BLACKROCK DEBT STRATEGIES FUND, INC.
Form N-14 8C/A
September 09, 2013

As filed with the Securities and Exchange Commission on September 9, 2013

Securities Act File No. 333-190188

Investment Company Act File No. 811-08603

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-14

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. 1 x

Post-Effective Amendment No. ¨

(Check appropriate box or boxes)

BLACKROCK DEBT STRATEGIES FUND, INC.

(Exact Name of Registrant as Specified in Charter)

100 BELLEVUE PARKWAY WILMINGTON, DELAWARE 19809

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

(800) 882-0052

(Area Code and Telephone Number)

John M. Perlowski

President and Chief Executive Officer

BlackRock Debt Strategies Fund, Inc.

55 East 52nd Street

New York, New York 10055

(Name and Address of Agent for Service)

With copies to:

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

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

(Approximate Date of Proposed Public Offering)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

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

		Per Unit(2)	Offering Price(1)	
Shares of Common Stock $0.10 par value	$95,200,000	$4.33	$412,216,000	$56,226.26

(1) Estimated solely for the purpose of calculating the filing registration fee, pursuant to Rule 457(o) under the Securities Act of 1933.
(2) Net asset value per Share of Common Stock on September 5, 2013.
(3) $136.40 previously paid in connection with the registration of $1,000,000 worth of Shares of Common Stock on July 26, 2013. The amount stated represents the $136.40 previously paid with respect to the registration of $1,000,000 worth of Shares of Common Stock on July 26, 2013, plus $136.40 per million with respect to the $95,200,000 worth of Shares of Common Stock registered hereby.

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

EXPLANATORY NOTE

This Registration Statement is organized as follows:

a. Letter to Shareholders of BlackRock Senior High Income Fund, Inc. (ARK) and BlackRock Strategic Bond Trust (BHD) and BlackRock Debt Strategies Fund, Inc. (DSU).

b. Questions and Answers to Shareholders of ARK, BHD and DSU.

c. Notice of Joint Special Meeting of Shareholders of ARK, BHD and DSU.

d. Joint Proxy Statement/Prospectus for ARK, BHD and DSU.

e. Statement of Additional Information regarding the proposed Reorganizations of ARK, BHD and DSU.

f. Part C: Other Information.

g. Exhibits.

BLACKROCK SENIOR HIGH INCOME FUND, INC.

BLACKROCK STRATEGIC BOND TRUST

BLACKROCK DEBT STRATEGIES FUND, INC.

100 Bellevue Parkway

Wilmington, Delaware 19809

(800) 882-0052

September 9, 2013

Dear Shareholder:

You are cordially invited to attend a joint special shareholder meeting (the Special Meeting) of BlackRock Senior High Income Fund, Inc. (ARK), BlackRock Strategic Bond Trust (BHD) and BlackRock Debt Strategies Fund, Inc. (DSU and together with ARK and BHD, the Funds, and each, a Fund), to be held at the offices of BlackRock Advisors, LLC, 1 University Square Drive, Princeton, New Jersey 08540-6455, on October 25, 2013 at 9:00 a.m. (Eastern time). Before the Special Meeting, I would like to provide you with additional background information and ask for your vote on important proposals affecting the Funds which are described in the enclosed Joint Proxy Statement/Prospectus.

Shareholders of ARK and BHD will be asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: the reorganization of their Fund into DSU, a fund with substantially similar (but not identical) investment objectives and investment policies.

Shareholders of DSU will be asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: the reorganization of each of ARK and BHD into DSU, where each Fund has substantially similar (but not identical) investment objectives and investment policies, including the amendment of DSU s Articles of Incorporation to increase its share capital by 200,000,000 shares and the issuance of additional shares of common stock of DSU, each in connection with each such reorganization.

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

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

- By touch-tone telephone;
- By internet;
- By returning the enclosed proxy card in the postage-paid envelope; or
- In person at the Special Meeting.

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

As always, we appreciate your support.

Sincerely,

JOHN M. PERLOWSKI

President and Chief Executive Officer of the Funds

Please vote now. Your vote is important.

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

September 9, 2013

IMPORTANT NOTICE

TO SHAREHOLDERS OF

BLACKROCK SENIOR HIGH INCOME FUND, INC.

BLACKROCK STRATEGIC BOND TRUST

BLACKROCK DEBT STRATEGIES FUND, INC.

QUESTIONS & ANSWERS

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

Q: Why is a shareholder meeting being held?

A: *Shareholders of BlackRock Senior High Income Fund, Inc. (ARK) and BlackRock Strategic Bond Trust (BHD):* You are being asked to vote on the reorganization (each, a Reorganization) of each of ARK and BHD, respectively (each such fund being referred to herein as a Target Fund) into BlackRock Debt Strategies Fund, Inc. (DSU or the Acquiring Fund and, together with the Target Funds, each, a Fund), fund that pursues investment objectives and has investment policies that are substantially similar (but not identical) to those of each of the Target Funds and has the same investment advisor, BlackRock Advisors, LLC (the Investment Advisor), and the same sub-advisor, BlackRock Financial Management, Inc. (the Sub-Advisor, and together with the Investment Advisor, the Advisors), as the Target Funds. The term Combined Fund will refer to DSU as the surviving Fund after the Reorganizations.

Shareholders of ARK and BHD are being asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: the reorganization of their Fund with DSU, a fund with substantially similar (but not identical) investment objectives and investment policies.

Shareholders of BlackRock Debt Strategies Fund, Inc.(DSU): You are being asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting: reorganizing each of ARK and BHD into DSU where each Fund has substantially similar (but not identical) investment objectives and investment policies, including the amendment of DSU s Articles of Incorporation to increase its share capital by 200,000,000 shares (the Amendment) and the issuance of additional shares of common stock of DSU in connection with each such Reorganization (each, an Issuance). In the event either or both of the Reorganizations are approved by shareholders of the applicable Funds, in either case, DSU s Articles of Incorporation would be amended to increase its share capital by an aggregate amount of 200,000,000 shares.

A Reorganization will be consummated if a Target Fund s shareholders approve the Reorganization with respect to that Target Fund and the Acquiring Fund s shareholders approve the Reorganization with respect to that Target Fund. A Reorganization is not contingent upon the approval of the other Reorganization. If a Reorganization is not consummated, then the Target Fund for which such Reorganization was not consummated would continue to exist and operate on a stand-alone basis.

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

Q: Why are the Reorganizations being recommended?

A:

The Board of Directors or Board of Trustees of each Fund, as applicable (each, a Board and collectively, the Boards), anticipates that the Reorganizations will benefit the shareholders of each Target Fund and the Acquiring Fund by providing the potential for:

i. a lower operating expense ratio than each of the Funds prior to the Reorganizations, except with respect to ARK, which is expected to increase by 0.02% based on projected expense information (see How will the Reorganizations affect the fees and expenses of the Funds? for additional information);

ii. comparable (*i.e.*, slightly lower or higher) earnings, which is expected to allow each Fund s shareholders to maintain a distribution yield on net asset value (NAV) comparable to the distribution yield on NAV for each of the Funds prior to the Reorganizations;

iii. greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads;

iv. better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares;

v. improved premium/discount levels for the Combined Fund s common shares;

vi. operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms;

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

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

Because the shareholders of each Fund will vote separately on its respective Reorganization(s), there are multiple potential combinations of Reorganizations. The Board of each Fund and the Investment Advisor believe that the most likely result of the potential combinations of Reorganizations is the combination of all the Funds. To the extent that one of the Reorganizations is not completed, but the other Reorganization is completed, any expected expense savings by the Combined Fund, or other potential benefits resulting from the Reorganizations, may be reduced.

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

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

A: For the fiscal year ended August 31, 2012, BHD s Total Expense Ratio was 1.45%. For the 12-month period ended February 28, 2013, BHD s Total Expense Ratio was 1.47%. For the fiscal year ended February 28, 2013, the Total Expense Ratios of ARK and DSU were 1.27% and 1.41%, respectively.

When we use the term Total Expenses, we mean a Fund s total annual operating expenses (including interest expenses). When we use the term Total Expense Ratio, we mean a Fund s Total Expenses expressed as a percentage of its average net assets attributable to its common shares.

The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of BHD and DSU of 0.20% and 0.14%, respectively, and a neutral impact to the Total Expense Ratio for the shareholders of ARK. Although ARK estimates that the completion of all of the Reorganizations would result in a neutral impact to its Total Expense Ratio on a historical basis for the 12-month period ended February 28, 2013, based on projected expense information, ARK shareholders are expected to experience a slight increase (e.g. 0.02%) in its Total Expense Ratio, as a result of the Reorganizations. In addition, the level of expense savings (or increases) will vary depending on the combination of the Funds in the proposed Reorganizations, and furthermore, there can be no assurance that future expenses will not increase or that any expense savings for any Fund will be realized.

The Board of each Fund anticipates that the Reorganizations will benefit the shareholders of each Target Fund and the Acquiring Fund by providing for the potential benefits discussed in Background and Reasons

for the Proposed Reorganizations . These potential benefits include the potential for higher earnings yield (as a percentage of NAV) on a *pro forma* basis for the Combined Fund compared to ARK and BHD. In addition, the Investment Advisor will bear all of the reorganization costs of ARK.

The contractual management fee rate of the Combined Fund will be 0.55%, which is lower than the current contractual management fee rate of BHD and DSU but higher than the current contractual management fee rate of ARK. The Combined Fund will not be subject to any separate administration fee payable to the Investment Advisor. The current advisory fee payable to the Investment Advisor for each Fund is as follows: 0.50% for ARK, 0.75% for BHD and 0.60% for DSU. No Fund is subject to a separate administration fee. While the contractual management fee of the Combined Fund would be 5 basis points higher than the contractual management fee of ARK (0.50%), the Combined Fund would still be competitively priced relative to peers and below the median contractual management fee for Lipper peers.

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

A: An unfavorable vote on a proposed Reorganization by the shareholders of one Target Fund will not affect the implementation of the Reorganization of the other Target Fund if the other Reorganization is approved by the shareholders of each of the Acquiring Fund and the other Target Fund.

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

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

A: An unfavorable vote by shareholders of the Acquiring Fund on the Reorganization of one Target Fund will not affect the implementation of the Reorganization by the other Target Fund, if the other Reorganization is approved by the shareholders of the Acquiring Fund and the other Target Fund. If the Reorganization of a Target Fund is not approved, however, the Investment Advisor may, in connection with ongoing management of that Target Fund and its product line, recommend alternative proposals to the Board of that Target Fund.

Q: How similar are the Funds?

A: The Funds have the same investment adviser, a common portfolio manager, the same board members and substantially similar (but not identical) investment objectives, investment policies, strategies, risks and restrictions. Each Fund s common shares are listed on the New York Stock Exchange.

Each Fund s investment objectives are fundamental policies and may not be changed without shareholder approval.

The investment objective of ARK is to provide high current income by investing principally in senior debt obligations of companies, including corporate loans made by banks and other financial institutions and both privately placed and publicly offered corporate bonds and notes.

The investment objective of BHD is to provide total return through high current income and capital appreciation.

The primary investment objective of DSU is to provide current income by investing primarily in a diversified portfolio of US companies debt instruments, including corporate loans, which are rated in the lower rating categories of the established rating services (BBB or lower by Standard & Poor s Ratings Services (Standard & Poor s) or Baa or lower by Moody s Investor Services (Moody s)) or unrated debt instruments, which are in the judgment of the investment advisor of equivalent quality. The secondary objective of DSU is to provide capital appreciation.

ARK is organized as a Maryland corporation and is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). DSU is organized as a Maryland corporation and is a diversified, closed-end management investment company registered under the 1940 Act. BHD is organized as a Delaware statutory trust and is a diversified, closed-end management investment company registered under the 1940 Act.

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

Because the Acquiring Fund is organized as a Maryland corporation, shareholders of BHD will become shareholders of a Maryland corporation rather than shareholders of a Delaware statutory trust if BHD s Reorganization is completed. A more detailed description of the differences between Delaware statutory trust law and Maryland corporate law is contained in the Joint Proxy Statement/Prospectus under the heading Governing Law.

Q: How will the Reorganizations be effected?

A: Assuming Target Fund shareholders approve the Reorganizations of the Target Funds and Acquiring Fund shareholders approve the Reorganizations of the Acquiring Fund, each Target Fund will merge directly with and into the Acquiring Fund. Each Target Fund will terminate its registration under the 1940 Act after the completion of its Reorganization.

Shareholders of the Target Funds: You will become shareholders of the Acquiring Fund. You will receive newly issued common shares of the Acquiring Fund, par value $0.10 per share, the aggregate NAV (not the market value) of which will equal the aggregate NAV (not the market value) of the common shares of the particular Target Fund you held immediately prior to such Reorganization, less the applicable costs of the Reorganization (though you may receive cash for fractional shares).

Shareholders of the Acquiring Fund: You will remain shareholders of DSU, which will have additional common shares outstanding after the Reorganizations.

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

A: The common shares of each Fund have historically fluctuated between a discount and a premium. As of May 31, 2013, each Fund traded at a discount to its respective NAV.

To the extent a Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of the Reorganizations, such Target Fund shareholders would have the potential for an economic benefit by the narrowing of the discount/premium. To the extent a Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of the Reorganizations, such Target Fund shareholders may be negatively impacted if the Reorganizations are consummated. The Acquiring Fund shareholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves. There can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at, above or below NAV. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative NAVs (not the market values) of each respective Fund s common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganizations.

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

A: You will pay no sales loads or commissions in connection with the Reorganizations. Regardless of whether the Reorganizations are completed, however, the costs associated with these proposed Reorganizations, including the costs associated with the shareholder meeting, will be borne directly by each of the respective Funds incurring the expense or will otherwise be allocated among the Funds proportionately or on another iv

reasonable basis, except that the Investment Advisor will bear all of ARK s reorganization costs as discussed more fully in the Joint Proxy Statement/Prospectus. Because of the expected expense savings and other benefits for each of BHD and DSU, the Investment Advisor recommended and the Boards of such Funds have approved that BHD and DSU be responsible for their own Reorganization expenses. See Reasons for the Reorganizations in the attached Joint Proxy Statement/Prospectus. The expenses of the Reorganizations are estimated to be $345,000 for BHD and $600,000 for DSU.

Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganizations (*e.g.*, expenses incurred by the shareholder as a result of attending the shareholder meeting, voting on the Reorganizations or other action taken by the shareholder in connection with the Reorganizations). The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.

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

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

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

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

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

A: Although the Acquiring Fund will continue its legal existence and operations after the Reorganizations, the Acquiring Fund s charter requires the Acquiring Fund s shareholders to approve each of the Acquiring Fund s reorganizations. In addition, Maryland law requires the Acquiring Fund s shareholders to approve the amendment to its Articles of Incorporation to increase its share capital and, the rules of the New York Stock Exchange (on which the Acquiring Fund s common shares are listed) require the Acquiring Fund s shareholders to approve the issuance of additional common shares in connection with the Reorganizations. If a Reorganization of the Acquiring Fund is not approved, then such Reorganization will not occur.

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

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

Q: How do I vote my proxy?

A: You may cast your vote by mail, phone, internet or in person at the Special Meeting. To vote by mail, please mark your vote on the enclosed proxy card and sign, date and return the card in the postage-paid envelope

provided. If you choose to vote by phone or internet, please refer to the instructions found on the proxy card accompanying this Joint Proxy Statement/Prospectus. To vote by phone or internet, you will need the control number that appears on the proxy card.

Q: Whom do I contact for further information?

A: You may contact your financial advisor for further information. You may also call Georgeson Inc., the Funds proxy solicitor, at 1-866-856-2826.

Please vote now. Your vote is important.

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

BLACKROCK SENIOR HIGH INCOME FUND, INC.

BLACKROCK STRATEGIC BOND TRUST

BLACKROCK DEBT STRATEGIES FUND, INC.

100 Bellevue Parkway

Wilmington, Delaware 19809

(800) 882-0052

NOTICE OF JOINT SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 25, 2013

Notice is hereby given that a joint special meeting of shareholders (the Special Meeting) of BlackRock Senior High Income Fund, Inc. (ARK), BlackRock Strategic Bond Trust (BHD and collectively with ARK, the Target Funds) and BlackRock Debt Strategies Fund, Inc. (DSU and collectively with the Target Funds, the Funds) will be held at the offices of BlackRock Advisors, LLC, 1 University Square Drive, Princeton, New Jersey 08540-6455, on October 25, 2013 at 9:00 a.m. (Eastern time) for the following purposes:

1. The Reorganizations of the Target Funds

Shareholders of BlackRock Senior High Income Fund, Inc. (ARK):

Proposal 1(A): The shareholders of ARK are being asked to approve an Agreement and Plan of Reorganization between ARK and DSU (the ARK Reorganization Agreement) and the termination of ARK s registration under the Investment Company Act of 1940 (the 1940 Act).

Shareholders of BlackRock Strategic Bond Trust (BHD):

Proposal 1(B): The shareholders of BHD are being asked to approve an Agreement and Plan of Reorganization between BHD and DSU (the BHD Reorganization Agreement) and the termination of BHD s registration under the 1940 Act.

2. The Reorganizations of the Acquiring Fund and the Issuance of the Acquiring Fund s Common Shares

Shareholders of BlackRock Debt Strategies Fund, Inc. (DSU):

Proposal 2(A): The shareholders of DSU are being asked to approve the ARK Reorganization Agreement, including an amendment to DSU s Articles of Incorporation to increase its share capital by 200,000,000 shares and the issuance of additional common shares of DSU, each in connection with the ARK Reorganization Agreement.

Proposal 2(B): The shareholders of DSU are being asked to approve the BHD Reorganization Agreement, including an amendment to DSU s Articles of Incorporation to increase its share capital by 200,000,000 shares and the issuance of additional common shares of DSU, each in connection with the BHD Reorganization Agreement.

Shareholders of record as of the close of business on August 28, 2013 are entitled to vote at the Special Meeting or any adjournment, postponement or delay thereof.

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

THE BOARD OF EACH TARGET FUND UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:

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

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

- **FOR** THE REORGANIZATION OF DSU PURSUANT TO EACH REORGANIZATION AGREEMENT BETWEEN DSU AND A TARGET FUND, INCLUDING AN AMENDMENT TO DSU S ARTICLES OF INCORPORATION TO INCREASE ITS SHARE CAPITAL BY 200,000,000 SHARES AND THE ISSUANCE OF ADDITIONAL COMMON SHARES OF DSU IN CONNECTION WITH EACH SUCH REORGANIZATION AGREEMENT.

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

For the Board of Directors/Trustees of the Funds

John M. Perlowski

President and Chief Executive Officer of the Funds

September 9, 2013

YOUR VOTE IS IMPORTANT.

PLEASE VOTE PROMPTLY BY SIGNING AND RETURNING THE

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

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR

THE SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON OCTOBER 25, 2013.

THE PROXY STATEMENT FOR THIS MEETING IS AVAILABLE AT:

HTTPS://WWW.PROXY-DIRECT.COM/BLK-24899

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

SUBJECT TO COMPLETION, DATED SEPTEMBER 9, 2013

JOINT PROXY STATEMENT/PROSPECTUS

BLACKROCK SENIOR HIGH INCOME FUND, INC.

BLACKROCK STRATEGIC BOND TRUST

BLACKROCK DEBT STRATEGIES FUND, INC.

100 Bellevue Parkway

Wilmington, Delaware 19809

(800) 882-0052

JOINT SPECIAL MEETING OF SHAREHOLDERS

October 25, 2013

This Joint Proxy Statement/Prospectus is furnished to you as a shareholder of (i) BlackRock Senior High Income Fund, Inc. (ARK), (ii) BlackRock Strategic Bond Trust (BHD) and/or (iii) BlackRock Debt Strategies Fund, Inc. (DSU). ARK is a non-diversified registered investment company and corporation organized under the laws of the State of Maryland and registered under the Investment Company Act of 1940, as amended (the 1940 Act); whereas BHD is a diversified registered investment company and statutory trust organized under the laws of the State of Delaware and registered under the 1940 Act, and DSU is a diversified registered investment company and corporation organized under the laws of the State of Maryland and registered under the 1940 Act. A joint special meeting (the Special Meeting) of shareholders of ARK, BHD and DSU (each, a Fund) will be held at the offices of BlackRock Advisors, LLC (the Investment Advisor), 1 University Square Drive, Princeton, New Jersey 08540-6455, on October 25, 2013 at 9:00 a.m. (Eastern time) to consider the items listed below and discussed in greater detail elsewhere in this Joint Proxy Statement/Prospectus. If you are unable to attend the Special Meeting or any adjournment or postponement thereof, the Board of Directors or Board of Trustees, as applicable, of each Fund (each, a Board) recommends that you vote your common shares of beneficial interests or shares of common stock (common shares) by completing and returning the enclosed proxy card or by recording your voting instructions by telephone or via the Internet. The approximate mailing date of this Joint Proxy Statement/Prospectus and accompanying form of proxy is September 18, 2013.

The purposes of the Special Meeting are:

1. The Reorganizations of the Target Funds

Shareholders of BlackRock Senior High Income Fund, Inc. (ARK):

Proposal 1(A): The shareholders of ARK are being asked to approve an Agreement and Plan of Reorganization between ARK and DSU (the ARK Reorganization Agreement) and the termination of ARK s registration under the 1940 Act.

Shareholders of BlackRock Strategic Bond Trust (BHD):

Proposal 1(B): The shareholders of BHD are being asked to approve an Agreement and Plan of Reorganization between BHD and DSU (the BHD Reorganization Agreement) and the termination of BHD s registration under the 1940 Act.

2. The Reorganizations of the Acquiring Fund and the Issuance of the Acquiring Fund s Common Shares

Shareholders of BlackRock Debt Strategies Fund, Inc. (DSU):

Proposal 2(A): The shareholders of DSU are being asked to approve the ARK Reorganization Agreement, including an amendment to DSU s Articles of Incorporation to increase its share capital by 200,000,000 shares and the issuance of additional common shares of DSU in connection with the ARK Reorganization Agreement.

Proposal 2(B): The shareholders of DSU are being asked to approve the BHD Reorganization Agreement, including an amendment to DSU s Articles of Incorporation to increase its share capital by 200,000,000 shares and the issuance of additional common shares of DSU in connection with the BHD Reorganization Agreement.

