvisory Agreement requires the BlackRock Subadviser to bear all costs and expenses of its employees and any overhead incurred by the BlackRock Subadviser in connection with its duties under the Contingent Subadvisory Agreement; provided that the Board of the Fund may approve reimbursement to the BlackRock Subadviser of a pro-rata portion of certain employment costs for the time spent on Fund operations (including, without limitation, compliance matters) (other than the provision of investment advice and administrative services required to be provided under the Contingent Subadvisory Agreement) of all personnel employed by the BlackRock Subadviser who devote substantial time to Fund operations or the operations of other investment companies advised or sub-advised by the BlackRock Subadviser.

*Indemnity.* Under each Contingent Subadvisory Agreement, the Fund agrees to indemnify the BlackRock Subadviser and each of the BlackRock Subadviser's directors, officers, employees, agents, associates and controlling persons and such persons' directors, partners, members, officers, employees and agents (each such person being an Indemnitee ) against any liabilities and expenses reasonably incurred by such Indemnitee in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which such Indemnitee may be or may have been involved as a party while acting for the Fund, unless the Indemnitee is adjudicated not to have acted in good faith in the reasonable belief that his or her action was in the best interest of the Fund, and in the case of any criminal proceeding, so long as such Indemnitee had no reasonable cause to believe that the conduct was unlawful and so

long as the conduct was not arising by reason of (i) willful misfeasance, (ii) bad faith, (iii) gross negligence or (iv) reckless disregard of the duties involved in the conduct of such Indemnitee's position.

*Limitation on Liability.* Under each Contingent Subadvisory Agreement, the BlackRock Subadviser will not be liable for any error of judgment or mistake of law or for any loss suffered by the Fund's Adviser or by the Fund in connection with the performance of the Contingent Subadvisory Agreement, except a loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services or a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its duties under the Contingent Subadvisory Agreement.

*Term and Continuance.* If approved by shareholders of a Fund, the Contingent Subadvisory Agreement for the Fund will not go into effect unless it is approved again by the Fund's Board upon the recommendation of your Fund's Adviser that the agreement should be given effect. After its approval by the Board, a Contingent Subadvisory Agreement will terminate, unless sooner terminated as set forth therein and discussed below, at the earlier of the closing of the Transaction or two years from the date of implementation unless the continuation is specifically approved as set forth below. After the initial two year period, if not terminated, each Contingent Subadvisory Agreement will continue in effect from year to year if such continuance is specifically approved at least

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annually by both (a) the vote of a majority of the Fund's Board or the vote of a 1940 Act Majority of the outstanding voting securities of the Fund, and (b) by the vote of a majority of the Board Members who are not parties to the Contingent Subadvisory Agreement or interested persons (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of voting on such approval.

*Termination.* Each Fund's Contingent Subadvisory Agreement generally provides that the Agreement may be terminated by the Fund or the Fund's Adviser at any time, without the payment of any penalty, upon giving the BlackRock Subadviser 60 days' notice (which notice may be waived by the BlackRock Subadviser), provided that such termination by the Fund or the Fund's Adviser is directed or approved by the vote of a majority of the Board Members of the Fund in office at the time or by the vote of the holders of a 1940 Act Majority of the outstanding voting securities of the Fund, or by the BlackRock Subadviser on 60 days' written notice (which notice may be waived by the Fund and the Fund's Adviser), and will terminate automatically upon the consummation of the Transaction. Each Contingent Subadvisory Agreement will also immediately terminate in the event of its assignment (as defined in the 1940 Act).

### **Board Considerations**

At the meeting held during the week of May 8, 2006 at which the Boards approved the New Investment Advisory Agreements, the Board of each Fund, including the Independent Board Members, also approved the Contingent Subadvisory Agreement between your Fund's Adviser and the BlackRock Subadviser. In making these approvals, the Boards considered the Contingent Subadvisory Agreements in conjunction with the New Investment Advisory Agreements and reviewed the same information and factors discussed above under Item 2 and came to the same conclusions. The Board also considered in conjunction with the Contingent Subadvisory Agreements the necessity of ensuring that the Funds operate with effective management services until the closing of the Transaction. The exact dates of each Board's meetings are noted in *Appendix L*.

After the Independent Board Members of each Fund deliberated in executive session, the entire Board of each Fund, including the Independent Board Members, approved each Contingent Subadvisory Agreement, concluding that the advisory fee was reasonable in relation to the services provided and that the Contingent Subadvisory Agreement was in the best interests of shareholders.

### **Information About the BlackRock Subadviser**

Information about the BlackRock Subadviser is set forth above under Item 2 Approval of New Investment Advisory Agreement Information About the Advisers .

There were no amounts paid to any affiliates of BlackRock during the Funds' most recently completed fiscal year.