Shareholders of record as of the close of business on August 28, 2013 are entitled to vote at the Special Meeting or any adjournment or postponement thereof.

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

The Reorganizations seek to combine three Funds that have substantially similar (but not identical) investment objectives and investment policies to achieve certain economies of scale and other operational efficiencies. Each Target Fund will merge directly with and into the Acquiring Fund. Each Target Fund will terminate its registration under the 1940 Act after the completion of its Reorganization. The Acquiring Fund will continue to operate after the Reorganization as a registered, diversified, closed-end management investment company with the investment objectives and policies described in this Joint Proxy Statement/Prospectus.

In each Reorganization, the outstanding common shares of the Target Fund will be exchanged for newly-issued common shares of the Acquiring Fund, par value $0.10 per share (Acquiring Fund Shares) in the form of book entry interests. The aggregate net asset value (NAV) (not the market value) of the Acquiring Fund Shares received by the shareholders of the Target Fund in each Reorganization will equal the aggregate NAV (not the market value) of the Target Fund common shares held by such shareholders immediately prior to such Reorganization, less the applicable costs of such Reorganization (although Target Fund shareholders may receive cash for their fractional common shares). In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative NAV (not the market value) of each respective Fund s common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of a Target Fund prior to the Reorganizations.

In connection with each Reorganization, the shareholders of the Acquiring Fund are being asked to approve such Reorganization, including an amendment to DSU s Articles of Incorporation to increase its share capital by 200,000,000 shares and the issuance of additional Acquiring Fund Shares. In the event either or both of the Reorganizations are approved by shareholders of the applicable Funds, in either case, DSU s Articles of Incorporation would be amended to increase its share capital by an aggregate amount of 200,000,000 shares.

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

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

This Joint Proxy Statement/Prospectus sets forth concisely the information that shareholders of each Fund should know before voting on the proposals for their Fund and constitutes an offering of Acquiring Fund Shares. Please read it carefully and retain it for future reference. A Statement of Additional Information, dated September 9, 2013, relating to this Joint Proxy Statement/Prospectus (the Statement of Additional Information) has been filed with the United States Securities and Exchange Commission (the SEC) and is incorporated herein by reference. Copies of each Fund s most recent annual report and semi-annual report can be obtained on a website maintained by BlackRock, Inc. (BlackRock) at www.blackrock.com. In addition, each Fund will furnish, without charge, a copy of the Statement of Additional Information, or its most recent annual report or semi-annual report to any shareholder upon request. Any such request should be directed to BlackRock by calling (800) 882-0052 or by writing to the respective Fund at 100 Bellevue Parkway, Wilmington, Delaware 19809. The Statement of Additional Information and the annual and semi-annual reports of each Fund are available on the EDGAR Database on the SEC s website at www.sec.gov. The address of the principal executive offices of the Funds is 100 Bellevue Parkway, Wilmington, Delaware 19809, and the telephone number is (800) 882-0052.

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

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

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

The common shares of BlackRock Debt Strategies Fund, Inc. are listed on the New York Stock Exchange (NYSE) under the ticker symbol DSU and will continue to be so listed after the completion of the Reorganizations. The common shares of BlackRock Senior High Income Fund, Inc. are listed on the NYSE under the ticker symbol ARK. The common shares of BlackRock Strategic Bond Trust are listed on the NYSE under the ticker symbol BHD. Reports, proxy statements and other information concerning the Funds may be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

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

Photographic identification and proof of ownership will be required for admission to the meeting. For directions to the meeting, please contact Georgeson Inc., the firm assisting us in the solicitation of proxies, at 1-866-856-2826.

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

The date of this Joint Proxy Statement/Prospectus is September 9, 2013.

TABLE OF CONTENTS

SUMMARY

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

PROPOSAL 1: THE REORGANIZATIONS OF THE TARGET FUNDS

The Proposed Reorganizations

The Board of each Fund, including the directors or trustees, as applicable (the Board Members), who are not interested persons of each Fund (as defined in the 1940 Act) (the Independent Board Members), has unanimously approved its Reorganization(s), including its respective Reorganization Agreement(s). Assuming each Target Fund s shareholders approve its respective Target Fund s Reorganization and the Acquiring Fund s shareholders approve the Reorganizations of the Acquiring Fund, each Target Fund will merge directly with and into the Acquiring Fund. Each Target Fund will terminate its registration under the 1940 Act after the completion of its Reorganization.

In each Reorganization, the outstanding common shares of the Target Fund will be exchanged for newly-issued Acquiring Fund Shares in the form of book entry interests. The aggregate NAV (not the market value) of the Acquiring Fund Shares received by the Target Fund shareholders in each Reorganization will equal the aggregate NAV (not the market value) of the Target Fund common shares held by such shareholders immediately prior to such Reorganization, less the applicable costs of such Reorganization (although Target Fund shareholders may receive cash for their fractional common shares). In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative NAV, not the market value, of each respective Fund s common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of a Target Fund prior to the Reorganizations.

Background and Reasons for the Proposed Reorganizations

The Reorganizations seek to combine three funds that have substantially similar (but not identical) investment objectives and investment policies to achieve certain economies of scale and other operational efficiencies. Each Target Fund will merge directly with and into DSU, which will continue to exist after the merger as the Combined Fund. The Board of each Target Fund (each, a Target Fund Board), based upon its evaluation of all relevant information, anticipates that the Reorganization would benefit shareholders of its Target Fund. The Board of the Acquiring Fund (the Acquiring Fund Board), based upon its evaluation of all relevant information, anticipates that the Reorganizations would benefit shareholders of the Acquiring Fund. Because shareholders of each Fund will vote separately on their Fund s respective Reorganization(s), there are multiple potential combinations of Reorganizations.

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

The Board of each Fund considered its respective Reorganization(s) at a meeting of the Board of each Fund held on July 19, 2013 (the Meeting). In preparation for the Meeting at which the Reorganizations were approved, the Investment Advisor provided each Board with information regarding the proposed Reorganizations, including the rationale therefor and alternatives considered to the Reorganizations. The Board of each Fund considered a number of factors presented at the time of the Meeting or at a prior meeting in reaching their determinations, including, but not limited to, the following:

- potential for improved economies of scale and a lower Total Expense Ratio with respect to BHD and DSU;

  - the Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of BHD and DSU of 0.20% and 0.14%, respectively, and a neutral impact to the Total Expense Ratio for the shareholders of ARK; although ARK estimates that the completion of all of the Reorganizations would result in a neutral impact to its Total Expense Ratio on a historical basis for the 12-month period ended February 28, 2013, based on projected expense information, ARK shareholders are expected to experience a slight increase (e.g. 0.02%) in its Total Expense Ratio, as a result of the Reorganizations;

  - the Board of ARK and BHD believe that other potential benefits of the Reorganizations make the Reorganizations in the best interest of ARK and BHD shareholders. These other potential benefits include the potential for (i) higher earnings yield for the Combined Fund (as a percentage of NAV) on a *pro forma* basis compared to ARK and BHD; (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads; (iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors. See Reasons for the Reorganizations. In addition, the Investment Advisor will bear all of the reorganization costs of ARK;

  - there can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings (or increases) will vary depending on the combination of the proposed Reorganizations;

- alternatives to the Reorganizations for each Fund;

- the potential effects of the Reorganizations on the earnings and distributions of each Fund;

  - the Combined Fund s earnings yield is expected to be slightly lower than DSU s current earnings yield; thus, assuming the Acquiring Fund s distribution policy remains in place after the Reorganizations, shareholders of DSU may experience a decrease in their distribution yield after the Reorganizations.

  - the Board of DSU believes that the potential benefits of the Reorganizations make the Reorganizations in the best interest of DSU shareholders. These potential benefits include the potential for (i) a lower Total Expense Ratio, (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads; (iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors.

a Fund s earnings and net investment income are variables, which depend on many factors, including its asset mix, portfolio turnover level, the amount of leverage utilized by the Fund, the costs of such leverage, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Reorganizations, will remain constant. In addition, the Combined Fund s future earnings will vary depending on the combination of the proposed Reorganizations.

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

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

consistency of portfolio management and portfolio composition;

the potential for improved secondary market trading;

the potential for operating and administrative efficiencies;

the anticipated tax-free nature of the Reorganizations;

the potential effects on the Funds capital loss carryforwards;

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

the expected costs of the Reorganizations;

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

the effect of the Reorganizations on shareholder rights; and

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

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

If a Reorganization is not approved by a Target Fund s shareholders, such Target Fund will continue to operate for the time being as a stand-alone Maryland corporation or Delaware statutory trust, as the case may be, and will continue to be advised by the Investment Advisor.

However, if the Reorganization of a Target Fund is not approved, the Investment Advisor may, in connection with ongoing management of the Funds and its product line, recommend alternative proposals to the Board of such Target Fund. An unfavorable vote by the shareholders of one of the Target Funds or the Acquiring Fund with respect to one of the Reorganizations will not affect the implementation of the other Reorganization.

Expenses

The Board of each Fund, except ARK, believes that the completion of the Reorganizations would result in a reduced Total Expense Ratio for the shareholders of the Combined Fund because certain fixed administrative costs would be spread across the Combined Fund s larger asset base.

For the fiscal year ended August 31, 2012, BHD s Total Expense Ratio was 1.45%. For the 12-month period ended February 28, 2013, BHD s Total Expense Ratios was 1.47%. For the fiscal year ended February 28, 2013, the Total Expense Ratios of ARK and DSU were 1.27% and 1.41%, respectively.

The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of BHD and DSU of 0.20% and 0.14%, respectively, and a neutral impact to the Total Expense Ratio of ARK. Although ARK estimates that the completion of all of the Reorganizations would result in a neutral impact to its Total Expense Ratio on a historical basis for the 12-month period ended February 28, 2013, based on projected expense information, ARK shareholders are expected to experience a slight increase (e.g. 0.02%) in its Total Expense Ratio, as a result of the Reorganizations. There can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the proposed Reorganizations.

The Board of ARK believes that other potential benefits of its Reorganization make the Reorganization in the best interest of ARK shareholders. These potential benefits include the potential for (i) higher earnings yield for the Combined Fund (as a percentage of NAV) on a *pro forma* basis compared to ARK, (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads; (iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors. See Reasons for the Reorganizations. In addition, the Investment Advisor will bear all of the reorganization costs of ARK.

Appraisal Rights

None of the Funds shareholders have appraisal rights for their common shares in their respective Fund.

Comparison of the Funds

The Funds have substantially similar (but not identical) investment objectives, investment strategies and restrictions. The investment objectives, significant investment strategies and operating policies, and investment restrictions of the Combined Fund will be those of the Acquiring Fund.

Summary of Significant Differences in the Funds Investment Objectives and Policies

Investment Objectives. The primary investment objective of DSU is to provide current income by investing primarily in a diversified portfolio of U.S. companies debt instruments, including corporate loans, which are rated in the lower rating categories of the established rating services (BBB or lower by Standard & Poor s Ratings Services or Baa or lower by Moody s Investor Services) or unrated debt instruments, which are in the judgment of the investment advisor of equivalent quality. The secondary objective of DSU is to provide capital appreciation. The investment objective of ARK is to provide high current income by investing principally in senior debt obligations of companies, including corporate loans made by banks and other financial institutions and both privately placed and publicly offered corporate bonds and notes. The investment objective of BHD is to provide total return through high current income and capital appreciation.

Distressed Securities. DSU may invest up to 20% of its total assets in Distressed Securities. ARK will not invest in securities in the lowest rating categories (Caa or below for Moody s and CCC or below for S&P); securities which are subsequently downgraded may continue to be held and will be sold only if, in the judgment of the Investment Advisor, it is advantageous to do so. BHD will, under normal market conditions, invest between 75% and 35% of its total managed assets in securities related below investment grade.

Preferred Shares. DSU may invest up to 20% of its total assets in preferred shares. Neither of the Target Funds has any limitations with respect to preferred shares.

Convertible Debt Securities. DSU may invest up to 20% of its total assets in convertible debt securities. Neither of the Target Funds has any limitations with respect to convertible debt securities.

Debt Instruments. DSU will invest, under normal market conditions, at least 80% of its total assets in debt instruments. ARK may invest up to 35% of its total assets in debt obligations of companies which do not constitute senior debt obligations but which otherwise meet the credit standards and criteria established by the Investment Adviser for investments in Senior Debt. BHD does not have any limitations with respect to debt instruments.

Non-U.S. Securities. DSU may invest up to 20% of the its total assets in financial instruments of issuers domiciled outside the U.S. or that are denominated in various foreign currencies and multinational foreign currency units, provided that the foreign issuers of any non-U.S. dollar denominated instruments purchased by DSU are domiciled in a country that is a member of the OECD. BHD may invest up to 20% of its total managed assets in Foreign Securities, which may include debt securities issued by foreign governments and other sovereign entities and debt securities issued by foreign corporations or supranational entities and securities denominated in foreign currencies or multinational currency units. BHD may invest in Brady Bonds and other sovereign debt of countries that have restructured or are in the process of restructuring their debt pursuant to the Brady Plan, which are viewed as speculative investments. ARK may invest, without limitation, in Senior Debt issued by non-U.S. companies, provided that the debt instruments are U.S. dollar-denominated or otherwise provide for payment in U.S. dollars, and the company meets the credit standards established by the 1940 Act for U.S. companies.

Leverage. DSU and BHD, under current market conditions, intend to utilize leverage in an amount equal to approximately 33 $^{1}/_{3}$% of their respective total assets (including the amount obtained from leverage). ARK, under current market conditions, intends to utilize leverage in an amount equal to approximately 20% of its total assets (including the amount obtained from leverage).

Other Investment Companies. DSU does not have any limitations with respect to other investment companies, other than those imposed by the 1940 Act. ARK may not purchase securities of other investment companies, except to the extent that such purchases are permitted by applicable law. BHD may invest up to 10% of its total managed assets in securities of other open- or closed-end investment companies that invest primarily in bonds of the types in which the Fund may invest directly.

Short Sales. DSU may make short sales of securities, provided the market value of all securities sold short does not exceed 10% of its total assets. DSU may make short sales both as a form of hedging to offset potential declines in long positions in similar securities and in order to seek to enhance return. DSU s obligation to replace the borrowed security will be secured by collateral deposited with the broker dealer, usually cash, U.S. government securities or other liquid securities similar to those borrowed. DSU also will be required to segregate similar collateral with its custodian to the extent, if any, necessary so that the value of both collateral amounts in the aggregate is at all times equal to at least 100% of the current market value of the security sold short. DSU also may make short sales against the box. Short sales against the box are not subject to the foregoing 10% limitation. BHD may make short sales of bonds. BHD will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its total managed assets or its aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class. ARK does not have any limitations with respect to short sales.

Options. DSU and ARK may purchase call options on any of the types of securities in which they may invest. DSU and ARK are authorized to purchase put options to hedge against a decline in the value of their securities. DSU and ARK are authorized to engage in options on its futures contracts either as a hedge against adverse change in the market value of their portfolio securities and interest rates or to enhance each Fund s income. BHD does not have any limitations with respect to convertible debt securities.

A more detailed comparison of the Funds investment objectives, significant investment strategies and operating policies, and investment restrictions is set forth in the table below.

ARK	BHD	DSU
Investment Objective	**Investment Objective**	**Investment Objective**
The Fund s investment objective is to provide high current income by investing principally in senior debt obligations of companies, including corporate loans made by banks and other financial institutions and both privately placed and publicly offered corporate bonds and notes.	The Fund s investment objective is to provide total return through high current income and capital appreciation.	The Fund s primary investment objective is to provide current income by investing primarily in a diversified portfolio of US companies debt instruments, including corporate loans, which are rated in the lower rating categories of the established rating services (BBB or lower by S&P s or Baa or lower by Moody s) or unrated debt instruments, which are in the judgment of the investment adviser of equivalent quality. The Fund s secondary objective is to provide capital appreciation.
Distressed Securities	**Distressed Securities**	**Distressed Securities**
Senior Debt investments of the Fund may be rated in the lower rating categories of the established rating services (Baa or lower by Moody s and BBB or lower by S&P), or in unrated securities of comparable quality. Securities rated below Baa by Moody s or below BBB by S&P, and unrated securities of comparable quality are commonly known as junk bonds. The Fund will not invest in securities in the lowest rating categories (Caa or below for Moody s and CCC or below for S&P). Securities which are subsequently downgraded may continue to be held and will be sold only if, in the judgment of the Investment Advisor, it is advantageous to do so.	Under normal market conditions, between 75% and 35% of its total managed assets will be invested in securities rated below investment grade, such as those rated Ba or lower by Moody s and BB or lower by S&P or securities comparably rated by other Rating Agencies or in unrated securities determined by BlackRock to be of comparable quality.	Up to 20% of the Fund s total assets may be invested in Distressed Securities, which includes publicly offered or privately placed debt securities and Corporate Loans which, at the time of investment, are the subject of bankruptcy proceedings or otherwise in default as to the repayment of principal or payment of interest or are rated in the lowest rating categories (Ca or lower by Moody s and CC or lower by S&P) or which, if unrated, are in the judgment of the Investment Adviser of equivalent quality.

ARK	BHD	DSU
Non-U.S. Securities	**Non-U.S. Securities**	**Non-U.S. Securities**
The Fund may invest in Senior Debt issued by non-U.S. companies, provided that the debt instruments are U.S. dollar-denominated or otherwise provide for payment in U.S. dollars, and the company meets the credit standards established by the 1940 Act for U.S. companies.	The Fund may invest up to 20% of its total managed assets in non-U.S. securities which may include debt securities issued by foreign governments and other sovereign entities and debt securities issued by foreign corporations or supranational entities and securities denominated in foreign currencies or multinational currency units. The Fund may invest in Brady Bonds and other sovereign debt of countries that have restructured or are in the process of restructuring their debt pursuant to the Brady Plan, which are viewed as speculative investments. Under normal market conditions, the Fund will not hold any non-U.S. securities of emerging market issuers, and, in the event the Fund decides to hold any such non-U.S. securities of emerging market issuers, such securities will not comprise more than 10% of the Fund s total managed assets.	Up to 20% of the Fund s total assets may be invested in financial instruments of issuers domiciled outside the United States or that are denominated in various foreign currencies and multinational foreign currency units, provided that the foreign issuers of any non-U.S. dollar denominated instruments purchased by the Fund are domiciled in a country that is a member of the OECD.
Convertible Debt Instruments and Preferred Stock	**Convertible Debt Instruments and Preferred Stock**	**Convertible Debt Instruments and Preferred Stock**
No Stated Policy	No Stated Policy	Up to 20% of the Fund s total assets can be invested in convertible debt instruments and preferred stock, each of which may be converted into common stock or other securities of the same or a different issuer, and non-convertible preferred stock.
Debt Instruments	**Debt Instruments**	**Debt Instruments**
The Fund may invest up to 35% of its total assets in debt obligations of companies which do not constitute senior debt obligations but which otherwise meet the credit standards and criteria established by the Investment Adviser for investments in Senior Debt.	No Stated Policy	Under normal market conditions, at least 80% of the Fund s total assets will be invested in debt instruments.

ARK	BHD	DSU
		Up to 10% of the Fund s assets may be invested in debt instruments, including Corporate Loans, of investment companies (which may or may not be registered under the 1940 Act) whose portfolio securities consist entirely of (i) corporate debt or equity securities acceptable to the Fund s Investment Adviser or (ii) money market instruments.
<u>Defensive Measures</u>	**<u>Defensive Measures</u>**	**<u>Defensive Measures</u>**
Same as DSU	The Fund may implement various temporary defensive strategies at times when BlackRock determines that conditions in the markets make pursuing the Fund s basic investment strategy inconsistent with the best interests of its shareholders. These strategies may include investing all or a portion of the Fund s assets in higher-quality debt securities or US government obligations and high-quality, short-term debt securities.	Under unusual market or economic conditions or for temporary or defensive or liquidity purposes, the Fund may invest up to 100% of its assets in securities issued or guaranteed by the U.S. Government or its instrumentalities or agencies, certificates of deposits, banker s acceptances, and other bank obligations, commercial paper rated in the highest category by a nationally recognized statistical rating organization or other fixed-income securities deemed by the Investment Adviser to be consistent with a defensive posture.
<u>Leverage</u>	**<u>Leverage</u>**	**<u>Leverage</u>**
Under current market conditions, the Fund intends to utilize leverage in an amount equal to approximately 20% of its total assets (including the amount obtained from leverage).	Same as DSU	Under current market conditions, the Fund intends to utilize leverage in an amount equal to approximately 33 $^{1}/_{3}$%

		of its total assets (including the amount obtained from leverage).
The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which may otherwise require untimely dispositions of Fund securities.		The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.

8

ARK	BHD	DSU
Repurchase Agreements	**Repurchase Agreements**	**Repurchase Agreements**
The Fund may invest in securities pursuant to repurchase agreements and purchase and sale contracts. Repurchase agreements and purchase and sale contracts may be entered into only with a member bank of the Federal Reserve System or primary dealer in U.S. government securities.	No Stated Policy	The Fund may enter into repurchase agreements with respect to its permitted investments with financial institutions that (i) have, in the opinion of the Investment Adviser, substantial capital relative to the Fund s exposure, or (ii) have provided the Fund with a third-party guaranty or other credit enhancement.
Reverse Repurchase Agreements	**Reverse Repurchase Agreements**	**Reverse Repurchase Agreements**
No Stated Policy	Same as DSU	The Fund may enter into reverse repurchase agreements with respect to its portfolio investments subject to the investment restrictions set forth herein.
Securities Lending	**Securities Lending**	**Securities Lending**
Same as DSU	The Fund may lend its portfolio securities in an amount not to exceed 33 $^{1}/_{3}$% of the value of its total assets.	The Fund may from time to time lend securities from its portfolio, with a value not exceeding 33 $^{1}/_{3}$% of its total assets, to banks, brokers and other financial institutions and receive collateral in cash or securities issued or guaranteed by the U.S. government, its agencies or instrumentalities which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities.
When-Issued and Forward Commitment Securities	**When-Issued and Forward Commitment Securities**	**When-Issued and Forward Commitment Securities**

Same as DSU	Same as DSU	The Fund may purchase securities on a when-issued basis and may purchase or sell securities on a forward commitment basis in order to hedge against anticipated changes in interest rates and prices.

9

ARK	BHD	DSU
Other Investment Companies	**Other Investment Companies**	**Other Investment Companies**
The fund may not purchase securities of other investment companies, except to the extent that such purchases are permitted by applicable law.	The Fund may invest up to 10% of its total managed assets in securities of other open- or closed-end investment companies that invest primarily in bonds of the types in which the Fund may invest directly.	No Stated Policy
Bank Loans	**Bank Loans**	**Bank Loans**
No Stated Policy	The Fund may invest in bank loans denominated in US and foreign currencies that are originated, negotiated and structured by a syndicate of lenders consisting of commercial banks, thrift institutions, insurance companies, financial companies or other financial institutions one or more of which administers the security on behalf of the syndicate.	No Stated Policy
Corporate Loans	**Corporate Loans**	**Corporate Loans**
The Fund may invest in Senior Debt consisting of corporate loans made by banks and other financial institutions to corporations, partnerships, or trusts.	No Stated Policy	The Fund may invest in senior and subordinated corporate loans, both secured and unsecured.
Illiquid Securities	**Illiquid Securities**	**Illiquid Securities**
Same as DSU	When purchasing securities that have not been registered under the Securities Act, and are not readily marketable, the Fund will endeavor, to the extent practicable, to obtain the right to registration at the expense of the issuer.	The Fund has no limitation on the amount of its investments that are not readily marketable or are subject to restrictions on resale.
	The Fund may not be able to readily dispose of such securities at prices that approximate those at which the Fund could sell such securities if they were more widely traded and, as a result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations.	

ARK	BHD	DSU
Mortgage-Related Securities	**Mortgage-Related Securities**	**Mortgage-Related Securities**
No Stated Policy	The Fund may invest in residential and commercial mortgage-related securities issued by governmental entities and private issuers, including subordinated mortgage-related securities.	No Stated Policy
Options	**Options**	**Options**
Same as DSU	No Stated Policy	The Fund may purchase call options on any of the types of securities in which it may invest. The Fund is authorized to purchase put options to hedge against a decline in the value of its securities. The Fund will not sell puts if, as a result, more than 50% of the Fund s assets would be required to cover its potential obligations under its hedging and other investment transactions. The Fund is authorized to engage in options on its futures contracts either as a hedge against adverse change in the market value of its portfolio securities and interest rates or to enhance the Fund s income.
Interest Rate Transactions	**Interest Rate Transactions**	**Interest Rate Transactions**
Same as DSU	The Fund may enter into interest rate swaps and the purchase or sale of interest rate caps and floors. The Fund expects to enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio as a duration	In order to hedge the value of the Fund s portfolio against interest rate fluctuations or to

management technique or to protect against any increase in the price of securities the Fund anticipates purchasing at a later date. The Fund intends to use these transactions for hedging and risk management purposes and not as a speculative investment.	enhance the Fund s income, the Fund may enter into various interest rate transactions, such as interest rate swaps and the purchase or sale of interest rate caps and floors.

ARK	BHD	DSU
Futures	**Futures**	**Futures**
Same as DSU	In connection with its hedging and other risk management strategies, the Fund may also enter into contracts for the purchase or sale for future delivery (future contracts) of debt securities, aggregates of debt securities, financial indices, and U.S. Government debt securities or options on the foregoing to hedge the value of its portfolio securities that might result from a change in interest rates or market movements.	The Fund is authorized to engage in transactions in financial futures contracts.
Short Sales	**Short Sales**	**Short Sales**
No Stated Policy	The Fund may make short sales of bonds. The Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its total managed assets or the Fund s aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class.	The Fund may make short sales of securities, provided the market value of all securities sold short does not exceed 10% of its total assets. The Fund may make short sales both as a form of hedging to offset potential declines in long positions in similar securities and in order to seek to enhance return. The Fund s obligation to replace the borrowed security will be secured by collateral deposited with the broker dealer, usually cash, U.S. government securities or other liquid securities similar to those borrowed. The Fund also will be required to segregate similar collateral with its custodian to the extent, if any, necessary so that the value of both collateral amounts in the aggregate is at all times equal to at least 100% of the

current market value of the security sold short.

The Fund also may make short sales against the box. Short sales against the box are not subject to the foregoing 10% limitation.

Further Information Regarding the Reorganization

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

Each Reorganization is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). If a Reorganization so qualifies, in general, shareholders of a Target Fund will recognize no gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Additionally, the Target Funds will recognize no gain or loss for U.S. federal income tax purposes by reason of the Reorganizations. Neither the Acquiring Fund nor its shareholders will recognize any gain or loss for U.S. federal income tax purposes pursuant to each Reorganization. It is a condition to the closing of each Reorganization that the respective Target Fund and the Acquiring Fund receive an opinion from Skadden, Arps, Slate, Meagher & Flom LLP (Skadden Arps), dated as of the closing date of such Reorganization (the Closing Date), regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code.

The Board of each Target Fund recommends that shareholders of such Target Fund approve their proposed Reorganization at the Special Meeting to be held on October 25, 2013.

Shareholder approval of the ARK Reorganization requires the affirmative vote of a majority of the outstanding common shares of ARK.

Shareholder approval of BHD s Reorganization requires the affirmative vote by BHD shareholders, voting as a single class, of a majority of the outstanding voting securities as defined under the 1940 Act (such a majority referred to herein as a 1940 Act Majority). A 1940 Act Majority means the affirmative vote of either (i) $66\,^{2}/_{3}\%$ or more of the voting securities present at the Special Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Fund, whichever is less. For additional information regarding voting requirements, see Voting Information and Requirements.

Subject to the requisite approval of the shareholders of each Target Fund with regard to each Reorganization, it is expected that the Closing Date will be sometime during the fourth quarter 2013, but it may be at a different time as described herein.

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

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

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

PROPOSAL 2: THE REORGANIZATIONS OF THE ACQUIRING FUND

In connection with each proposed Reorganization described under Proposal 1: The Reorganizations of the Target Funds, each Target Fund will merge directly with and into the Acquiring Fund and in connection with such Reorganization, the Acquiring Fund will amend its Articles of Incorporation to increase its share capital by

200,000,000 shares and issue additional Acquiring Fund Shares and list such common shares on the NYSE. The Reorganizations are not expected to result in any reduction of the NAV of the Acquiring Fund Shares, other than to reflect the applicable costs of the Reorganizations, including, but not limited to, the amendment to its Articles of Incorporation to increase its share capital by 200,000,000 shares (the Amendment) and the issuance of additional Acquiring Fund Shares in connection with each of the Reorganizations (the Issuances).

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

The Acquiring Fund pays the Investment Advisor a monthly management fee of 0.60% based on the Acquiring Fund s average daily Managed Assets. Managed Assets means the total assets of the Acquiring Fund minus the sum of the accrued liabilities (other than the aggregate indebtedness constituting financial leverage). If any of the Reorganizations are approved and consummated, the Combined Fund will pay the Investment Advisor a monthly fee at an annual rate of 0.55% of the Combined Fund s average daily Managed Assets.

For the fiscal year ended February 28, 2013, the Total Expense Ratio of the Acquiring Fund was 1.41%. The Acquiring Fund estimates that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of the Acquiring Fund of 0.14%.

The Acquiring Fund Board also believes the Reorganizations may provide other potential benefits, including the potential for (i) higher earnings yield for the Combined Fund (as a percentage of net asset value) on a *pro forma* basis compared to the Acquiring Fund; (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads; (iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors. See Reasons for the Reorganization for additional information.

The Acquiring Fund Board recommends that shareholders of the Acquiring Fund approve the Reorganizations, including the Amendment and the Issuances at the Special Meeting to be held on October 25, 2013 at 9:00 a.m. (Eastern time). Shareholder approval of DSU s proposed Reorganizations with each of ARK and BHD requires the affirmative vote of a 1940 Act Majority. For additional information regarding voting requirements, see Voting Information and Requirements.

Subject to the requisite approval of the shareholders of each Fund with regard to the Reorganizations, it is expected that the Closing Date will be some time during the fourth quarter 2013, but it may be at a different time as described herein.

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

The Acquiring Fund Board recommends that shareholders of the Acquiring Fund vote FOR each of DSU s proposed Reorganizations with each of ARK and BHD.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Comparison of Risks

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

However, there are some differences between the Acquiring Fund and the Target Funds. ARK is registered as a non-diversified investment company under the 1940 Act, while BHD and the Acquiring Fund are each registered as a diversified investment company under the 1940 Act. This means that ARK may invest a greater percentage of its assets in the obligations of a single issuer than BHD or DSU. Even as a diversified fund, however, the Acquiring Fund s investments will be limited so as to qualify the Acquiring Fund as a regulated investment company for purposes of federal tax laws. In addition, BHD is a Delaware statutory trust organized under Delaware law, while ARK and DSU are each a Maryland corporation organized under Maryland law. A Maryland corporation generally provides greater certainty with respect to limitation of personal liability than a Delaware statutory trust. See Governing Law for additional information.

See Comparison of the Funds in this Joint Proxy Statement/Prospectus for a more detailed description of the salient differences among the Funds.

Risks Related to the Reorganizations

Expenses.

While the Funds currently estimate that the Reorganizations will result in reduced aggregate expenses of the Combined Fund by approximately $870,000 per year if all the Reorganizations are completed (which represents the most likely combination of the Reorganizations), approximately $449,000 if only the Reorganization between ARK and DSU is completed, and approximately $744,000 if the Reorganization of BHD and DSU is completed, the realization of these reduced expenses will not affect holders of the Funds proportionately, and may take longer than expected to be realized or may not be realized at all.

After the Reorganizations, the Combined Fund is expected to incur lower Total Expenses on a per common share basis than is currently incurred by the Acquiring Fund. In addition, no matter which Funds complete their Reorganizations, the Combined Fund may incur higher Total Expenses for a period after the completion of the Reorganizations due to expenses associated with the Reorganizations prior to experiencing such savings or may never experience such savings if its fixed costs were to increase or the value of its assets were to decrease.

For the fiscal year ended August 31, 2012, BHD s Total Expense Ratio was 1.45%. As of February 28, 2013, the historical and *pro forma* total annual gross expense ratios applicable to the Reorganizations are as follows:

ARK	BHD	DSU	*Pro Forma* Combined Fund (ARK & DSU)	*Pro Forma* Combined Fund (BHD & DSU)	*Pro Forma* Combined Fund (All Funds)
1.27%	1.47%	1.41%	1.30%	1.29%	1.27%

There can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the proposed Reorganizations.

The most likely combination is the Reorganizations of all of the Funds, which is also expected to result in the lowest Total Expense Ratio. The Reorganization of just ARK into the Acquiring Fund is expected to result in the highest Total Expense Ratio of any of the possible combinations of the Reorganizations. The Reorganization of just BHD into the Acquiring Fund is expected to result in a Total Expense Ratio that is lower than the Total Expense Ratio that is expected to result from the Reorganization of just ARK into the Acquiring Fund and higher than the Total Expense Ratio that is expected to result from the Reorganization of all the Funds.

The Board of each of BHD and DSU believes that its respective Fund s shareholders should realize lower Total Expense Ratios after the Reorganizations than they would realize if the Reorganizations did not occur after the expenses associated with the Reorganizations have been paid. For the 12-month period ended February 28, 2013, the Total Expense Ratios of BHD, DSU and ARK were 1.47%, 1.41% and 1.27%, respectively. The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of BHD and DSU of 0.20% and 0.14%, respectively, and a neutral impact to the Total Expense Ratio for the shareholders of ARK. Although ARK estimates that the completion of all of the Reorganizations would result in a neutral impact to its Total Expense Ratio on a historical basis for the 12-month period ended February 28, 2013, based on projected expense information, ARK shareholders are expected to experience a slight increase (e.g. 0.02%) in its Total Expense Ratio, as a result of the Reorganizations. There can be no assurance that future expenses will not increase or that any expense savings (or increases) will be realized. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the proposed Reorganizations.

The Board of ARK believes that the potential benefits of the Reorganizations make the Reorganizations in the best interest of ARK shareholders. These potential benefits include the potential for (i) higher earnings yield for the Combined Fund (as a percentage of NAV) on a *pro forma* basis compared to ARK, (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads; (iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors. See Reasons for the Reorganizations. In addition, the Investment Advisor will bear all of the reorganization costs of ARK.

BHD and the Acquiring Fund will bear expenses incurred in connection with the Reorganizations, including, but not limited to, costs related to the preparation and distribution of materials distributed to each

Fund s Board, expenses incurred in connection with the preparation of the Reorganization Agreements and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to shareholders, SEC and state securities commission filing fees and legal and audit fees in connection with the Reorganizations, including legal fees incurred preparing each Fund s Board materials, attending each Fund s Board meetings and preparing the minutes, and auditing fees associated with each Fund s financial statements, stock exchange fees, transfer agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganizations, which will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate. The Investment Advisor will bear the costs of the Reorganizations for ARK because the shareholders of ARK are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BHD and DSU. Therefore, the costs associated with the Reorganization of ARK will not be directly borne by ARK. Because BHD and the Acquiring Fund have already incurred expenses solely and directly attributable to the Reorganizations and because BHD and the Acquiring Fund (and not the Investment Advisor) are responsible for paying those expenses, if a BHD s or the Acquiring Fund s respective shareholders do not approve their Fund s respective Reorganization, such Fund will continue to be responsible for the expenses arising from its proposed Reorganization even though its proposed Reorganization will not occur and those expenses may be material.

Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganizations (*e.g.*, expenses incurred by the shareholder as a result of attending the shareholder meeting, voting on the Reorganizations or other action taken by the shareholder in connection with the Reorganizations). See Reasons for the Reorganizations.

Earnings and Distribution Yield.

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

The Combined Fund s earnings yield is expected to be slightly lower than DSU s current earnings yield; thus, assuming the Acquiring Fund s distribution policy remains in place after the Reorganizations, shareholders of DSU may experience a decrease in their distribution yield after the Reorganizations. Although the Combined Fund s earnings yield is expected to be slightly lower than DSU s current earnings yield, shareholders of DSU are expected to benefit from a reduction in DSU s Total Expense Ratio of approximately 0.14%. It is also anticipated that shareholders of DSU may benefit from other potential benefits associated with the Reorganizations (including as a result of the Combined Fund s larger size) as more fully discussed herein. See Reasons for the Reorganizations.

A Fund s earnings and net investment income are variables, which depend on many factors, including its asset mix, portfolio turnover level, the amount of leverage utilized by the Fund, the costs of such leverage, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Reorganizations, will remain constant. In addition, the Combined Fund s future earnings will vary depending upon the combination of the proposed Reorganizations.

Premium/Discount to NAV.

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

The common shares of each Fund have historically fluctuated between a discount and a premium. As of May 31, 2013, each Fund traded at a discount to its respective NAV. To the extent that a Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of its Reorganization, such Target Fund s shareholders would have the potential for an economic benefit. To the extent that a Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of its Reorganization, such Target Fund s shareholders may be negatively impacted if the Reorganizations are consummated. The Acquiring Fund s shareholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves.

There can be no assurance that, after the Reorganizations, common shares of the Combined Fund will trade at, above or below NAV. Upon consummation of the Reorganizations, the Acquiring Fund Shares may trade at a price that is less than the Acquiring Fund s current trading market price. In the Reorganizations, shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative NAVs (not the market values) of each respective Fund s common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganizations.

Tax Considerations.

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

General Risks of Investing in the Funds

Investment Risk. An investment in each Fund s common shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. An investment in each Fund s common shares represents an indirect investment in the securities owned by such Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. Although the Funds can sell securities of an issuer upon the occurrence of certain events or for tax planning, the Funds generally will not sell securities of issuers solely due to changes in market price. Each Fund s common shares at any point in time may be worth less than a shareholders original investment, even after taking into account the reinvestment of the Fund s dividends and distributions.

Investment Strategy Risk. The types of investments that are selected through application of the Funds investment strategy can be expected to change over time. In pursuing their investment strategy, the Funds may incur adverse tax or brokerage consequences. Particular risks may be elevated during periods in which the Funds investment strategy dictates higher levels of investment in particular types of investments.

Decision-Making Authority. Investors have no authority to make decisions or to exercise business discretion on behalf of the Funds, except as set forth in the Funds governing documents. The authority for all such decisions is generally delegated to the Board, who in turn, has delegated the day-to-day management of each Fund s investment activities to the Advisors, subject to oversight by the Board.

Issuer Risk; Market Risk; and Selection Risk. Issuer risk is the risk that the value of the Funds debt securities may decline for a number of reasons which directly relate to the issuer or borrower, such as a real or perceived management performance, financial leverage and reduced demand for the issuer s or borrower s goods and services.

Market risk is the risk that the market values of securities owned by a Fund will decline. There is a risk that the markets in which a Fund invests will go down in value, including the possibility that the market will go down sharply and unpredictably. The prices of debt securities tend to fall as interest rates rise, and such declines tend to be greater among debt securities with longer maturities. Market risk is often greater among certain types of debt securities, such as zero coupon bonds which do not make regular interest payments but are instead bought at a discount to their face values and paid in full upon maturity. As interest rates change, these securities often fluctuate more in price than securities that make regular interest payments and therefore subject a Fund to greater market risk than a fund that does not own these types of securities. When-issued and delayed delivery transactions are subject to changes in market conditions from the time of the commitment until settlement. This may adversely affect the prices or yields of the securities being purchased. The greater a Fund s outstanding commitments for these securities, the greater the Fund s exposure to market price fluctuations.

Selection risk is the risk that the securities that a Fund s management selects will underperform the markets in which the Fund invests, the market relevant indices, or other funds with similar investment objectives and investment strategies.

Fixed Income Securities Risk. Fixed income securities in which each Fund may invest are generally subject to the following risks:

Issuer Risk. The value of fixed income securities may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage, reduced demand for the issuer s goods and services, historical and prospective earnings of the issuer and the value of the assets of the issuer.

Credit Risk. Credit risk is the risk that one or more fixed income securities in a Fund s portfolio will decline in price or fail to pay interest or principal when due because the issuer of the security experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates. To the extent a Fund invests in below investment grade securities, it will be exposed to a greater amount of credit risk than a fund which only invests in investment grade securities. In addition, to the extent a Fund uses credit derivatives, such use will expose it to additional risk in the event that the bonds underlying the derivatives default.

Interest Rate Risk. The value of certain fixed income securities in a Fund s portfolio could be affected by interest rate fluctuations. Generally, when market interest rates fall, fixed rate securities prices rise, and vice versa. Interest rate risk is the risk that the securities in a Fund s portfolio will decline in value because of increases in market interest rates. The prices of longer-term securities fluctuate more than prices of shorter-term securities as interest rates change. **These risks may be greater in the current market environment because certain interest rates are near historic low levels.** Because a Fund may invest primarily in long-term securities, the NAV and market price per share of the common shares will fluctuate more in response to changes in market interest rates than if such Fund invested primarily in shorter-term securities. A Fund s use of leverage will tend to increase common share interest rate risk. A Fund may utilize certain strategies, including taking positions in futures or interest rate swaps, for the purpose of reducing the interest rate sensitivity of fixed income securities held by the Fund and decreasing the Fund s exposure to interest rate risk. The Funds are not required to hedge its exposure to interest rate risk and may choose not to do so. In addition, there is no assurance that any attempts by a Fund to reduce interest rate risk will be successful or that any hedges that the Fund may establish will perfectly correlate with movements in interest rates.

Each Fund may invest in variable and floating rate debt instruments, which generally are less sensitive to interest rate changes than longer duration fixed rate instruments, but may decline in value in response to rising interest rates if, for example, the rates at which they pay interest do not rise as much, or as quickly, as market interest rates in general. Conversely, variable and floating rate instruments generally will not increase in value if interest rates decline. A Fund also may invest in inverse floating rate debt securities, which may decrease in value if interest rates increase, and which also may exhibit greater price volatility than fixed rate debt obligations with similar credit quality. To the extent a Fund holds variable or floating rate instruments, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities, which may adversely affect the NAV of the Fund s common shares.

Prepayment Risk. During periods of declining interest rates, borrowers may exercise their option to prepay principal earlier than scheduled. For fixed rate securities, such payments often occur during periods of declining interest rates, which can force a Fund to reinvest in lower yielding securities, resulting in a possible decline in the Fund s income and distributions to shareholders. This is known as prepayment or call risk. Below investment grade securities frequently have call features that allow the issuer to redeem the security at dates prior to its stated maturity at a specified price (typically greater than par) only if certain prescribed conditions are met (call protection). For premium bonds (bonds acquired at prices that exceed their par or principal value) purchased by Fund, prepayment risk may be enhanced.

Reinvestment Risk. Reinvestment risk is the risk that income from a Fund s portfolio will decline if the Fund invests the proceeds from matured, traded or called fixed income securities at market interest rates that are below the Fund portfolio s current earnings rate.

Duration and Maturity Risk. The Funds have no set policy regarding portfolio maturity or duration. The Advisors may seek to adjust the portfolio s duration or maturity based on their assessment of current and projected market conditions and all factors that the Advisors deem relevant. Any decisions as to the targeted duration or maturity of any particular category of investments or of a Fund s portfolio generally will be made based on all pertinent market factors at any given time. A Fund may incur costs in seeking to adjust the portfolio average duration or maturity. There can be no assurance, however, that the Advisors assessment of current and projected market conditions will be correct or that any strategy to adjust the portfolio s duration or maturity will be successful at any given time. Generally speaking, the longer the duration of the Fund s portfolio, the more exposure the Fund will have to the interest rate risks described above.

Below Investment Grade Securities Risk. Each Fund invests primarily in a portfolio of below investment grade, high yield securities, which are commonly referred to as junk bonds and are regarded as predominantly speculative with respect to the issuer s capacity to pay interest and repay principal. The value of high yield, lower quality bonds is affected by the creditworthiness of the issuers of the securities and by general economic and specific industry conditions. Issuers of high yield bonds are not perceived to be as strong financially as those with higher credit ratings. These issuers are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments. Lower grade securities may be particularly susceptible to economic downturns. It is likely that an economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities. See Risk Factors and Special Considerations General Risks of Investing in the Funds Risk Associated with Recent Market Events.