The name and principal occupation of the directors and principal executive officers (or persons performing similar functions) of BlackRock and its affiliates are set forth in *Appendix N*. The principal address of each individual as it relates to his or her duties at BlackRock or the applicable affiliate is the same as that of BlackRock or the affiliate.

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The BlackRock Subadviser may provide investment advisory services to other funds which may have investment objectives and policies similar to those of the Funds. The table set forth in *Appendix O* lists other funds advised by the BlackRock Subadviser, the net assets of those funds, and the management fee the BlackRock Subadviser received from those funds during the fiscal years ended on the dates noted.

### Shareholder Approval

To become effective with respect to a particular Fund, each Contingent Subadvisory Agreement must be approved by a vote of a 1940 Act Majority of the outstanding voting securities of the Fund. Each Contingent Subadvisory Agreement was approved by the Independent Board Members, separately, and by the Board of the applicable Fund, as a whole, after consideration of all factors which it determined to be relevant to its deliberations,

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including those discussed above. The Board of each Fund also determined to submit the Fund's Contingent Subadvisory Agreement for consideration by the shareholders of the Fund.

**The Board of each Fund recommends that shareholders of the Fund vote FOR the approval of the Contingent Subadvisory Agreement.**

### ADDITIONAL INFORMATION

#### Expenses and Methods of Proxy Solicitation

The expenses of preparation, printing and mailing of the enclosed forms of proxy, the accompanying Notice and this Joint Proxy Statement will not be borne by the Funds and will be borne wholly by Merrill Lynch. These costs will be borne by Merrill Lynch whether or not the proposals are successful. Merrill Lynch will reimburse banks, brokers and others for their reasonable expenses in forwarding proxy solicitation material to the beneficial owners of each Fund's shares.

In order to obtain the necessary quorum at each Meeting, supplementary solicitation may be made by mail, telephone, telegraph or personal interview by officers of each Fund. MLIM and its affiliates have retained Computershare Fund Services, a proxy solicitation firm, to assist in the solicitation of proxies at a cost of approximately \$171,500, plus out-of-pocket expenses estimated to be \$1,141,026, all of which will be paid by Merrill Lynch.

#### Quorum and Vote Required

A quorum of shareholders is required to take action at each Meeting. For the Funds listed below, a quorum consists of a majority of the shares entitled to vote at the Meetings, present in person or by proxy:

MY Michigan	MY California Insured
MY New Jersey Insured	MY Insured
MuniVest	MY Michigan Insured II.
MuniVest II	MY New Jersey Fund
SHIP	MY New York Insured
Apex	MY Quality
CHY	MY Quality II
MuniAssets	Europe Fund
MuniEnhanced	MY Florida Insured
MH California Insured	MY Pennsylvania Insured
MY Fund	MH Florida Insured
MY Arizona	MY Florida
MY California	

For the Funds listed below, a quorum consists of holders of one-third of the shares entitled to vote at the Meetings, present in person or by proxy:

S&P 500	MH New York Insured
Muni Intermediate	CHY III
Muni New York Intermediate	CHY V
Debt Strategies	CHY VI

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Diversified Income  
 FRIS  
 FRIS II  
 MH Fund  
 MH Fund II  
 MH Insured  
 MH New Jersey Insured

MH Insured II  
 Capital & Income  
 Preferred Income  
 Preferred & Corporate  
 Enhanced Equity Yield  
 Enhanced Equity Yield & Premium  
 Enhanced Government

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Approval of Item 1. Election of Board Members will require the affirmative vote of shareholders holding at least the percentage of shares of a Fund indicated in the chart below. For purposes of Item 1, a plurality of the votes cast means the candidate must receive more votes than any other candidate for the same position, but not necessarily a majority of the votes cast. As noted above in Item 1, with respect to the AMPS Funds, holders of AMPS will vote as a separate class for the election of AMPS Nominees, and will vote together with holders of shares of common stock with respect to all other Nominees. Approval of items 2 and 3 requires the affirmative vote of a 1940 Act Majority of the outstanding voting securities of the Fund.

<b>Item 1</b>		
<b>Fund</b>	<b>Election of AMPS Nominees</b>	<b>Election of other Nominees</b>
Muni Intermediate.	Affirmative vote of a plurality of the votes cast by the holders of AMPS, voting as a separate class	Affirmative vote of a plurality of the votes cast by the holders of shares of common stock and AMPS, voting together as a single class
Muni New York Intermediate	Affirmative vote of a plurality of the votes cast by the holders of AMPS, voting as a separate class	Affirmative vote of a plurality of the votes cast by the holders of shares of common stock and AMPS, voting together as a single class
SHIP	N/A	Affirmative vote of a plurality of the votes cast by the holders of shares of common stock
FRIS	N/A	Affirmative vote of a plurality of the votes cast by the holders of shares of common stock