Lower grade securities, though high yielding, are characterized by high risk. They may be subject to certain risks with respect to the issuing entity and to greater market fluctuations than certain lower yielding, higher rated securities. The secondary market for lower grade securities may be less liquid than that for higher rated securities. Adverse conditions could make it difficult at times for a Fund to sell certain securities or could result in lower prices than those used in calculating the Fund s NAV. Because of the substantial risks associated with investments in lower grade securities, you could lose money on your investment in common shares of a Fund, both in the short-term and the long-term.

The prices of fixed income securities generally are inversely related to interest rate changes; however, below investment grade securities historically have been somewhat less sensitive to interest rate changes than higher quality securities of comparable maturity because credit quality is also a significant factor in the valuation of lower grade securities. On the other hand, an increased rate environment results in increased borrowing costs generally, which may impair the credit quality of low-grade issuers and thus have a more significant effect on the value of some lower grade securities. In addition, the current extraordinary low rate environment has expanded the historic universe of buyers of lower grade securities as traditional investment grade oriented investors have been forced to accept more risk in order to maintain income. As rates rise, these recent entrants to the low-grade securities market may exit the market and reduce demand for lower grade securities, potentially resulting in greater price volatility.

The ratings of Moody s, Standard & Poor s, Fitch and other rating agencies represent their opinions as to the quality of the obligations which they undertake to rate. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. Although these ratings may be an initial criterion for selection of portfolio investments, the Advisors will also independently evaluate these securities and the ability of the issuers of such securities to pay interest and principal. To the extent that a Fund invests in lower grade securities that have not been rated by a Rating Agency, the Fund s ability to achieve its investment objectives will be more dependent on the Advisors credit analysis than would be the case if the Fund were to invest in rated securities.

Each Fund may invest in securities rated in the lower rating categories (rated Caa1/CCC+ or below, or unrated but judged to be of comparable quality by the Advisors). For these securities, the risks associated with below investment grade instruments are more pronounced. A Fund may purchase stressed or distressed securities, including securities that are in default or the issuers of which are in bankruptcy, which involve heightened risks. See Risk Factors and Special Considerations General Risks of Investing in the Funds Distressed and Defaulted Securities Risk.

Distressed and Defaulted Securities Risk. An investment in the securities of financially distressed issuers involves substantial risks. These securities may present a substantial risk of default or may be in default at the time of investment. A Fund may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to a portfolio company, a Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Among the risks inherent in investments in a troubled entity is the fact that it frequently may be difficult to obtain information as to the true financial condition of such issuer. The Advisors judgment about the credit quality of the issuer and the relative value and liquidity of its securities may prove to be wrong.

Unrated Securities Risk. Because a Fund may purchase securities that are not rated by any rating organization, the Advisors may, after assessing their credit quality, internally assign ratings to certain of those securities in categories similar to those of rating organizations. Some unrated securities may not have an active trading market or may be difficult to value, which means a Fund might have difficulty selling them promptly at an acceptable price. To the extent that a Fund invests in unrated securities, the Fund s ability to achieve its investment objectives will be more dependent on the Advisors credit analysis than would be the case when the Fund invests in rated securities.

Corporate Bonds Risk. The market value of a corporate bond generally may be expected to rise and fall inversely with interest rates. The market value of intermediate and longer term corporate bonds is generally more sensitive to changes in interest rates than is the market value of shorter term corporate bonds. The market value of a corporate bond also may be affected by factors directly related to the issuer, such as investors perceptions of the creditworthiness of the issuer, the issuer s financial performance, perceptions of the issuer in the market place, performance of management of the issuer, the issuer s capital structure and use of financial leverage and demand for the issuer s goods and services. Certain risks associated with investments in corporate bonds are described elsewhere herein in further detail, including under Credit Risk, Interest Rate Risk, Prepayment Risk, Inflation Risk and Deflation Risk. There is a risk that the issuers of corporate bonds may not be able to meet their obligations on interest or principal payments at the time called for by an instrument. Corporate bonds of below investment grade quality are often high risk and have speculative characteristics and may be particularly susceptible to adverse issuer-specific developments. Corporate bonds of below investment grade quality are subject to the risks described herein under Below Investment Grade Securities Risk.

Corporate Loans. As in the case of below investment grade securities, the corporate loans in which each Fund may invest may be rated below investment grade by established rating services (Ba or lower by Moody s, BB or lower by Standard & Poor s or BB or lower by Fitch) or, if unrated, are considered by the Investment Advisor to be of comparable quality. Corporate loans can be expected to provide higher yields than investment grade fixed income securities, but may be subject to a greater risk of loss of principal and income. Corporate loan obligations are frequently secured by pledges of liens and security interests in the assets of the borrower, and the holders of corporate loans are frequently the beneficiaries of debt service subordination provisions imposed on the borrower s bondholders. Such security and subordination arrangements are designed to give corporate loan investors preferential treatment over high yield bond investors in the event of a deterioration in the credit quality or default of the issuer. Even when these arrangements exist, however, there can be no assurance that the principal and interest owed on the corporate loan will be repaid in full. Corporate loans generally bear interest at rates set at a margin above a generally recognized base lending rate that may fluctuate on a day-to-day basis, in the case of the prime rate of a U.S. bank, or which may be adjusted periodically, typically 30 days but generally not more than one year, in the case of the London Interbank Offered Rate. Consequently, the value of corporate loans held by a Fund may be expected to fluctuate less than the value of other fixed rate high yield securities as a result of changes in the interest rate environment. On the other hand, the secondary dealer market for certain corporate loans may not be as well developed as the secondary dealer market for high yield bonds, and therefore present increased market risk relating to liquidity and pricing concerns.

Event Risk. Event risk is the risk that corporate issuers may undergo restructurings, such as mergers, leveraged buyouts, takeovers, or similar events financed by increased debt. As a result of the added debt, the credit quality and market value of a company s bonds and/or other debt securities may decline significantly.

Convertible Securities Risk. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. As with all fixed income securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus may not decline in price to the same extent as the underlying common stock. Convertible securities rank senior to common stock in an issuer s capital structure and consequently entail less risk than the issuer s common stock.

A Fund may invest in synthetic convertible securities, which are created through a combination of separate securities that possess the two principal characteristics of a traditional convertible security. A holder of a synthetic convertible security faces the risk of a decline in the price of the security or the level of the index involved in the convertible component, causing a decline in the value of the security or instrument, such as a call option or warrant, purchased to create the synthetic convertible security. Should the price of the stock fall below the exercise price and remain there throughout the exercise period, the entire amount paid for the call option or warrant would be lost. Because a synthetic convertible security includes the income-producing component as well, the holder of a synthetic convertible security also faces the risk that interest rates will rise, causing a decline in the value of the income-producing instrument. Synthetic convertible securities are also subject to the risks associated with derivatives.

Special Risks Related To Preferred Securities. Each Fund is exposed to risks associated with its investments in preferred securities. There are special risks associated with investing in preferred securities, including:

Deferral. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If a Fund owns a preferred security that is deferring its distributions, such Fund may be required to report income for tax purposes although it has not yet received such income.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in a company s capital structure in terms of having priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments.

Liquidity. Preferred securities may be substantially less liquid than many other securities, such as common stocks or U.S. Government securities.

Limited Voting Rights. Generally, preferred security holders (such as a Fund) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may elect a number of directors to the issuer s board. Generally, once all the arrearages have been paid, the preferred security holders no longer have voting rights. In the case of trust preferred securities, holders generally have no voting rights, except if (i) the issuer fails to pay dividends for a specified period of time or (ii) a declaration of default occurs and is continuing.

Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by certain changes in Federal income tax or securities laws. As with call provisions, a special redemption by the issuer may negatively impact the return of the security held by a Fund.

New Types of Securities. From time to time, preferred securities, including hybrid-preferred securities, have been, and may in the future be, offered having features other than those described herein. Each Fund reserves the right to invest in these securities if the Advisors believe that doing so would be consistent with the Fund s investment objective and policies. Since the market for these instruments would be new, a Fund may have difficulty disposing of them at a suitable price and time. In addition to limited liquidity, these instruments may present other risks, such as high price volatility.

Mortgage and Asset Backed Securities. Each Fund may invest in a variety of mortgage related and other asset backed securities, including both commercial and residential mortgage securities and other mortgage backed instruments issued on a public or private basis. Mortgage backed securities represent the right to receive a portion of principal and/or interest payments made on a pool of residential or commercial mortgage loans. When interest rates fall, borrowers may refinance or otherwise repay principal on their mortgages earlier than scheduled. When this happens, certain types of mortgage backed securities will be paid off more quickly than originally anticipated and each Fund will have to invest the proceeds in securities with lower yields. This risk is known as prepayment risk. When interest rates rise, certain types of mortgage backed securities will be paid off more slowly than originally anticipated and the value of these securities will fall. This risk is known as extension risk.

Because of prepayment risk and extension risk, mortgage backed securities react differently to changes in interest rates than other fixed income securities. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage backed securities.

Like more traditional fixed income securities, the value of asset backed securities typically increases when interest rates fall and decreases when interest rates rise. Certain asset backed securities may also be subject to the risk of prepayment. In a period of declining interest rates, borrowers may pay what they owe on the underlying assets more quickly than anticipated. Prepayment reduces the yield to maturity and the average life of the asset backed securities. In addition, when a Fund reinvests the proceeds of a prepayment it may receive a lower interest rate than the rate on the security that was prepaid. In a period of rising interest rates, prepayments may occur at a slower rate than expected. As a result, the average maturity of a Fund s portfolio may increase. The value of longer term securities generally changes more widely in response to changes in interest rates than shorter term securities.

Non-U.S. Securities Risk. Each Fund may invest in non-U.S. securities. Investments in non-U.S. securities involve certain risks not involved in domestic investments, including, but not limited to, (i) fluctuations in foreign exchange rates; (ii) future foreign economic, financial, political and social developments; (iii) different legal systems; (iv) the possible imposition of exchange controls or other foreign governmental laws or restrictions, including expropriation; (v) lower trading volume; (vi) much greater price volatility and illiquidity of certain non-U.S. securities markets; (vii) different trading and settlement practices; (viii) less governmental supervision; (ix) changes in currency exchange rates; (x) high and volatile rates of inflation; (xi) fluctuating interest rates; (xii) less publicly available information; and (xiii) different accounting, auditing and financial recordkeeping standards and requirements.

Securities markets in foreign countries often are not as developed, efficient or liquid as securities markets in the United States, and therefore, the prices of non-U.S. securities can be more volatile. Certain foreign countries may impose restrictions on the ability of issuers of non-U.S. securities to make payments of principal and interest to investors located outside the country. In addition, a Fund will be subject to risks associated with adverse political and economic developments in foreign countries, which could cause the Fund to lose money on its investments in non-U.S. securities. Because evidences of ownership of such securities usually are held outside the United States, a Fund will be subject to additional risks if it invests in non-U.S. securities, which include adverse political and economic developments, seizure or nationalization of foreign deposits and adoption of governmental restrictions which might adversely affect or restrict the payment of principal and interest on the non-U.S. securities to investors located outside the country of the issuer, whether from currency blockage or otherwise. non-U.S. securities may trade on days when the Fund s common shares are not priced.

The ability of a foreign sovereign issuer, especially an emerging market country, to make timely payments on its debt obligations will also be strongly influenced by the sovereign issuer s balance of payments, including export performance, its access to international credit facilities and investments, fluctuations of interest rates and the extent of its foreign reserves. Generally, the cost of servicing external debt will be adversely affected by rising international interest rates, as many external debt obligations bear interest at rates which are adjusted based upon international interest rates.

Certain countries in which the Funds may invest, especially emerging market countries, historically have experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations, large amounts of external debt, balance of payments and trade difficulties and extreme poverty and unemployment. Many of these countries are also characterized by political uncertainty and instability. In addition, with respect to certain foreign countries, there is a risk of: (i) the possibility of expropriation or nationalization of assets; (ii) confiscatory taxation; (iii) difficulty in obtaining or enforcing a court judgment; (iv) economic, political or social instability; and (v) diplomatic developments that could affect investments in those countries.

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

Emerging Markets Risk. Each Fund may invest in issuers in so-called emerging markets (or lesser developed countries). Such investments are particularly speculative and entail all of the risks of investing in non-U.S. securities but to a heightened degree. Emerging market countries generally include every nation in the world except developed countries, that is, the United States, Canada, Japan, Australia, New Zealand and most countries located in Western Europe. These heightened risks include (i) greater risks of expropriation, confiscatory taxation, nationalization and less social, political and economic stability; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in lack of liquidity and an increase in price volatility; and (iii) certain national policies that may restrict a Fund investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests. Foreign investment in certain emerging market countries may be restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in certain emerging market issuers and increase the costs and expenses of a Fund. Certain emerging market countries require governmental approval prior to investments by foreign persons in a particular issuer, limit the amount of investment by foreign persons in a particular issuer, limit the investment by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors.

U.S. Government Securities Risk. U.S. Government debt securities generally involve lower levels of credit risk than other types of fixed income securities of similar maturities, although, as a result, the yields available from U.S. Government debt securities are generally lower than the yields available from such other securities. Like other fixed income securities, the values of U.S. Government securities change as interest rates fluctuate. On August 5, 2011, Standard & Poor s lowered its long-term sovereign credit rating on U.S. government debt to AA+ from AAA with a negative outlook. As of July 1, 2013, the Standard & Poor s rating is AA+ with a stable outlook. Moody s affirmed the Aaa long-term sovereign credit rating of U.S. government debt on November 21, 2011 while maintaining its negative outlook, and this rating and outlook also remain unchanged as of July 1, 2013. Fitch continues to rate U.S. government debt AAA as of July 1, 2013, however it also maintains a negative outlook as of July 1, 2013. The downgrade by Standard & Poor s and any future downgrades by other rating agencies could increase volatility in both stock and bond markets, result in higher interest rates and higher Treasury yields and increase borrowing costs generally. These events could have significant adverse effects on the economy generally and could result in significant adverse impacts on securities issuers and the Funds. The Advisors cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on the Funds portfolios.

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

The Advisors may, but are not required to, elect for a Fund to seek to protect itself from changes in currency exchange rates through hedging transactions depending on market conditions. In addition, a Fund may enter into foreign currency transactions in an attempt to enhance total return, which may further expose the Fund to the risks of foreign currency movements and other risks. In addition, certain countries, particularly emerging market countries, may impose foreign currency exchange controls or other restrictions on the transferability, repatriation or convertibility of currency.

Sovereign Government and Supranational Debt Risk. Investments in sovereign debt involve special risks. Foreign governmental issuers of debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due. In the event of default, there may be limited or no legal recourse in that, generally, remedies for defaults must be pursued in the courts of the defaulting party.

Political conditions, especially a sovereign entity s willingness to meet the terms of its debt obligations, are of considerable significance. The ability of a foreign sovereign issuer, especially an emerging market country, to make timely payments on its debt obligations will also be strongly influenced by the sovereign issuer s balance of payments, including export performance, its access to international credit facilities and investments, fluctuations of interest rates and the extent of its foreign reserves. The cost of servicing external debt will also generally be adversely affected by rising international interest rates, as many external debt obligations bear interest at rates which are adjusted based upon international interest rates. Also, there can be no assurance that the holders of commercial bank loans to the same sovereign entity may not contest payments to the holders of sovereign debt in the event of default under commercial bank loan agreements. In addition, there is no bankruptcy proceeding with respect to sovereign debt on which a sovereign has defaulted and a Fund may be unable to collect all or any part of its investment in a particular issue. Foreign investment in certain sovereign debt is restricted or controlled to varying degrees, including requiring governmental approval for the repatriation of income, capital or proceeds of sales by foreign investors. These restrictions or controls may at times limit or preclude foreign investment in certain sovereign debt and increase the costs and expenses of a Fund.

Leverage Risk. Each Fund may leverage through borrowings, the issuance of debt securities, the issuance of shares of preferred stock or a combination thereof. Each Fund may borrow money and issue debt securities in amounts up to 33 $^{1}/_{3}$%, and may issue shares of preferred stock in amounts up to 50%, of the value of its total assets to finance additional investments. Although the use of leverage by a Fund may create an opportunity for increased net income and capital appreciation for the common shares, it also results in additional risks and can magnify the effect of any losses. If the income and gains earned on securities purchased with leverage proceeds are greater than the cost of leverage, a Fund s return will be greater than if leverage had not been used. Conversely, if the income or gains from the securities purchased with such proceeds does not cover the cost of leverage, the return to the Fund will be less than if leverage had not been used. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for shareholders of a Fund including:

- the likelihood of greater volatility of NAV and market price of, and dividends on the shares than a comparable portfolio without leverage;
- the risk that fluctuations in interest rates on borrowings and short-term debt or in the dividend rates on any preferred shares that the Fund must pay will reduce the return to the shareholders;
- the effect of leverage in a market experiencing rising interest rates, which is likely to cause a greater decline in the NAV of the shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the shares;
- when the Fund uses leverage, the fees payable to the Advisors for advisory and sub-advisory services will be higher than if the Fund did not use leverage; and
- leverage may increase operating costs, which may reduce the Fund s total return.

Any requirement that the Fund sell assets at a loss in order to redeem or pay off any leverage or for other reasons would potentially reduce the Fund s NAV and also make it difficult for the NAV to recover. The Advisor in its best judgment nevertheless may determine to continue to use leverage if it expects that the benefits to the Fund s shareholders of maintaining the leveraged position will outweigh the current reduced return.

Each Fund may utilize leverage by borrowing through a credit facility or through entering into reverse repurchase agreements. As of May 31, 2013, the Funds had aggregate economic leverage from reverse repurchase agreements and/or borrowings through a credit facility as a percentage of their total managed assets (Economic Leverage Ratio) as follows:

Ticker	Economic Leverage Ratio
ARK	29.65%
BHD	24.70%
DSU	31.23%

The Combined Fund s Economic Leverage Ratio is expected to be substantially similar to the Acquiring Fund s current Economic Leverage Ratio.

Each Fund is currently a party to a senior committed secured, 360-day rolling credit facility (the Credit Facility) with State Street Bank and Trust Company (State Street). Each Fund has granted a security interest in substantially all of its assets to State Street in connection with the Credit Facility.

The Credit Facility currently allows for the following maximum commitment amounts:

Ticker	Commitment Amounts
ARK	$ 122,000,000
BHD	$ 52,000,000
DSU	$ 231,000,000

In connection with the Reorganizations, the Combined Fund expects to amend the Credit Facility to increase the maximum commitment amount to maintain an Economic Leverage Ratio substantially similar to the Acquiring Fund s current Economic Leverage Ratio. If all of the Reorganizations are consummated, the Combined Fund expects to increase the maximum commitment amount under the Credit Facility to $405,000,000. However, there can be no assurance the Combined Fund will increase the maximum commitment amount under the Credit Facility. If the Combined Fund does not increase the maximum commitment amount under the Credit Facility, then the Combined Fund may be required to either utilize other forms of leverage, which may include reverse repurchase agreements, in order to maintain an Economic Leverage Ratio that is substantially similar to the Acquiring Fund s current Economic Leverage Ratio or reduce the Combined Fund s economic leverage. In either case, the Combined Fund may not be able to maintain the current earnings and distribution yields of the Acquiring Fund, which may negatively affect the market price and NAV of the Combined Fund. In addition, if the Combined Fund is required to reduce its economic leverage, then it may be required to sell a portion of its assets, which may negatively affect the Combined Fund s portfolio holdings, portfolio allocation, portfolio diversification and investment strategy.

Equity Securities Risk. Although common stocks have historically generated higher average total returns than fixed income securities over the long-term, common stocks also have experienced significantly more volatility in those returns and, in certain periods, have significantly under-performed relative to fixed income securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by a Fund. Also, the price of common stocks is sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which a Fund has exposure. Common stock prices fluctuate for several reasons, including changes in investors perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or when political or economic events affecting the issuers occur. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase.

Investments in ADRs, EDRs and GDRs are generally subject to risks associated with equity securities and investments in non-U.S. securities. Unsponsored ADR, EDR and GDR programs are organized independently and without the cooperation of the issuer of the underlying securities. As a result, available information concerning the issuer may not be as current as for sponsored ADRs, EDRs and GDRs, and the prices of unsponsored ADRs, EDRs and GDRs may be more volatile than if such instruments were sponsored by the issuer.

Restricted and Illiquid Securities Risk. Each Fund may invest in securities for which there is no readily available trading market or which are otherwise illiquid. A Fund may not be able to readily dispose of such securities at prices that approximate those at which the Fund could sell such securities if they were more widely-traded and, as a result of such illiquidity, a Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. Limited liquidity can also affect the market price of securities, thereby adversely affecting the Fund s NAV and ability to make dividend distributions. The financial markets in general, and certain segments of the mortgage related securities markets in particular, have in recent years experienced periods of extreme secondary market supply and demand imbalance, resulting in a loss of liquidity during which market prices were suddenly and substantially below traditional measures of intrinsic value. During such periods, some securities could be sold only at arbitrary prices and with substantial losses. Periods of such market dislocation may occur again at any time.

Restricted securities are securities that may not be sold to the public without an effective registration statement under the Securities Act of 1933, or that may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. When registration is required to sell a security, a Fund may be obligated to pay all or part of the registration expenses and considerable time may pass before the Fund is permitted to sell a security under an effective registration statement. If adverse market conditions develop during this period, a Fund might obtain a less favorable price than the price that prevailed when the Fund decided to sell. A Fund may be unable to sell restricted and other illiquid securities at the opportune times or prices.

Strategic Transactions and Derivatives Risk. A Fund may engage in various transactions for duration management and other risk management purposes, including to attempt to protect against possible changes in the market value of the Fund s portfolio resulting from trends in the fixed income securities markets and changes in interest rates or to protect the Fund s unrealized gains in the value of its portfolio securities, to facilitate the sale of portfolio securities for investment purposes or to establish a position in the securities markets as a temporary substitute for purchasing particular securities or to enhance income or gain (Strategic Transactions). Derivatives are financial contracts or instruments whose value depends on, or is derived from, the value of an underlying asset, reference rate or index (or relationship between two indices). A Fund may invest in a variety of derivative instruments for investment purposes, hedging purposes, duration or other risk management purposes or to seek to increase income or gains, such as options, futures contracts and swap agreements. A Fund may use derivatives as a substitute for taking a position in an underlying security or other asset and/or as part of a strategy designed to reduce exposure to other risks, such as interest rate risk. A Fund also may use derivatives to add leverage to the portfolio and/or to hedge against increases in the Fund s costs associated with its leverage strategy. The use of Strategic Transactions to enhance current income may be particularly speculative.

Strategic Transactions Involve Risks. The risks associated with derivatives transactions include (i) the imperfect correlation between the value of such instruments and the underlying assets, (ii) the possible default of the counterparty to the transaction, (iii) illiquidity of the derivative instruments, and (iv) high volatility losses caused by unanticipated market movements, which are potentially unlimited. Although both over-the-counter and exchange-traded derivatives markets may experience the lack of liquidity, over-the-counter non-standardized derivative transactions are generally less liquid than exchange-traded instruments. Furthermore, a Fund s ability to successfully use Strategic Transactions depends on the Advisors ability to predict pertinent securities prices, interest rates, currency exchange rates and other economic factors, which cannot be assured. The use of Strategic Transactions may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment or may cause the Fund to hold a security that it might otherwise sell. Additionally, segregated liquid assets, amounts paid by a Fund as premiums and cash or other assets held in margin accounts with respect to Strategic Transactions are not otherwise available to the Fund for investment purposes.

While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. Hedges are sometimes subject to imperfect matching between the derivative and the underlying security, and there can be no assurance that a Fund s hedging transactions will be effective.

Counterparty Risk. A Fund will be subject to credit risk with respect to the counterparties to the derivative contracts purchased by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, a Fund may experience significant delays in obtaining any recovery in bankruptcy or other reorganization proceedings. A Fund may obtain only a limited recovery, or may obtain no recovery, in such circumstances. The counterparty risk for cleared derivatives is generally lower than for uncleared, over-the-counter derivative transactions since generally a clearing organization becomes substituted for each counterparty to a cleared derivative contract and, in effect, guarantees the parties performance under the contract as each party to a trade looks only to the clearing organization for performance of financial obligations under the derivative contract. However, there can be no assurance that a clearing organization, or its members, will satisfy its obligations to a Fund.

Swaps. Swap agreements are types of derivatives. In order to seek to hedge the value of the Fund s portfolio, to hedge against increases in the Fund s cost associated with the interest payments on its outstanding borrowings or to seek to increase the Fund s return, a Fund may enter into interest rate or credit default swap transactions. In interest rate swap transactions, there is a risk that yields will move in the direction opposite of the direction anticipated by a Fund, which would cause the Fund to make payments to its counterparty in the transaction that could adversely affect Fund performance. In addition to the risks applicable to swaps generally, credit default swap transactions involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty). A Fund is not required to enter into interest rate or credit default swap transactions for hedging purposes or to enhance its return and may choose not to do so.

Valuation Risk. The Advisors may use an independent pricing service or prices provided by dealers to value certain fixed income securities at their market value. Because the secondary markets for certain investments may be limited, they may be difficult to value. When market quotations are not readily available or are deemed to be unreliable, each Fund values its investments at fair value as determined in good faith pursuant to policies and procedures approved by the Board. Fair value pricing may require subjective determinations about the value of a security or other asset. As a result, there can be no assurance that fair value pricing will result in adjustments to the prices of securities or other assets, or that fair value pricing will reflect actual market value, and it is possible that the fair value determined for a security or other asset will be materially different from quoted or published prices, from the prices used by others for the same security or other asset and/or from the value that actually could be or is realized upon the sale of that security or other asset. Where market quotations are not readily available, valuation may require more research than for more liquid investments. In addition, elements of judgment may play a greater role in valuation in such cases than for investments with a more active secondary market because there is less reliable objective data available.

Systemic Risk. Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with which the Funds interact on a daily basis.

Risk Associated with Recent Market Events. The debt and equity capital markets in the United States have been negatively impacted by significant write-offs in the financial services sector relating to sub-prime mortgages and the repricing of credit risk in the broadly syndicated market, among other things. These events, along with the downgrade to the United States credit rating, deterioration of the housing market, the failure of major financial institutions and the resulting United States federal government actions have led to worsening general economic conditions, which have materially and adversely impacted the broader financial and credit markets and have reduced the availability of debt and equity capital for the market as a whole and financial firms in particular. These events have been adversely affecting the willingness of some lenders to extend credit in general, which may make it more difficult for issuers of fixed income securities to obtain financings or refinancings for their investment or lending activities or operations. There is a risk that such issuers will be unable to successfully complete such financings or refinancings. In particular, because of the current conditions in the credit markets, issuers of fixed income securities may be subject to increased cost for debt, tightening underwriting standards and reduced liquidity for loans they make, securities they purchase and securities they issue. These events may increase the volatility of the value of securities owned by a Fund and/or result in sudden and significant valuation increases or declines in its portfolio. These events also may make it more difficult for a Fund to accurately value its securities or to sell its securities on a timely basis. In addition, illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the common shares. These events have adversely affected the broader economy and may continue to do so, which may adversely affect the ability of issuers of securities owned by a Fund to make payments of principal and interest when due, lead to lower credit ratings and increase defaults. There is also a risk that developments in sectors of the credit markets in which a Fund does not invest may adversely affect the liquidity and the value of securities in sectors of the credit markets in which the Fund does invest, including securities owned by the Fund.

While the extreme volatility and disruption that U.S. and global markets experienced for an extended period of time beginning in 2007 and 2008 has generally subsided, uncertainty and periods of volatility remain, and risks to a robust resumption of growth persist. In 2010, several European Union (EU) countries, including Greece, Ireland, Italy, Spain and Portugal, began to face budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the Euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union (EMU) member countries. Moreover, recent downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. A return to unfavorable economic conditions could impair a Fund s ability to achieve its investment objectives.

General market uncertainty and consequent repricing of risk have led to market imbalances of sellers and buyers, which in turn have resulted in significant valuation uncertainties in a variety of fixed income securities and significant and rapid value decline in certain instances. These conditions resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many fixed income securities remaining illiquid and of uncertain value. Such market conditions may make valuation of some of a Fund s securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings. If there is a significant decline in the value of a Fund s portfolio, this may impact the asset coverage levels for the Fund s outstanding leverage.

EMU and Redenomination Risk. As the European debt crisis has progressed the possibility of one or more Eurozone countries exiting the EMU, or even the collapse of the Euro as a common currency, has arisen, creating significant volatility at times in currency and financial markets generally. The effects of the collapse of the Euro, or of the exit of one or more countries from the EMU, on the U.S. and global economy and securities markets are impossible to predict and any such events could have a significant adverse impact on the value and risk profile of a Fund s portfolio. Any partial or complete dissolution of the EMU could have significant adverse effects on currency and financial markets, and on the values of a Fund s portfolio investments. If one or more EMU countries were to stop using the Euro as its primary currency, a Fund s investments in such countries may be redenominated into a different or newly adopted currency. As a result, the value of those investments could decline significantly and unpredictably. In addition, securities or other investments that are redenominated may be subject to foreign currency risk, liquidity risk and valuation risk to a greater extent than similar investments currently denominated in Euros. To the extent a currency used for redenomination purposes is not specified in respect of certain EMU-related investments, or should the Euro cease to be used entirely, the currency in which such investments are denominated may be unclear, making such investments particularly difficult to value or dispose of. A Fund may incur additional expenses to the extent it is required to seek judicial or other clarification of the denomination or value of such securities.

Market Disruption and Geopolitical Risk. The aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Egypt, Libya, Syria and the Middle East, possible terrorist attacks in the United States and around the world, growing social and political discord in the United States, the European debt crisis, further downgrades of U.S. Government securities and other similar events may result in market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties in the United States and worldwide. The Funds do not know how long the securities markets may be affected by these events and cannot predict the effects of these events or similar events in the future on the U.S. economy and securities markets. Non-investment grade securities tend to be more volatile than investment grade fixed income securities; therefore these events and other market disruptions may have a greater impact on the prices and volatility of non-investment grade securities than on investment grade fixed income securities. There can be no assurance that these events and other market disruptions will not have other material and adverse implications.

Regulation and Government Intervention Risk. The recent instability in the financial markets discussed above has led the U.S. Government and certain foreign governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity, including through direct purchases of equity and debt securities. Federal, state, and other governments, their regulatory agencies or self-regulatory organizations may take actions that affect the regulation of the issuers in which a Fund invests in ways that are unforeseeable. Legislation or regulation may also change the way in which a Fund is regulated. Such legislation or regulation could limit or preclude a Fund s ability to achieve its investment objectives.

Congress has enacted sweeping financial legislation, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), signed into law by President Obama on July 21, 2010, regarding the operation of banks, private fund managers and other financial institutions, which includes provisions regarding the regulation of derivatives. Many provisions of the Dodd-Frank Act will be implemented through regulatory rulemakings and similar processes over a period of time. The impact of the Dodd-Frank Act, and of follow-on regulation, on trading strategies and operations is impossible to predict, and may be adverse. Practices and areas of operation subject to significant change based on the impact, direct or indirect, of the Dodd-Frank Act and follow-on regulation, may change in manners that are unforeseeable, with uncertain effects. By way of example and not limitation, direct and indirect changes from the Dodd-Frank Act and follow-on regulation may occur to a significant degree with regard to, among other areas, financial consumer protection, bank ownership of and involvement with private funds, proprietary trading, registration of investment advisers, and the trading and use of many derivative instruments, including swaps. There can be no assurance that such legislation or regulation will not have a material adverse effect on a Fund. In addition, Congress may address tax policy, which also could have uncertain direct and indirect impact on trading and operations, as well as, potentially, operations and structure of a Fund.

Further, the Dodd-Frank Act created the Financial Stability Oversight Council (FSOC), an interagency body charged with identifying and monitoring systemic risks to financial markets. The FSOC has the authority to require that non-bank financial companies that are predominantly engaged in financial activities, such as a Fund and the Advisors, whose failure it determines would pose systemic risk, be placed under the supervision of the Board of Governors of the Federal Reserve System (Federal Reserve). The FSOC has the authority to recommend that the Federal Reserve adopt more stringent prudential standards and reporting and disclosure requirements for non-bank financial companies supervised by the Federal Reserve. The FSOC also has the authority to make recommendations to the Federal Reserve on various other matters that may affect a Fund, including requiring financial firms to submit resolution plans, mandating credit exposure reports, establishing concentration limits and limiting short-term debt. The FSOC may also recommend that other federal financial regulators impose more stringent regulation upon, or ban altogether, financial activities of any financial firm that poses what it determines are significant risks to the financial system. In the event that the FSOC designates a Fund as a systemic risk to be placed under the Federal Reserve s supervision, the Fund could face stricter prudential standards, including risk-based capital requirements, leverage limits, liquidity requirements, concentration requirements and overall risk management requirements, among other restrictions. Such requirements could hinder a Fund s ability to meet its investment objectives and may place the Fund at a disadvantage with respect to its competitors.

Additionally, BlackRock is, for purposes of the Bank Holding Company Act of 1956, as amended, and any rules or regulations promulgated thereunder from time to time, currently considered a subsidiary of The PNC Financial Services Group, Inc. (PNC), which is subject to regulation and supervision as a financial holding company by the Federal Reserve. The Volcker Rule contained in Section 619 of the Dodd-Frank Act will limit the ability of banking entities, which would include BlackRock by virtue of its relationship with PNC, to sponsor, invest in or serve as investment manager of certain private investment funds. On October 11 and 12, 2011, U.S. financial regulators issued a proposed rule (the Volcker Proposed Rule) to implement the statutory mandate of the Volcker Rule. Pursuant to the Dodd-Frank Act, the Volcker Rule s effective date was July 21, 2012. Following the effective date of the Volcker Rule, banking entities subject to the Volcker Rule, such as BlackRock, will have at least a two-year period to come into compliance with the provisions of the Volcker Rule. The Volcker Rule could have a significant negative impact on BlackRock and the Advisors. BlackRock may attempt to take certain actions to lessen the impact of the Volcker Rule, although no assurance can be given that such actions would be successful and no assurance can be given that such actions would not have a significant negative impact on a Fund. Upon the effectiveness of the Volcker Rule, BlackRock s relationship with PNC may require BlackRock to curtail some or all of a Fund s activities with respect to PNC (if any). While the U.S. financial regulators have issued the Volcker Proposed Rule, the Advisor cannot predict the extent to which the Volcker Rule will be subject to modification by rule prior to its effective date or the issuance of final rules implementing the Volcker Rule, or the impact any such modifications may have on BlackRock, the Funds or the Advisors.

The continuing implementation of the Dodd-Frank Act could also adversely affect the Advisors and a Fund by increasing transaction and/or regulatory compliance costs. In addition, greater regulatory scrutiny and the implementation of enhanced and new regulatory requirements may increase the Advisors and a Fund s exposure to potential liabilities, and in particular liabilities arising from violating any such enhanced and/or new regulatory requirements. Increased regulatory oversight could also impose administrative burdens on the Advisors and a Fund, including, without limitation, responding to investigations and implementing new policies and procedures. The ultimate impact of the Dodd-Frank Act, and any resulting regulation, is not yet certain and the Advisors and a Fund may be affected by the new legislation and regulation in ways that are currently unforeseeable.

In connection with an ongoing review by the SEC and its staff of the regulation of investment companies use of derivatives, on August 31, 2011, the SEC issued a concept release to seek public comment on a wide range of issues raised by the use of derivatives by investment companies. The SEC noted that it intends to consider the comments to help determine whether regulatory initiatives or guidance are needed to improve the current regulatory regime for investment companies and, if so, the nature of any such initiatives or guidance. While the nature of any such regulations is uncertain at this time, it is possible that such regulations could limit the implementation of a Fund s use of derivatives, which could have an adverse impact on the Fund. The Advisors cannot predict the effects of these regulations on a Fund s portfolio. The Advisors intend to monitor developments and seek to manage a Fund s portfolio in a manner consistent with achieving the Fund s investment objectives, but there can be no assurance that they will be successful in doing so.

Certain lawmakers support an increase in federal revenue as a component of a plan to address the growing federal budget deficit. Also, comprehensive federal tax reform is the subject of political attention.

In the aftermath of the recent financial crisis, there appears to be a renewed popular, political and judicial focus on finance related consumer protection. Financial institution practices are also subject to greater scrutiny and criticism generally. In the case of transactions between financial institutions and the general public, there may be a greater tendency toward strict interpretation of terms and legal rights in favor of the consuming public, particularly where there is a real or perceived disparity in risk allocation and/or where consumers are perceived as not having had an opportunity to exercise informed consent to the transaction. In the event of conflicting interests between retail investors holding common shares of a closed-end investment company such as a Fund and a large financial institution, a court may similarly seek to strictly interpret terms and legal rights in favor of retail investors.

LIBOR Risk. According to various reports, certain financial institutions, commencing as early as 2005 and throughout the global financial crisis, routinely made artificially low submissions in the LIBOR rate setting process. In June 2012, one such financial institution was fined a significant amount by various financial regulators in connection with allegations of manipulation of LIBOR rates. Other financial institutions in various countries are being investigated for similar actions. These developments may have adversely affected the interest rates on securities whose interest payments were determined by reference to LIBOR. Any future similar developments could, in turn, reduce the value of such securities owned by a Fund.

1940 Act Regulations. Each Fund is a registered closed-end investment company and as such is subject to regulations under the 1940 Act. Generally speaking, any contract or provision thereof that is made, or where performance involves a violation of the 1940 Act or any rule or regulation thereunder is unenforceable by either party unless a court finds otherwise.

Legislation Risk. At any time after the date of this Joint Proxy Statement/Prospectus, legislation may be enacted that could negatively affect the assets of a Fund. Legislation or regulation may change the way in which a Fund itself is regulated. The Advisors cannot predict the effects of any new governmental regulation that may be implemented and there can be no assurance that any new governmental regulation will not adversely affect a Fund s ability to achieve its investment objectives.

Potential Conflicts of Interest of the Advisors and Others. BlackRock and BlackRock s affiliates (Affiliates) are involved worldwide with a broad spectrum of financial services and asset management activities and may engage in the ordinary course of business in activities in which their interests or the interests of their clients may conflict with those of a Fund. BlackRock and its Affiliates may provide investment management services to other funds and discretionary managed accounts that follow an investment program similar to that of a Fund. Subject to the requirements of the 1940 Act, BlackRock and its Affiliates intend to engage in such activities and may receive compensation from third parties for their services. Neither BlackRock nor its Affiliates are under any obligation to share any investment opportunity, idea or strategy with a Fund. As a result, BlackRock and its Affiliates may compete with a Fund for appropriate investment opportunities. The results of a Fund s investment activities, therefore, may differ from those of an Affiliate or another account managed by an Affiliate and it is possible that a Fund could sustain losses during periods in which one or more Affiliates and other accounts achieve profits on their trading for proprietary or other accounts. The 1940 Act imposes limitations on certain transactions between a registered investment company and affiliated persons of the investment company, as well as affiliated persons of such affiliated persons. Among others, affiliated persons of an investment company include its investment adviser; officers; directors/trustees; any person who directly or indirectly controls, is controlled by or is under common control with such investment company; any person directly or indirectly owning, controlling or holding with power to vote, five percent or more of the outstanding voting securities of such investment company; and any person five percent or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by such investment company. BlackRock has adopted policies and procedures designed to address potential conflicts of interests. For additional information about potential conflicts of interest and the way in which BlackRock addresses such conflicts, please see Conflicts of Interest and Fund Management Portfolio Management Potential Material Conflicts of Interest in the SAI.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the common shares and distributions on those shares can decline. In addition, during any periods of rising inflation, interest rates on borrowings would likely increase, which would tend to further reduce returns to the holders of common shares.

Deflation Risk. Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a Fund s portfolio.

Management Risk. Each Fund is subject to management risk because each is an actively managed investment portfolio. The Advisors and the individual portfolio managers will apply investment techniques and risk analyses in making investment decisions for the Funds, but there can be no guarantee that these will produce the desired results. A Fund may be subject to a relatively high level of management risk because the Fund may invest in derivative instruments, which may be highly specialized instruments that require investment techniques and risk analyses different from those associated with bonds.

Allocation Risk. Each Fund s ability to achieve its investment objective depends upon the Advisors skill in determining the Fund s strategic asset class allocation and in selecting the best mix of investments. There is a risk that the Advisors evaluations and assumptions regarding asset classes or investments may be incorrect in view of actual market conditions.

Each Fund s allocation of its investments across various segments of the securities markets and various countries, regions, asset classes and sectors may vary significantly over time based on the Advisors analysis and judgment. As a result, the particular risks most relevant to an investment in a particular Fund, as well as the overall risk profile of the Fund s portfolio, may vary over time. The Advisors employ an active approach to the Fund s investment allocations, but there is no guarantee that the Advisors allocation strategy will produce the desired results. The percentage of the Fund s total assets allocated to any category of investment may at any given time be significantly less than the maximum percentage permitted pursuant to the Fund s investment policies. It is possible that the Fund will focus on an investment that performs poorly or underperforms other investments under various market conditions. The flexibility of each Fund s investment policies and the discretion granted to the Advisors to invest each Fund s assets across various segments, classes and geographic regions of the securities markets and in securities with various characteristics means that each Fund s ability to achieve its investment objective may be more dependent on the success of its investment advisor than other investment companies.

Portfolio Turnover Risk. A Fund s annual portfolio turnover rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for a Fund. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by a Fund. High portfolio turnover may result in an increased realization of net short-term capital gains by a Fund which, when distributed to shareholders, will be taxable as ordinary income. Additionally, in a declining market, portfolio turnover may create realized capital losses.

Antitakeover Provisions. The charter, agreement and declaration of trust or declaration of trust, as applicable, and bylaws of each Fund and Maryland law with respect to ARK and the Acquiring Fund include provisions that could limit the ability of other entities or persons to acquire control of such Fund or to change the composition of its Board. Such provisions could limit the ability of shareholders to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of such Fund. See Certain Provisions of the Charter.

EXPENSE TABLE FOR SHAREHOLDERS

Total Expenses Table for Shareholders of the Funds as of February 28, 2013

The following tables illustrate the anticipated reduction or increases in the Total Expense Ratio for the shareholder of each Fund expected as a result of the Reorganizations. The table sets forth (i) the Total Expense Ratio for each Fund for the 12-month period ended February 28, 2013; (ii) the *pro forma* Total Expense Ratio for the Combined Fund, assuming all of the Reorganizations had taken place on February 28, 2013, which represents the most likely combination of the Reorganizations and the combination of the Reorganizations resulting in the lowest Total Expense Ratio; (iii) the *pro forma* Total Expense Ratio for the Combined Fund, assuming only the Reorganization of ARK into DSU had taken place on February 28, 2013; and (iv) the *pro forma* Total Expense Ratio for the Combined Fund, assuming only the Reorganization of BHD into DSU had taken place on February 28, 2013.

The level of expense savings (or increases) will vary depending upon the combination of the proposed Reorganizations. Because each of the Reorganizations may occur whether or not the other Reorganization is approved, several combinations are possible. The scenarios presented illustrate the *pro forma* effects on operating expenses for all possible combinations.

The Board of each Fund believes that the completion of the Reorganizations would result in a reduced Total Expense Ratio for the shareholders of BHD and DSU because certain fixed administrative costs would be spread across the Combined Fund s larger asset base. The Board of ARK believes that the completion of all of the Reorganizations would result in a neutral impact to its Total Expense Ratio on a historical basis for the 12-month period ended February 28, 2013. However, based on projected expense information, the Board of ARK believes that the completion of the Reorganizations would result in a higher Total Expense Ratio for the shareholders of ARK.

For the fiscal year ended August 31, 2012, BHD s Total Expense Ratio was 1.45%. For the 12-month period ended February 28, 2013, BHD s Total Expense Ratios was 1.47%. For the fiscal year ended February 28, 2013, the Total Expense Ratios of ARK and DSU were 1.27% and 1.41%, respectively.

The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of BHD and DSU of 0.20% and 0.14%, respectively, and a neutral impact to the Total Expense Ratio of ARK. Although ARK estimates that the completion of all of the Reorganizations would result in a neutral impact to its Total Expense Ratio on a historical basis for the 12-month period ended February 28, 2013, based on projected expense information, ARK shareholders are expected to experience a slight increase (e.g. 0.02%) in its Total Expense Ratio, as a result of the Reorganizations. However, it is anticipated that shareholders of each Fund may benefit from certain potential intangible benefits associated with the Reorganizations (including as a result of the Combined Fund s larger size) as more fully discussed herein. There can be no assurance that future expenses will not increase or that any expense savings (or increases) will be realized. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the proposed Reorganizations.

The Board of ARK believes that the potential benefits of the Reorganizations make its Reorganization in the best interest of its shareholders. These potential benefits include the potential for (i) higher earnings yield for the Combined Fund (as a percentage of NAV) on a *pro forma* basis compared to ARK, (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads; (iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors. See Reasons for the Reorganizations. In addition, the Investment Advisor will bear all of the reorganization costs of ARK.

	ARK	BHD	DSU	Pro Forma Combined Fund (ARK & DSU)[(a)]	Pro Forma Combined Fund (BHD & DSU)[(a)]	Pro Forma Combined Fund (Both Target Funds into DSU)[(a)]
Shareholder Transaction Expenses						
Maximum Sales Load (as a percentage of the offering price) imposed on purchases of common shares[(b)]	None	None	None	None	None	None
Dividend Reinvestment and Cash Purchase Plan Fees	None	None	None	None	None	None
Annual Total Expenses (as a percentage of average net assets attributable to common shares)						
Investment Management Fees	0.68%	0.94%	0.83%	0.76%	0.75%	0.75%
Other Expenses	0.26%	0.30%	0.21%	0.18%	0.20%	0.18%
Interest Expense	0.33%	0.23%	0.37%	0.36%	0.34%	0.34%
Total Annual Fund Operating Expenses (Including Interest Expense)[(c)(d)]	1.27%	1.47%	1.41%	1.30%	1.29%	1.27%

(a) Assumes the Reorganizations had taken place on February 28, 2013.

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

(c) The Total Annual Fund Operating Expense (excluding interest expense) for the Funds are as follows:

ARK	BHD	DSU	Pro Forma Combined Fund (ARK and DSU)[(a)]	Pro Forma Combined Fund (BHD and DSU)[(a)]	Pro Forma Combined Fund (Both Target Funds into DSU)[(a)]
0.94%	1.24%	1.04%	0.94%	0.95%	0.93%

(d) For the fiscal year ended August 31, 2012, the Total Expense Ratio of BHD was 1.45%.

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

	1 Year	3 Years	5 Years	10 Years
ARK	$ 13	$ 40	$ 70	$ 153
BHD	$ 15	$ 46	$ 80	$ 176
DSU	$ 14	$ 45	$ 77	$ 169
Pro Forma Combined Fund (Both Target Funds into DSU)	$ 13	$ 40	$ 70	$ 153
Pro Forma Combined Fund (ARK into DSU)	$ 13	$ 41	$ 71	$ 157
Pro Forma Combined Fund (BHD into DSU)	$ 13	$ 41	$ 71	$ 156

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

BHD and the Acquiring Fund will bear expenses incurred in connection with the Reorganizations that are not reflected in Other Expenses, including, but not limited to, costs related to the preparation and distribution of materials distributed to each Fund s Board, expenses incurred in connection with the preparation of the Reorganization Agreements and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to shareholders, SEC and state securities commission filing fees and legal and audit fees in connection with the Reorganizations, including legal fees incurred preparing each Fund s Board materials, attending each Fund s Board meetings and preparing the minutes, auditing fees associated with each Fund s financial statements, stock exchange fees, transfer agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganizations, which will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate.

Because BHD and the Acquiring Fund have already incurred expenses solely and directly attributable to the Reorganizations and because BHD and the Acquiring Fund (and not the Investment Advisor) are responsible for paying those expenses, if BHD s or the Acquiring Fund s respective shareholders do not approve their Fund s respective Reorganization, such Fund will continue to be responsible for the expenses arising from its proposed Reorganization even though its proposed Reorganization will not occur and those expenses may be material.

The expenses of the Reorganizations (assuming all of the Reorganizations are consummated) are estimated to be $345,000 for BHD and $600,000 for DSU. The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein. The Investment Advisor will bear the costs of the Reorganizations for ARK because the shareholders of ARK are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BHD and DSU. Therefore, the costs associated with the Reorganization of ARK will not be directly borne by ARK. Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganizations (e.g., expenses incurred by the shareholder as a result of attending the shareholder meeting, voting on the Reorganizations or other action taken by the shareholder in connection with the Reorganizations).

REASONS FOR THE REORGANIZATIONS

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

The Board of each Fund considered its Reorganization(s) over a series of meetings. In preparation for the meeting of each Board held on July 19, 2013 (the Meeting) at which the Reorganizations were approved, the Investment Advisor provided each Board with information regarding the proposed Reorganizations, including the rationale therefor and alternatives considered to the Reorganizations. Each Board considered a number of factors presented at the time of the Meeting or prior meetings in reaching their determinations, including, but not limited to, the following:

- potential for improved economies of scale and a lower Total Expense Ratio with respect to BHD and DSU;

  - the Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of BHD and DSU of 0.20% and 0.14%, respectively, and a neutral impact to the Total Expense Ratio for the shareholders of ARK; although ARK estimates that the completion of all of the Reorganizations would result in a neutral impact to its Total Expense Ratio on a historical basis for the 12-month period ended February 28, 2013, based on projected expense information, ARK shareholders are expected to experience a slight increase (e.g. 0.02%) in its Total Expense Ratio, as a result of the Reorganizations;

the Board of ARK and BHD believe that other potential benefits of the Reorganizations make the Reorganizations in the best interest of ARK and BHD shareholders. These other potential benefits include the potential for (i) higher earnings yield for the Combined Fund (as a percentage of NAV) on a *pro forma* basis compared to ARK and BHD; (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads; (iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors. See Reasons for the Reorganizations. In addition, the Investment Advisor will bear all of the reorganization costs of ARK;

there can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the proposed Reorganizations;

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

the Combined Fund s earnings yield is expected to be slightly lower than DSU s current earnings yield; thus, assuming the Acquiring Fund s distribution policy remains in place after the Reorganizations, shareholders of DSU may experience a decrease in their distribution yield after the Reorganizations.

the Board of DSU believes that the potential benefits of the Reorganizations make the Reorganizations in the best interest of DSU shareholders. These potential benefits include the potential for (i) a lower Total Expense Ratio, (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads; (iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors.

a Fund s earnings and net investment income are variables, which depend on many factors, including its asset mix, portfolio turnover level, the amount of leverage utilized by the Fund, the costs of such leverage, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Reorganizations, will remain constant. In addition, the Combined Fund s future earnings will vary depending upon the combination of the proposed Reorganizations.

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

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

consistency of portfolio management and portfolio composition;

the potential for improved secondary market trading;

the potential for operating and administrative efficiencies;

the anticipated tax-free nature of the Reorganization;

the potential effects on the Funds capital loss carryforwards;

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

the expected costs of the Reorganization;

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

the effect of the Reorganizations on shareholder rights; and

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

Potential for Improved Economies of Scale and Potential for a Lower Expense Ratio. Each Board considered the fees and Total Expense Ratios of its Fund (including estimated expenses of the Combined Fund after the Reorganizations). The contractual management fee rate of the Combined Fund will be 0.55%, which is lower than the current contractual management fee rate of BHD and DSU but higher than the current contractual management fee rate of ARK. The Combined Fund will not be subject to any separate administration fee payable to the Investment Advisor. The current advisory fee payable to the Investment Advisor for each Fund is as follows: 0.50% for ARK, 0.75% for BHD and 0.60% for DSU. No Fund is subject to a separate administration fee. While the contractual management fee of the Combined Fund would be 5 basis points higher than the contractual management fee of ARK (0.50%), the Combined Fund would still be competitively priced relative to peers and below the median contractual management fee for Lipper peers.

The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of BHD and DSU of 0.20% and 0.14%, respectively, as a percentage of average net assets attributable to common shares and a neutral impact to the Total Expense Ratio of ARK. Although ARK estimates that the completion of all of the Reorganizations would result in a neutral impact to its Total Expense Ratio on a historical basis for the 12-month period ended February 28, 2013, based on projected expense information, ARK shareholders are expected to experience a slight increase (e.g. 0.02%) in its Total Expense Ratio, as a result of the Reorganizations. There can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the proposed Reorganizations.

The Board of ARK believes that the potential benefits of the Reorganizations make its Reorganization in the best interest of ARK shareholders. These potential benefits include the potential for (i) higher earnings yield for the Combined Fund (as a percentage of NAV) on a *pro forma* basis compared to ARK, (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads;

(iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors. In addition, the Investment Advisor will bear all of the reorganization costs of ARK.

Alternatives to the Reorganizations. In reaching its decision to approve each Fund s respective Reorganization, the Board of such Fund considered various alternatives, including continuing to operate such Fund as a separate Fund, and other reorganization combinations involving such Fund.

Potential Effects of the Reorganizations on Earnings and Distributions. Each Board noted that the Combined Fund s earnings are expected to be comparable (*i.e.*, the same or slightly lower or higher) when compared with that of its Fund prior to the Reorganizations. Consequently, the Combined Fund is expected to allow each Fund s shareholders to maintain a distribution yield on NAV that is expected to be comparable to (i.e., the same or slightly lower or higher) than the distribution yield for each of the Funds prior to the Reorganization, while offering such shareholders a comparable investment experience.

The Combined Fund s earnings yield is expected to be slightly lower than DSU s current earnings yield; thus, assuming the Acquiring Fund s distribution policy remains in place after the Reorganizations, shareholders of DSU may experience a decrease in their distribution yield after the Reorganizations. Although the Combined Fund s earnings yield is expected to be slightly lower than DSU s current earnings yield, shareholders of DSU are expected to benefit from a reduction in DSU s Total Expense Ratio of approximately 0.14%. It is also anticipated that shareholders of DSU may benefit from other potential benefits associated with the Reorganizations (including as a result of the Combined Fund s larger size) as more fully discussed herein.

A Fund s earnings and net investment income are variables, which depend on many factors, including its asset mix, portfolio turnover level, the amount of leverage utilized by the Fund, the costs of such leverage, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Reorganizations, will remain constant. In addition, the Combined Fund s future earnings will vary depending upon the combination of the proposed Reorganizations.

Potential Effects of the Reorganizations on Premium/Discount to NAV. Each Board noted that the common shares of its Fund have historically fluctuated between a discount and a premium. Each Target Fund Board noted that to the extent its Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of the Reorganizations, the Target Fund s shareholders would have the potential for an economic benefit by the narrowing of the discount or widening of the premium. Each Board also noted that to the extent its Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of the Reorganizations, the Target Fund s shareholders may be negatively impacted if the Reorganizations are consummated. The Board of the Acquiring Fund noted that Acquiring Fund shareholders would only benefit from a premium/discount perspective to the extent the post-Reorganization discount (or premium) improves.

Compatibility of the Investment Objectives, Policies and Related Risks. Each Board noted that its Fund s shareholders will remain invested in a NYSE-listed, closed-end management investment company that will have substantially greater net assets and substantially similar (but not identical) investment objectives and investment policies and, as a result, the style and risk/return profile of the Acquiring Fund will remain comparable to those of its Target Fund shareholders current investments, subject to the differences described in Comparison of the Funds. The Board noted that ARK is a non-diversified fund subject to non-diversification risk, while the Acquiring Fund and BHD are each diversified funds.

Consistency of Portfolio Management and Portfolio Composition. Each Board noted that its Fund has the same investment adviser, sub-adviser and portfolio managers and that its Fund s shareholders will benefit from the continuing experience and expertise of the portfolio management team. Each Board considered the portfolio composition of its Fund and the impact of the Reorganizations on the Fund s portfolio. Each Board noted that it is not anticipated that there will be any significant disposition of the holdings in its Target Fund as a result of the Reorganization because of the similarities among the portfolio guidelines of the Funds.

Potential for Improved Secondary Market Trading. While it is not possible to predict trading levels at the time the Reorganizations close, each Board considered that the Combined Fund may provide greater secondary market liquidity for its common shares as it would be larger than any of the Funds, which may result in tighter bid-ask spreads, better trade execution for the Combined Fund s shareholders when purchasing or selling Combined Fund shares and potential for improved premium/discount levels for the Combined Fund s common shares.

Potential for Operating and Administrative Efficiencies. Each Board noted that the Combined Fund may achieve certain operating and administrative efficiencies from its larger net asset size, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage, more favorable transaction terms and better trade execution.

Each Board also noted that the Combined Fund may experience potential benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage.

Each Board also noted that the Combined Fund may experience potential benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in potential benefits from the elimination of complexities involved with having duplicative funds, easier product differentiation for shareholders (including shareholders of the Combined Fund) and reduced risk of operational, legal and financial errors.

Anticipated Tax-Free Reorganization. Each Board noted that it is anticipated that shareholders of its Fund will recognize no gain or loss for U.S. federal income tax purposes as a result of the Reorganizations (except with respect to cash received in lieu of fractional shares), as each Reorganization is intended to qualify as a reorganization within the meaning of Section 368(a) of the United States Internal Revenue Code of 1986, as amended.

Capital Loss Carryforwards Considerations. Each Board considered that capital loss carryforwards of the Combined Fund attributable to each Target Fund that participates in a Reorganization will be subject to tax loss limitation rules by reason of such Fund undergoing an ownership change in the Reorganization. Each Board also considered that the ability of its Fund to fully utilize its existing capital loss carryforwards and that the actual effect of the loss limitation rules depends on many variables and assumptions, including projected performance, and is, therefore, highly uncertain.

Potential Effects of the Reorganizations on Undistributed Net Investment Income. Each Board noted that all of the undistributed net investment income (UNII), if any, of its Fund is expected to be distributed to such Fund s respective shareholders prior to the Reorganizations if such Fund s Reorganization is approved by shareholders. Each Board also noted that although the Combined Fund will not have the benefit of a positive UNII balance immediately after the completion of the Reorganizations, the Combined Fund s future distributions are expected to be aligned with sustainable earnings.

Expected Costs of the Reorganization. Each Board considered the terms and conditions of its Reorganization Agreement(s), including the estimated costs associated with each Reorganization and the allocation of such costs among the Funds. Each Board noted, however, that the Investment Advisor anticipated that the projected costs of a consummated Reorganization may be recovered over time. The Board of ARK noted that the Investment Advisor would bear the costs of the Reorganizations for ARK because the shareholders of ARK are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BHD and DSU.

Terms of the Reorganization and Impact on Shareholders. Each Board noted that the aggregate NAV (not the market value) of the shares of the Combined Fund that Target Fund shareholders will receive in the Reorganizations is expected to equal the aggregate NAV (not the market value) of the Target Fund shares that Target Fund shareholders owned immediately prior to the Reorganizations, and the NAV of Target Fund shares will not be diluted as a result of the Reorganizations. No fractional common shares of the Acquiring Fund will be issued to shareholders in connection with the Reorganizations, and Target Fund shareholders will receive cash in lieu of such fractional shares.

Effect on Shareholder Rights. Each Board noted that BHD is organized as a Delaware statutory trust, while the Acquiring Fund and ARK are each organized as a Maryland corporation. Each Board also noted that the common shareholders of each Fund have substantially similar voting rights and rights with respect to the payment of dividends and distribution of assets upon liquidation of their respective Fund and have no preemptive, conversion or exchange rights.

Potential Benefits to the Investment Advisor and its Affiliates. Each Board recognized that the Reorganizations may result in some benefits and economies of scale for the Investment Advisor and its affiliates. These may include, for example, administrative and operational efficiencies or a reduction in certain operational expenses as a result of the elimination of a Target Fund as a separate fund in the BlackRock closed-end fund complex. Each Board noted that the contractual management fee rate of the Combined Fund will be 0.55%, which is lower than the current contractual management fee rate of BHD and DSU but higher than the current contractual management fee rate of ARK. The Board of ARK noted that while the contractual management fee of the Combined Fund would be 5 basis points higher than the contractual management fee of ARK (0.50%), the Combined Fund would still be competitively priced relative to peers and below the median contractual management fee for Lipper peers. The Board of ARK also noted that the Investment Advisor would bear all of ARK s costs associated with its Reorganization.

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

PROPOSAL 1: THE REORGANIZATIONS OF THE TARGET FUNDS

The Reorganizations seek to combine three funds that have the same investment adviser, a shared portfolio manager, the same Board members and substantially similar (but not identical) investment objectives, investment policies, strategies, risks and restrictions. See Comparison of the Funds.

The Board of each Fund, including the Independent Board Members, has unanimously approved its Reorganization(s) including its respective Reorganization Agreement(s). Assuming each Target Fund s shareholders approve the Reorganizations of the applicable Target Fund and the Acquiring Fund s shareholders approve the Reorganizations of the Acquiring Fund, each Target Fund will merge directly with and into the Acquiring Fund. Each Target Fund will terminate its registration under the 1940 Act after the completion of its Reorganization. The Acquiring Fund will continue to operate after the Reorganization(s) as a registered, diversified, closed-end investment company with the investment objective and policies described in this Joint Proxy Statement/Prospectus.

In each Reorganization, the outstanding common shares of the Target Fund will be exchanged for newly-issued Acquiring Fund Shares in the form of book entry interests. The aggregate NAV (not the market value) of the Acquiring Fund Shares received by the shareholders of the Target Fund in each Reorganization will equal the aggregate NAV (not the market value) of the Target Fund common shares held by such shareholders immediately prior to such Reorganization, less the applicable costs of such Reorganization (although Target Fund shareholders may receive cash for their fractional common shares). In the Reorganizations, shareholders of each Target Fund will receive Acquiring Fund Shares based on the relative NAV (not the market value) of each respective Fund s common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of a Target Fund prior to the Reorganizations.

Each Board has reviewed data presented by the Investment Advisor and believes that the Reorganizations would result in a reduced Total Expense Ratio for the shareholders of BHD and DSU, as certain fixed administrative costs would be spread across the Combined Fund s larger asset base, and a slight increase (e.g. 0.02%) in the Total Expense Ratio for shareholders of ARK based on projected expense information. However, the level of expense savings (or increases) will vary depending upon the combination of the proposed Reorganizations. To the extent that one of the Reorganizations is not completed, but the other Reorganization is completed, any expected expense savings by the Combined Fund or other potential benefits resulting from the Reorganizations may be reduced.

The Acquiring Fund pays the Investment Advisor a monthly management fee of 0.60% of the Acquiring Fund s average daily Managed Assets.

If either of the Reorganizations is approved and consummated, the Combined Fund will pay the Investment Advisor a monthly fee at an annual rate of 0.55% of the Combined Fund s average daily Managed Assets.

For the fiscal year ended August 31, 2012, BHD s Total Expense Ratio was 1.45%. For the 12-month period ended February 28, 2013, BHD s Total Expense Ratios was 1.47%. For the fiscal year ended February 28, 2013, the Total Expense Ratios of ARK and DSU were 1.27% and 1.41%, respectively.

The Funds estimate that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of BHD and DSU of 0.20% and 0.14%, respectively, and a neutral impact to the Total Expense Ratio of ARK. Although ARK estimates that the completion of all of the Reorganizations would result in a neutral impact to its Total Expense Ratio on a historical basis for the 12-month period ended February 28, 2013, based on projected expense information, ARK shareholders are expected to experience a slight increase (e.g. 0.02%) in its Total Expense Ratio, as a result of the Reorganizations. There can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings (or increases) will vary depending upon the combination of the proposed Reorganizations.

The Board of ARK believes that the potential benefits of the Reorganizations make its Reorganization in the best interest of ARK shareholders. These potential benefits include the potential for (i) higher earnings yield for the Combined Fund (as a percentage of NAV) on a *pro forma* basis compared to ARK, (ii) greater secondary market liquidity for the Combined Fund s common shares, which may result in tighter bid-ask spreads; (iii) better trade execution for each Fund s shareholders when purchasing or selling the Combined Fund s common shares; (iv) improved premium/discount levels for the Combined Fund s common shares; (v) operating and administrative efficiencies for the Combined Fund, including greater investment flexibility and investment options, greater diversification of portfolio investments, the ability to trade in larger positions, additional sources of leverage or more competitive leverage terms, greater flexibility managing leverage and more favorable transaction terms; (vi) benefits from having fewer closed-end funds in the market, including an increased focus by investors on the remaining funds in the market (including the Combined Fund) and additional research coverage; and (vii) benefits from having fewer similar funds in the same fund complex, including a simplified operational model and a reduction in risk of operational, legal and financial errors. See Reasons for the Reorganization. In addition, the Investment Advisor will bear all of the reorganization costs of ARK.

The table below shows the projected reduction in the Total Expense Ratio of each Fund on a historical and *pro forma* basis for (i) the Reorganizations of all the Funds, (ii) the Reorganization of only ARK and DSU and (iii) the Reorganization of only BHD and DSU, each for the 12-month period ended February 28, 2013.

	Pro Forma **Combined Fund (All Funds)**	***Pro Forma*** **Combined Fund (ARK & DSU)**	***Pro Forma*** **Combined Fund (BHD & DSU)**
Total Expense Ratios	1.27%	1.30%	1.29%
Change in ARK Total Expense Ratio		0.03%	
Change in BHD Total Expense Ratio	(0.20)%		(0.18)%
Change in DSU Total Expense Ratio	(0.14)%	(0.11)%	(0.12)%

In approving the proposed Reorganizations, the Board of each Fund, including the Independent Board Members, determined that participation in the Reorganizations is in the best interests of its Fund and its shareholders and that the interests of its shareholders will not be diluted with respect to the NAV of such Fund as a result of its Reorganization. Before reaching these conclusions, the Board of each Fund, including the Independent Board Members, engaged in a thorough review process relating to its proposed Reorganization(s).

The Board of each Fund also received a memorandum outlining, among other things, the legal standards and certain other considerations relevant to the Board deliberations. The Board of each Fund, including all of the Independent Board Members, approved its Reorganization at a meeting held on July 19, 2013.

Considering these and other reasons, each Target Fund Board unanimously concluded that completion of its Reorganization is in the best interests of its Target Fund and its shareholders and that the interests of its shareholders of its Target Fund will not be diluted as a result of its Reorganization. Similarly, the Acquiring Fund Board has determined that each Reorganization is in the best interests of the Acquiring Fund and its shareholders and that the interests of such shareholders will not be diluted as a result of each Reorganization. As a result of the Reorganizations, however, shareholders of each Fund will hold a reduced percentage of ownership in the larger Combined Fund than they did in any of the individual Funds. This determination was made on the basis of each Board Member s business judgment after consideration of all of the factors taken as a whole with respect to each Fund and its shareholders, although individual Board Members may have placed different weight and assigned different degrees of materiality to various factors. See Reasons for the Reorganization.

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

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

Each Target Fund Board recommends that shareholders of its Target Fund approve such Target Fund s proposed Reorganization at the Special Meeting to be held on October 25, 2013 at 9:00 a.m. (Eastern time).

Shareholder approval of the ARK Reorganization requires the affirmative vote of a majority of the outstanding shares of ARK entitled to vote.

Shareholder approval of the BHD Reorganization requires the affirmative vote by BHD shareholders, voting as a single class, of a majority of the outstanding voting securities as defined under the 1940 Act (such a majority referred to herein as a 1940 Act Majority). A 1940 Act Majority means the affirmative vote of either (i) 66 $^{2}/_{3}$% or more of the voting securities present at the Special Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Fund, whichever is less. For additional information regarding voting requirements, see Voting Information and Requirements.

Subject to the requisite approval of the shareholders of each Target Fund with respect to each Reorganization, it is expected that the Closing Date will sometime during the fourth quarter of 2013, but it may be at a different time as described herein.

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

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

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

INVESTMENT OBJECTIVES AND POLICIES OF THE ACQUIRING FUND

Investment Objectives

The Acquiring Fund s primary investment objective is to seek to provide current income by investing primarily in a diversified portfolio of U.S. companies debt instruments, including Corporate Loans, which are rated in the lower rating categories of the established rating services (Baa or lower by Moody s or BBB or lower by Standard & Poor s) or unrated debt instruments which are in the judgment of the Investment Advisor of equivalent quality. Such investments generally involve greater volatility of price and risks to principal and income than securities in the higher rating categories. As a secondary objective, the Acquiring Fund will seek capital appreciation.

Investment Policies

Up to 20% of the Acquiring Fund s total assets may be invested in Distressed Securities, which includes publicly offered or privately placed debt securities and Corporate Loans which, at the time of investment, are the subject of bankruptcy proceedings or otherwise in default as to the repayment of principal or payment of interest or are rated in the lowest rating categories (Ca or lower by Moody s and CC or lower by Standard & Poor s) or which, if unrated, are in the judgment of the Investment Advisor of equivalent quality.

Up to 20% of the Acquiring Fund s total assets may be invested in financial instruments of issuers domiciled outside the United States or that are denominated in various foreign currencies and multinational foreign currency units, provided that the foreign issuers of any non-U.S. dollar denominated instruments purchased by the Acquiring Fund are domiciled in a country that is a member of the OECD. For these reasons, an investment in the Acquiring Fund may be speculative in that it involves a high degree of risk and should not constitute a complete investment program. Up to 20% of the Acquiring Fund s total assets can be invested in convertible debt instruments and preferred stock, each of which may be converted into common stock or other securities of the same or a different issuer, and non-convertible preferred stock. As a result of conversions of convertible securities or upon an exchange offer or bankruptcy plan of reorganization, a significant portion of the Acquiring Fund s total assets may be invested in common stock at certain points in time. Under normal market conditions, at least 65% of the Acquiring Fund s total assets will be invested in debt instruments. The Acquiring Fund s investment objectives are fundamental policies and may not be changed without the approval of a majority of the outstanding voting securities of the Acquiring Fund (as defined in the 1940 Act). There can be no assurance that the investment objectives of the Acquiring Fund will be realized.

The Acquiring Fund s investment policies permit investment in the following asset classes which are described in greater detail below: (i) senior and subordinated Corporate Loans, both secured and unsecured, issued either directly by the borrower or in the form of participation interests in Corporate Loans made by banks and other financial institutions; (ii) publicly offered and privately placed high-yield debt securities, senior and subordinated, both secured and unsecured; and (iii) convertible debt instruments and preferred stock, each of which may be converted into common stock or other securities of the same or a different issuer, and nonconvertible preferred stock. The debt securities and Corporate Loans in which the Acquiring Fund invests may pay interest at fixed rates or at rates that float at a margin above a generally recognized base lending rate such as the prime rate of a designated U.S. bank, or that adjust periodically at a margin above the CD rate or LIBOR.

Subject to other investment restrictions applicable to the Acquiring Fund, up to 10% of the Acquiring Fund s assets may be invested in debt instruments, including Corporate Loans, of investment companies (which may or may not be registered under the 1940 Act) whose portfolio securities consist entirely of (i) corporate debt or equity securities acceptable to the Acquiring Fund s investment Advisor or (ii) money market instruments.

Under unusual market or economic conditions or for temporary or defensive or liquidity purposes, the Acquiring Fund may invest up to 100% of its assets in securities issued or guaranteed by the U.S. Government or its instrumentalities or agencies, certificates of deposits, banker s acceptances, and other bank obligations, commercial paper rated in the highest category by a nationally recognized statistical rating organization or other fixed-income securities deemed by the Investment Advisor to be consistent with a defensive posture. The yield on such securities may be lower than the yield on lower-rated fixed income securities.

Although the Acquiring Fund will invest primarily in lower-rated securities, other than with respect to Distressed Securities (which are discussed below) it will not invest in securities in the lowest rating categories (Ca or below by Moody s and CC or below by Standard & Poor s) unless the Investment Advisor believes that the financial condition of the issuer or the protection afforded to the particular securities is stronger than would otherwise be indicated by such low ratings.

The Acquiring Fund s investment philosophy is based on the belief that, under varying economic and market conditions, certain debt instruments will perform better than other debt instruments. The Acquiring Fund s fully managed approach puts maximum emphasis on the flexibility of the Investment Advisor to analyze various opportunities among debt instruments and to make judgments regarding which debt instruments provide, in the opinion of the Investment Advisor, the highest potential opportunity for current income and, secondarily, capital appreciation. This approach distinguishes the Acquiring Fund from other funds which often seek either capital growth or current income or are restricted to fixed rate securities or floating rate instruments. Consistent with this approach, when changing economic conditions and other factors cause the yield difference between lower-rated and higher-rated securities to narrow, the Acquiring Fund may purchase higher-rated securities if the Investment Advisor believes that the risk of loss of income and principal may be substantially reduced with only a relatively small reduction in yield.

Investment in the common stock of the Acquiring Fund offers the individual investor several potential benefits. First, the Acquiring Fund offers the opportunity to participate in a portfolio which may contain investments, such as Corporate Loans, that historically have been available mainly to institutional investors. In managing such a portfolio, the Investment Advisor provides professional management which includes the extensive credit analysis needed to invest in Corporate Loans, junk bonds and Distressed Securities. The Acquiring Fund also relieves the investor of the burdensome administrative details involved in managing a portfolio of such investments. Additionally, the Investment Advisor may seek to enhance the yield or capital appreciation of the Acquiring Fund s common stock by leveraging the Acquiring Fund s capital structure through the borrowing of money or the issuance of short-term debt securities or shares of preferred stock. The benefits are at least partially offset by the expenses involved in running an investment company. Such expenses primarily consist of advisory fees and operational costs. The use of leverage also involves certain expenses and risk considerations.

The Acquiring Fund may engage in various portfolio strategies to seek to increase its return and to hedge its portfolio against movements in interest rates or foreign currencies through the use of interest rate or foreign currency swap transactions, the purchase of call and put options on securities, the sale of covered call and put options on its portfolio securities and transactions in financial futures and related options on such futures. Each of these portfolio strategies is described below. There can be no assurance that the Acquiring Fund will employ these strategies or that, if employed, they will be effective.

The Acquiring Fund may invest in, among other things, the types of instruments described below:

Corporate Loans

The Corporate Loans in which the Acquiring Fund may invest generally consist of direct obligations of a borrower (Borrower) undertaken to finance the growth of the Borrower s business internally or externally, or to finance a capital restructuring. Corporate Loans may also include obligations of a Borrower issued in connection with a restructuring or a bankruptcy. A significant portion of the Corporate Loans in which the Acquiring Fund invests are highly leveraged loans, such as leveraged buy-out loans, leveraged recapitalization loans and other types of acquisition loans. Such Corporate Loans may be structured to include both term loans, which are generally fully funded at the time of the Acquiring Fund s investment and revolving credit facilities, which would require the Acquiring Fund to make additional investments in Corporate Loans as required under the terms of the credit facility. Such Corporate Loans may also include receivables purchase facilities, which are similar to revolving credit facilities secured by a Borrower s receivables.

The Acquiring Fund may invest in senior and subordinated Corporate Loans, both secured and unsecured. The Corporate Loans in which the Acquiring Fund invests may be senior debt obligations of the Borrower and may, in some instances, hold the most senior position in the capitalization structure of the Borrower (i.e. not subordinated to other debt obligations in right of payment). Corporate Loans which are senior debt obligations of the Borrower may be wholly or partially secured by collateral, or may be unsecured. However, even in the case of a secured Corporate Loan, upon an event of default the ability of a lender to have access to the collateral, if any, or otherwise recover its investment may be limited by bankruptcy and other insolvency laws. The value of the collateral may decline subsequent to the Acquiring Fund s investment in the Corporate Loan. Under certain circumstances, the collateral may be released with the consent of the syndicate of lenders and the lender which is administering the Corporate Loan on behalf of the syndicate (Agent Bank) or pursuant to the terms of the underlying credit agreement with the Borrower. There is no assurance that the liquidation of the collateral would satisfy the Borrower s obligations in the event of the nonpayment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, the Acquiring Fund might not receive payments to which it is entitled and thereby may experience a decline in the value of the investment and possibly, its NAV.

In addition to senior and secured Corporate Loans, the Acquiring Fund may invest in Corporate Loans which are unsecured and subordinated. A Corporate Loan which is unsecured is not supported by any specific pledge of collateral and therefore constitutes only a general obligation of the Borrower. In addition to being unsecured, a Corporate Loan in which the Acquiring Fund may invest may be subordinate in right of payment to the senior debt obligations of the Borrower. Upon a liquidation or bankruptcy of the Borrower the senior debt obligations of the Borrower are often required to be paid in full before the subordinated debt holders are permitted to receive any distribution on behalf of their claim. Distributions, if any, to subordinated debt holders in such situations may consist in whole or in part in non-income producing securities, including common stock. Accordingly, following an event of default or liquidation or bankruptcy of a Borrower, there can be no assurance that the assets of the Borrower will be sufficient to satisfy the claims of unsecured and subordinated debt holders or that such debt holders will receive income producing debt securities in satisfaction of their claims. As a result, the Acquiring Fund might not receive payments to which it is entitled and thereby may experience a decline in the value of its investment and possibly, its NAV.

Corporate Loans made in connection with highly leveraged transactions are subject to greater risks than other Corporate Loans in which the Acquiring Fund may invest. These credit risks include a greater possibility of default or bankruptcy of the Borrower, and the potential assertion that the pledging of collateral, if any, to secure the loan constituted a fraudulent conveyance or preferential transfer which can be nullified or subordinated to the rights of other creditors of the Borrower under applicable law. Highly leveraged Corporate Loans may also be less liquid than other Corporate Loans.

The rate of interest payable on floating or variable rate Corporate Loans is established as the sum of a base lending rate used by commercial lenders plus a specified margin. These base lending rates generally are the prime rate of a designated U.S. bank, LIBOR, the CD rate or another base lending rate used by commercial lenders. The interest rate on prime rate-based Corporate Loans floats daily as the prime rate changes, while the interest rate on LIBOR-based and CD-based Corporate Loans is reset periodically, typically every 30 days to one year. Certain of the floating or variable rate Corporate Loans in which the Acquiring Fund will invest may permit the Borrower to select an interest rate reset period of up to one year. A portion of the Acquiring Fund s portfolio may be invested in Corporate Loans with longer interest rate reset periods or fixed interest rates which are generally more susceptible to interest rate risks in the event of fluctuations in prevailing interest rates.

The Acquiring Fund may receive and/or pay certain fees in connection with its investments in Corporate Loans. These fees are in addition to interest payments received and may include facility fees, commissions and prepayment penalty fees. When the Acquiring Fund buys a Corporate Loan it may receive a facility fee and when it sells a Corporate Loan it may pay a facility fee. In certain circumstances, the Acquiring Fund may receive a prepayment penalty fee on the prepayment of a Corporate Loan by a Borrower. These fees are intended to adjust the yield on such Corporate Loans. In connection with the acquisition of Corporate Loans, the Acquiring Fund may also acquire warrants and other debt or equity securities of the Borrower or its affiliates. The acquisition of such securities will only be incidental to the Acquiring Fund s purchase of an interest in a Corporate Loan.

In making an investment in a Corporate Loan, the Investment Advisor will consider factors deemed by it to be appropriate to the analysis of the Borrower and the Corporate Loan. Such factors include financial ratios of the Borrower such as pre-tax interest coverage, leverage ratios, and the ratios of cash flows to total debts and the ratio of tangible assets to debt. In its analysis of these factors, the Investment Advisor also will be influenced by the nature of the industry in which the Borrower is engaged, the nature of the Borrower s assets and the Investment Advisor s assessments of the general quality of the Borrower.

A Borrower also may be required to comply with various restrictive covenants contained in any loan agreement between the Borrower and the lending syndicate (Corporate Loan Agreement). Such covenants, in addition to requiring the scheduled payment of interest and principal, may include restrictions on dividend payments and other distributions to stockholders, provisions requiring the Borrower to maintain specific financial ratios or relationships and limits on total debt. In addition, a Corporate Loan Agreement may contain a covenant requiring the Borrower to prepay the Corporate Loan with any excess cash flow. Excess cash flow generally includes net cash flow after scheduled debt service payments and permitted capital expenditures, among other things, as well as the proceeds from asset dispositions or sales of securities. A breach of covenant (after giving effect to any cure period) which is not waived by the Agent Bank and the lending syndicate normally is an event of acceleration, i.e., the Agent Bank has the right to call the outstanding Corporate Loan, generally at the request of the lending syndicate.

The Acquiring Fund has no restrictions on portfolio maturity. However, such Corporate Loans usually will require, in addition to scheduled payments of interest and principal, the prepayment of the Corporate Loans from excess cash flow, as discussed above, and may permit the Borrower to prepay at its election. The degree to which Borrowers prepay Corporate Loans, whether as a contractual requirement or at their election, may be affected by general business conditions, the financial condition of the Borrower and competitive conditions among lenders, among other factors. Accordingly, prepayments cannot be predicted with accuracy.

Loans to non-U.S. Borrowers or to U.S. Borrowers with significant non-dollar denominated revenues may provide for conversion of all or part of the loan from a dollar-denominated obligation into a foreign currency obligation at the option of the Borrower.

Participation Interests

Corporate Loans in which the Acquiring Fund may invest are typically originated, negotiated and structured by a syndicate of lenders (Co-Lenders) consisting of commercial banks, thrift institutions, insurance companies, finance companies or other financial institutions, one or more of which acts as Agent Bank. Co-Lenders may sell Corporate Loans to third parties called Participants. The Acquiring Fund may invest in a Corporate Loan either by participating as a Co-Lender at the time the loan is originated or by buying an interest in the Corporate Loan from a Co-Lender or a Participant. Co-Lenders and Participants interposed between the Acquiring Fund and a Borrower, together with Agent Banks, are referred to herein as Intermediate Participants.

The Acquiring Fund may invest in a Corporate Loan at origination as a Co-Lender or by purchasing a Corporate Loan from an Intermediate Participant by means of a novation, an assignment or a participation. In a novation, the Acquiring Fund would assume all of the rights of the Intermediate Participant in a Corporate Loan, including the right to receive payments of principal and interest and other amounts directly from the Borrower and to enforce its rights as lender directly against the Borrower and would assume all of the obligations of the Intermediate Participant, including any obligation to make future advances to the Borrower. As a result, therefore, the Acquiring Fund would have the status of a Co-Lender. As an alternative, the Acquiring Fund may purchase an assignment of all or a portion of an Intermediate Participant s interest in a Corporate Loan, in which case the Acquiring Fund may be required generally to rely on the assigning lender to demand payment and enforce its rights against the Borrower, but would otherwise be entitled to all of such lender s rights in the Corporate Loan. The Acquiring Fund also may purchase a participation in a portion of the rights of an Intermediate Participant in a Corporate Loan by means of a participation agreement with such Intermediate Participant. A participation in the rights of an Intermediate Participant is similar to an assignment in that the Intermediate Participant transfers to the Acquiring Fund all or a portion of an interest in a Corporate Loan. Unlike an assignment, however, a participation does not establish any direct relationship between the Acquiring Fund and the Borrower. In such a case, the Acquiring Fund would be required to rely on the Intermediate Participant that sold the participation not only for the enforcement of the Acquiring Fund s rights against the Borrower but also for the receipt and processing of payments due to the Acquiring Fund under the Corporate Loan. The Acquiring Fund will not act as an Agent Bank, guarantor, sole negotiator or sole structurer with respect to a Corporate Loan.

Because it may be necessary to assert through an Intermediate Participant such rights as may exist against the Borrower, in the event that the Borrower fails to pay principal and interest when due, the Acquiring Fund may be subject to delay, expense and risks that are greater than those that would be involved if the Acquiring Fund could enforce its rights directly against the Borrower. Moreover, under the terms of the participation, the Acquiring Fund may be regarded as a creditor of the Intermediate Participant (rather than of the Borrower), so that the Acquiring Fund may also be subject to the risk that the Intermediate Participant may become insolvent. Similar risks may arise with respect to the Agent Bank, as described below. Further, in the event of the bankruptcy or insolvency of the Borrower, the obligation of the Borrower to repay the Corporate Loan may be subject to certain defenses that can be asserted by such Borrower as result of improper conduct by the Agent Bank or Intermediate Participant.

Because the Acquiring Fund will regard the issuer of a Corporate Loan as including the Borrower under a Corporate Loan Agreement, the Agent Bank and any Intermediate Participant, the Acquiring Fund may be deemed to be concentrated in securities of issuers in the industry group consisting of financial institutions and their holding companies, including commercial banks, thrift institutions, insurance companies and finance companies. As a result, the Acquiring Fund is subject to certain risks associated with such institutions. Banking and thrift institutions are subject to extensive governmental regulations which may limit both the amounts and types of loans and other financial commitments which such institutions may make and the profitability of these institutions is largely dependent on the availability and cost of capital funds. In addition, general economic conditions are important to the operation of these institutions, with exposure to credit losses resulting from possible financial difficulties of borrowers potentially having an adverse effect. Insurance companies are also affected by economic and financial conditions and are subject to extensive government regulation, including rate regulations. Individual companies may be exposed to material risks, including reserve inadequacy.

In a typical Corporate Loan, the Agent Bank administers the terms of the Corporate Loan Agreement and is responsible for the collection of principal and interest and fee payments from the Borrower and the apportionment of these payments to the credit of all investors which are parties to the Corporate Loan Agreement. The Acquiring Fund generally will rely on the Agent Bank or an Intermediate Participant to collect its portion of the payments on the Corporate Loan. Furthermore, the Acquiring Fund will rely on the Agent Bank to enforce appropriate creditor remedies against the Borrower. Typically, under Corporate Loan Agreements, the Agent Bank is given broad discretion in enforcing the Corporate Loan Agreement, and it is obliged to use only the same care it would use in the management of its own property. For these services the Borrower compensates the Agent Bank. Such compensation may include special fees paid on structuring and funding the Corporate Loan and other fees paid on a continuing basis.

In the event that an Agent Bank becomes insolvent, or has a receiver, conservator, or similar official appointed for it by the appropriate bank regulatory authority or becomes a debtor in a bankruptcy proceeding, assets held by the Agent Bank under the Corporate Loan Agreement should remain available to holders of Corporate Loans. If, however, assets held by the Agent Bank for the benefit of the Acquiring Fund are determined by an appropriate regulatory authority or court to be subject to the claims of the Agent Bank s general or secured creditors, the Acquiring Fund might incur certain costs and delays in realizing payment on a Corporate Loan, or suffer a loss of principal and/or interest. In situations involving Intermediate Participants similar risks may arise, as described above.

Intermediate Participants may have certain obligations pursuant to a Corporate Loan Agreement, which may include the obligation to make future advances to the Borrower in connection with revolving credit facilities in certain circumstances. The Acquiring Fund currently intends to reserve against such contingent obligations by segregating sufficient investments in liquid instruments. The Acquiring Fund will not invest in Corporate Loans that would require the Acquiring Fund to make any additional investments in connection with such future advances if such commitments would exceed 20% of the Acquiring Fund s total assets or would cause the Acquiring Fund to fail to meet the diversification requirements described above.

High-Yield Securities

The Acquiring Fund may invest in high-yield corporate debt securities, including Corporate Loans, which are rated in the lower rating categories of the established rating services (Baa or lower by Moody s and BBB or lower by Standard & Poor s), or in unrated securities considered by the Investment Advisor to be of comparable quality. Securities rated below Baa by Moody s or below BBB by Standard & Poor s, and unrated securities of comparable quality, are commonly known as junk bonds. See Appendix Description of Corporate Bond Ratings for additional information concerning rating categories.

Although high-yield securities can be expected to provide higher yields, such securities may be subject to greater market fluctuations and risk of loss of income and principal than lower-yielding, higher-rated fixed-income securities. As described under Risk Factors and Special Considerations, economic conditions and interest rate levels may impact significantly the values of high-yield securities. In addition, high-yield securities are often unsecured and subordinated obligations of the issuer. Accordingly, following an event of default or liquidation or bankruptcy of the issuer, the Acquiring Fund might not receive payments to which it is entitled, or may receive distributions of non-income producing securities, including common stock, and thereby may experience a decline in the value of its investment and possibly its NAV.

Selection and supervision of high-yield securities by the Investment Advisor involves continuous analysis of individual issuers, general business conditions and other factors which may be too time-consuming or too costly for the average investor. The furnishing of these services does not, of course, guarantee successful results. The Investment Advisor s analysis of issuers includes, among other things, historic and current financial conditions, current and anticipated cash flow and borrowing requirements, value of assets in relation to historical costs, strength of management, responsiveness to business conditions, credit standing and current and anticipated results of operations. Analysis of general conditions and other factors may include anticipated change in economic activity and interest rates, the availability of new investment opportunities and the economic outlook for specific industries. While the Investment Advisor considers as one factor in its credit analysis the ratings assigned by the rating services, the Investment Advisor performs its own independent credit analysis of issuers and, consequently, the Acquiring Fund may invest, without limit, in unrated securities. As a result, the Acquiring Fund s ability to achieve its investment objectives may depend to a greater extent on the Investment Advisor s own credit analysis than investment companies which invest in higher-rated securities. Although the Acquiring Fund will invest primarily in lower-rated securities, other than with respect to Distressed Securities (which are discussed below) it will not invest in securities in the lowest rating categories (Ca or below by Moody s and CC or below by Standard & Poor s) unless the Investment Advisor believes that the financial condition of the issuers or the protection afforded to the particular securities is stronger than would otherwise be indicated by such ratings. Securities which subsequently are downgraded may continue to be held by the Acquiring Fund and will be sold only if, in the judgment of the Investment Advisor, it is advantageous to do so.

In connection with its investments in corporate debt securities, or restructuring of investments owned by the Acquiring Fund, the Acquiring Fund may receive warrants or other non-income producing debt or equity securities. The Acquiring Fund may retain such securities until the Investment Advisor determines it is appropriate in light of current market conditions to effect a disposition of such securities.

When changing economic and other factors cause the yield difference between lower-rated and higher-rated securities to narrow, the Acquiring Fund may purchase higher-rated securities if the Investment Advisor believes that the risk of loss of income and principal may be reduced substantially with only a relatively small reduction in yield.

Distressed Securities

The Acquiring Fund may invest up to 20% of its total assets in Distressed Securities. Distressed Securities are high yield/high risk securities, including Corporate Loans purchased in the secondary market, which are the subject of bankruptcy proceedings or otherwise in default as to the repayment of principal and/or payment of interest at the time of acquisition by the Acquiring Fund or are rated in the lower rating categories (Ca or lower by Moody s and CC or lower by Standard & Poor s) or which, if unrated, are in the judgment of the Investment Advisor of equivalent quality. Investment in Distressed Securities is speculative and involves significant risk. Distressed Securities frequently do not produce income while they are outstanding and may require the Acquiring Fund to bear certain extraordinary expenses in order to protect and recover its investment. Therefore, to the extent the Acquiring Fund pursues its secondary objective of capital appreciation through investment in Distressed Securities, the Acquiring Fund s ability to achieve current income for its shareholders may be diminished. The Acquiring Fund also will be subject to significant uncertainty as to when and in what manner and for what value the obligations evidenced by the Distressed Securities will eventually be satisfied; e.g., through a liquidation of the obligor s assets, an exchange offer or plan of reorganization involving the Distressed

Securities or a payment of some amount in satisfaction of the obligation. In addition, even if an exchange offer is made or plan of reorganization is adopted with respect to Distressed Securities held by the Acquiring Fund, there can be no assurance that the securities or other assets received by the Acquiring Fund in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. Moreover, any securities received by the Acquiring Fund upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of the Acquiring Fund s participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of Distressed Securities, the Acquiring Fund may be restricted from disposing of such securities.

Convertible Securities and Preferred Stock

A convertible security is a bond, debenture, note or preferred stock that may be converted into or exchanged for a prescribed amount of common stock or other securities of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest generally paid or accrued on debt or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have several unique investment characteristics such as (i) higher yields than common stocks, but lower yields than comparable nonconvertible securities, (ii) a lesser degree of fluctuation in value than the underlying stock since they have fixed income characteristics, and (iii) the potential for capital appreciation if the market price of the underlying common stock increases. Holders of convertible securities have a claim on the assets of the issuer prior to the common stockholders but may be subordinated to similar non-convertible securities of the same issuer. A convertible security might be subject to redemption at the option of the issuer at a price established in the convertible security s governing instrument. If a convertible security held by the Acquiring Fund is called for redemption, the Acquiring Fund may be required to permit the issuer to redeem the security, convert it into the underlying common stock or other securities or sell it to a third party.

The Acquiring Fund may invest in non-convertible preferred stock which generally entitles the holders to receive a dividend payment. Holders of preferred stock have a claim on the assets of the issuer prior to the common stockholders but subordinate to the creditors and holders of debt instruments of the same issuer. Preferred stock may be subject to redemption at the option of the issuer at a price established in the preferred stock governing instrument.

Illiquid Securities

Corporate Loans, junk bonds, and other securities held by the Acquiring Fund may not be readily marketable and may be subject to restrictions on resale. Although Corporate Loans are transferred among certain financial institutions, as described above, the Corporate Loans in which the Acquiring Fund invests may not have the liquidity of conventional debt securities traded in the secondary market and may be considered illiquid. As the market for Corporate Loans becomes more seasoned, the Investment Advisor expects that liquidity will improve. The Acquiring Fund has no limitation on the amount of its investments which are not readily marketable or are subject to restrictions on resale.

OTHER INVESTMENT POLICIES

The Acquiring Fund has adopted certain other policies as set forth below:

Leverage

At times, the Acquiring Fund expects to utilize leverage through borrowings, including the issuance of short-term debt securities, or the issuance of shares of preferred stock. Under current market conditions, the

Acquiring Fund intends to utilize leverage in an amount equal to approximately 33 $^{1}/_{3}$% of its total assets (including the amount obtained from leverage). The Acquiring Fund will generally not utilize leverage if it anticipates that the Acquiring Fund s leveraged capital structure would result in a lower return to holders of the common stock than that obtainable if the common stock were unleveraged for any significant amount of time. The Acquiring Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which may otherwise require untimely dispositions of Acquiring Fund securities. The Acquiring Fund at times may borrow from affiliates of the Investment Advisor, provided that the terms of such borrowings are no less favorable than those available from comparable sources of funds in the marketplace. As discussed under Investment Advisory and Management Arrangements, the fee paid to the Investment Advisor will be calculated on the basis of the Acquiring Fund s assets including proceeds from borrowings for leverage and the issuance of preferred stock. The concept of leveraging is based on the premise that the cost of the assets to be obtained from leverage will be based on short-term rates which normally will be lower than the return earned by the Acquiring Fund on its longer term portfolio investments. Since the total assets of the Acquiring Fund (including the assets obtained from leverage) will be invested in higher yielding portfolio investments or portfolio investments with the potential for capital appreciation, the holders of common stock will be the beneficiaries of the incremental return. Should the differential between the return on the underlying assets and the cost of leverage narrow, the incremental return pick up will be reduced. Furthermore, if long-term rates rise, the common stock NAV will reflect the decline in the value of portfolio holdings resulting therefrom. Leverage creates risks for the holders of common stock, including the likelihood of greater volatility of NAV and market price of shares of the common stock, and the risk that fluctuations in interest rates on borrowings or in the dividend rates on any preferred stock may affect the return to the holders of common stock. To the extent the income or capital appreciation derived from securities purchased with funds received from leverage exceeds the cost of leverage, the Acquiring Fund s return will be greater than if leverage had not been used. Conversely, if the income or capital appreciation from the securities purchased with such funds is not sufficient to cover the cost of leverage, the return of the Acquiring Fund will be less than if leverage had not been used, and therefore the amount available to shareholders as dividends and other distributions will be reduced. In the latter case, the Investment Advisor in its best judgment may nevertheless determine to maintain the Acquiring Fund s leveraged position if it expects that the benefits to the Acquiring Fund s shareholders of maintaining the leveraged position will outweigh the current reduced return. Capital raised through leverage will be subject to interest costs or dividend payments which may or may not exceed the income and appreciation on the assets purchased. The Acquiring Fund also may be required to maintain minimum average balances in connection with borrowings or to pay a commitment or other fee to maintain a line of credit. Either of these requirements will increase the cost of borrowing over the stated interest rate. The issuance of preferred stock involves offering expenses and other costs and may limit the Acquiring Fund s freedom to pay dividends on shares of common stock or to engage in other activities. Borrowings and the issuance of preferred stock having priority over the Acquiring Fund s common stock create an opportunity for greater return per share of common stock, but at the same time such borrowing or issuance of preferred stock is a speculative technique in that it will increase the Acquiring Fund s exposure to capital risk. Such risks may be reduced through the use of borrowings and preferred stock that have floating rates of interest. Unless the income and appreciation, if any, on assets acquired with borrowed funds or offering proceeds exceeds the cost of borrowing or issuing additional classes of securities, the use of leverage will diminish the investment performance of the Acquiring Fund compared with what it would have been without leverage. Certain types of borrowings may result in the Acquiring Fund being subject to covenants in credit agreements relating to asset coverage and portfolio composition requirements. The Acquiring Fund may be subject to certain restrictions on investments imposed by guidelines of one or more nationally recognized statistical rating organizations which may issue ratings for the short-term corporate debt securities or preferred stock. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. It is not anticipated that these covenants or guidelines will impede the Investment Advisor from managing the Acquiring Fund s portfolio in accordance with the Acquiring Fund s investment objectives and policies.

Under the 1940 Act, the Acquiring Fund is not permitted to incur indebtedness unless immediately after such incurrence the Acquiring Fund has an asset coverage of 300% of the aggregate outstanding principal balance of indebtedness (i.e., such indebtedness may not exceed 33 $^{1}/_{3}$% of the Acquiring Fund s total assets). Additionally, under the 1940 Act the Acquiring Fund may not declare any dividend or other distribution upon any class of its capital stock, or purchase any such capital stock, unless the aggregate indebtedness of the Acquiring Fund has, at the time of the declaration of any such dividend or distribution or at the time of any such purchase, an asset coverage of at least 300% after deducting the amount of such dividend, distribution, or purchase price, as the case may be. Under the 1940 Act, the Acquiring Fund is not permitted to issue shares of preferred stock unless immediately after such issuance the NAV of the Acquiring Fund s portfolio is at least 200% of the liquidation value of the outstanding preferred stock (i.e., such liquidation value may not exceed 50% of the Acquiring Fund s total assets). In addition, the Acquiring Fund is not permitted to declare any cash dividend or other distribution on its common stock unless, at the time of such declaration, the NAV of the Acquiring Fund s portfolio (determined after deducting the amount of such dividend or distribution) is a least 200% of such liquidation value. In the event shares of preferred stock are issued, the Acquiring Fund intends, to the extent possible, to purchase or redeem shares of preferred stock from time to time to maintain coverage of any preferred stock of at least 300%.

The Acquiring Fund s willingness to borrow money and issue new securities for investment purposes, and the amount it will borrow or issue, will depend on many factors, the most important of which are investment outlook, market conditions and interest rates. Successful use of a leveraging strategy depends on the Investment Advisor s ability to predict correctly interest rates and market movements, and there is no assurance that a leveraging strategy will be successful during any period in which it is employed.

Assuming the utilization of leverage by borrowings in the amount of approximately 30% of the Acquiring Fund s total assets, and an annual interest rate of 0.95% payable on such leverage based on market rates as of the date of this Prospectus, the annual return that the Acquiring Fund s portfolio must experience (net of expenses) in order to cover such interest payments would be 0.28%.

The following table is designed to illustrate the effect on the return to a holder of the Acquiring Fund s common stock of the leverage obtained by borrowings in the amount of approximately 30% of the Acquiring Fund s total assets, assuming hypothetical annual returns of the Acquiring Fund s portfolio of minus 10% to plus 10%. As the table shows, leverage generally increases the return to stockholders when portfolio return is positive and greater than the cost of leverage and decreases the return when the portfolio return is negative or less than the cost of leverage. The figures appearing in the table are hypothetical and actual returns may be greater or less than those appearing in the table.

Assumed Portfolio Return (net of expenses)	(10)%	(5)%	0	5%	10%
Corresponding Common Stock Return	(14.69)%	(7.55)%	(0.41)%	6.74%	13.88%

Until the Acquiring Fund borrows or issues shares of preferred stock, the Acquiring Fund s common stock will not be leveraged, and the risks and special considerations related to leverage described in this Joint Proxy Statement/Prospectus will not apply. Such leveraging of the common stock cannot be fully achieved until the proceeds resulting from the use of leverage have been invested in longer-term debt instruments in accordance with the Acquiring Fund s investment objectives and policies.

Interest Rate Transactions

In order to hedge the value of the Acquiring Fund s portfolio against interest rate fluctuations or to enhance the Acquiring Fund s income the Acquiring Fund may enter into various interest rate transactions, such as interest rate swaps and the purchase or sale of interest rate caps and floors. The Acquiring Fund expects to enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio or to protect against any increase in the price of securities the Acquiring Fund anticipates purchasing at a later date.
The Acquiring Fund intends to use these transactions primarily as a hedge and not as a speculative

investment. However, the Acquiring Fund may also invest in interest rate swaps to enhance income or increase the Acquiring Fund s yield, for example, during periods of steep interest rate yield curves (i.e., wide differences between short term and long term interest rates).

In an interest rate swap, the Acquiring Fund exchanges with another party their respective commitments to pay or receive interest, e.g., an exchange of fixed rate payments for floating rate payments. For example, if the Acquiring Fund holds a debt instrument with an interest rate that is reset only once each year, it may swap the right to receive interest at this fixed rate for the right to receive interest at a rate that is reset every week. This would enable the Acquiring Fund to offset a decline in the value of the debt instrument due to rising interest rates but would also limit its ability to benefit from falling interest rates. Conversely, if the Acquiring Fund holds a debt instrument with an interest rate that is reset every week and it would like to lock in what it believes to be a high interest rate for one year, it may swap the right to receive interest at this variable weekly rate for the right to receive interest at a rate that is fixed for one year. Such a swap would protect the Acquiring Fund from a reduction in yield due to falling interest rates and may permit the Acquiring Fund to enhance its income through the positive differential between one week and one year interest rates, but would preclude it from taking full advantage of rising interest rates.

The Acquiring Fund usually will enter into interest rate swaps on a net basis, i.e., the two payment streams are netted out, with the Acquiring Fund receiving or paying, as the case may be, only the net amount of the two payments. The net amount of the excess, if any, of the Acquiring Fund s obligations over its entitlements with respect to each interest rate swap will be accrued on a daily basis, and an amount of cash or liquid instruments having an aggregate NAV at least equal to the accrued excess will be maintained in a segregated account by the Acquiring Fund s custodian. If the interest rate swap transaction is entered into on other than a net basis, the full amount of the Acquiring Fund s obligations will be accrued on a daily basis, and the full amount of the Acquiring Fund s obligations will be maintained in a segregated account by the Acquiring Fund s custodian.

The Acquiring Fund may also engage in interest rate transactions in the form of purchasing or selling interest rate caps or floors. The Acquiring Fund will not sell interest rate caps or floors that it does not own. The purchase of an interest rate cap entitles the purchaser, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest equal to the difference of the index and the predetermined rate on a notional principal amount (the reference amount with respect to which interest obligations are determined although no actual exchange of principal occurs) from the party selling such interest rate cap. The purchase of an interest rate floor entitles the purchaser, to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest at the difference of the index and the predetermined rate on a notional principal amount from the party selling such interest rate floor. The Acquiring Fund will not enter into caps or floors if, on a net basis, the aggregate notional principal amount with respect to such agreements exceeds the net assets of the Acquiring Fund.

Typically, the parties with which the Acquiring Fund will enter into interest rate transactions will be broker-dealers and other financial institutions. The Acquiring Fund will not enter into any interest rate swap, cap or floor transaction unless the unsecured senior debt or the claims-paying ability of the other party thereto is rated investment grade quality by at least one nationally recognized statistical rating organization at the time of entering into such transaction or whose creditworthiness is believed by the Investment Advisor to be equivalent to such rating. If there is a default by the other party to such a transaction, the Acquiring Fund will have contractual remedies pursuant to the agreements related to the transaction. The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid in comparison with other similar instruments traded in the interbank market. Caps and floors, however, are more recent innovations and are less liquid than swaps. Certain Federal income tax requirements may limit the Acquiring Fund s ability to engage in certain interest rate transactions. Gains from transactions in interest rate swaps distributed to shareholders will be taxable as ordinary income or, in certain circumstances, as long-term capital gains to shareholders. See Material Federal Income Tax Consequences Of The Reorganizations.

Foreign Currency Swaps

Although the Acquiring Fund has no current intention to do so, the Acquiring Fund may enter into foreign currency swaps in order to hedge non-U.S. dollar denominated portfolio investments.

Foreign currency swaps involve the exchange by the lenders, including the Acquiring Fund, with another party (the counterparty) of the right to receive the currency in which the loan is denominated for the right to receive dollars. The Acquiring Fund will generally enter into a transaction subject to a foreign currency swap only if, at the time of entering into such swap, the outstanding debt obligations of the counterparty are investment grade; i.e., rated BBB or A-3 or higher by Standard & Poor s, Baa or B3 or higher by Moody s, BBB or F4 or higher by Fitch IBCA, Inc., or are determined to be of comparable quality in the judgment of the Investment Advisor. The amounts of dollar payments to be received by the lenders and the foreign currency payments to be received by the counterparty are fixed at the time the swap arrangement is entered into. Accordingly, the swap protects the Acquiring Fund from fluctuations in exchange rates and locks in the right to receive payments under the loan in a predetermined amount of dollars. If there is a default by the counterparty the Acquiring Fund will have contractual remedies pursuant to the swap arrangement. However, the dollar value of the Acquiring Fund s right to foreign currency payments under the loan will be subject to fluctuations in the applicable exchange rate to the extent that a replacement swap arrangement is unavailable or the Acquiring Fund is unable to recover damages from the defaulting counterparty. If the Borrower defaults on or prepays the underlying Corporate Loan, the Acquiring Fund may be required pursuant to the swap arrangements to compensate the counterparty to the extent of fluctuations in exchange rates adverse to the counterparty. In the event of such a default or prepayment, an amount of cash or liquid instruments having an aggregate NAV at least equal to the amount of compensation that must be paid to the counterparty pursuant to the swap arrangements will be maintained in a segregated account by the Acquiring Fund s custodian.

Options on Portfolio Securities

Call Options on Portfolio Securities. The Acquiring Fund may purchase call options on any of the types of securities in which it may invest. A purchased call option gives the Acquiring Fund the right to buy, and obligates the seller to sell, the underlying security at the exercise price at any time during the option period. The Acquiring Fund also is authorized to write (i.e., sell) covered call options on the securities in which it may invest and to enter into closing purchase transactions with respect to certain of such options. A covered call option is an option where the Acquiring Fund, in return for a premium, gives another party a right to buy specified securities owned by the Acquiring Fund at a specified future date and price set at the time of the contract. The principal reason for writing call options is attempt to realize, through the receipt of premiums, a greater return than would be realized on the securities alone. By writing covered call options, the Acquiring Fund gives up the opportunity, while the option is in effect, to profit from any price increase in the underlying security above the option exercise price. In addition, the Acquiring Fund s ability to sell the underlying security will be limited while the option is in effect unless the Acquiring Fund effects a closing purchase transaction. A closing purchase transaction cancels out the Acquiring Fund s position as the writer of an option by means of an offsetting purchase of an identical option prior to the expiration of the option it has written. Covered call options also serve as a partial hedge against the price of the underlying security declining. The Acquiring Fund may also purchase and sell call options on indices. Index options are similar to options on securities except that, rather than taking or making delivery of securities underlying the option at a specified price upon exercise, an index option gives the holder the right to receive cash upon exercise of the option if the level of the index upon which the option is based is greater than the exercise price of the option.

Put Options on Portfolio Securities. The Acquiring Fund is authorized to purchase put options to hedge against a decline in the value of its securities. By buying a put option, the Acquiring Fund has a right to sell the underlying security at the exercise price, thus limiting the Acquiring Fund s risk of loss through a decline in the market value of the security until the put option expires. The amount of any appreciation in the value of the underlying security will be partially offset by the amount of the premium paid for the put option and any related transaction costs. Prior to its expiration, a put option may be sold in a closing sale transaction and profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the put option plus the related transaction costs. A closing sale transaction cancels out the Acquiring Fund s position as the purchaser of an option by means of an offsetting sale of an identical option prior to the expiration of the option it has purchased. The Acquiring Fund also has authority to write (i.e., sell) put options on the types of securities which may be held by the Acquiring Fund, provided that such put options are covered, meaning that such options are secured by segregated, liquid instruments. The Acquiring Fund will receive a premium for writing a put option, which increases the Acquiring Fund s return. The Acquiring Fund will not sell puts if, as a result, more than 50% of the Acquiring Fund s assets would be required to cover its potential obligations under its hedging and other investment transactions. The Acquiring Fund may purchase and sell put options on indices. Index options are similar to options on securities except that, rather than taking or making delivery of securities underlying the option at a specified price upon exercise, an index option gives the holder the right to receive cash upon exercise of the option if the level of the index upon which the option is based is less than the exercise price of the option.

Financial Futures and Options Thereon

The Acquiring Fund is authorized to engage in transactions in financial futures contracts (futures contracts) and related options on such futures contracts either as a hedge against adverse changes in the market value of its portfolio securities and interest rates or to enhance the Acquiring Fund s income. A futures contract is an agreement between two parties which obligates the purchaser of the futures contract to buy and the seller of a futures contract to sell a security for a set price on a future date or, in the case of an index futures contract to make and accept a cash settlement based upon the difference in value of the index between the time the contract was entered into and the time of its settlement. A majority of transactions in futures contracts, however, do not result in the actual delivery of the underlying instrument or cash settlement, but are settled through liquidation, i.e., by entering into an offsetting transaction. Futures contracts have been designed by boards of trade which have been designated contract markets by the Commodities Futures Trading Commission (CFTC). Transactions by the Acquiring Fund in futures contracts and financial futures are subject to limitations as described under Restrictions on the Use of Futures Transactions.

The Acquiring Fund may sell financial futures contracts in anticipation of an increase in the general level of interest rates. Generally, as interest rates rise, the market values of securities which may be held by the Acquiring Fund will fall, thus reducing the NAV of the Acquiring Fund. However, as interest rates rise, the value of the Acquiring Fund s short position in the futures contract will also tend to increase, thus offsetting all or a portion of the depreciation in the market value of the Acquiring Fund s investments which are being hedged. While the Acquiring Fund will incur commission expenses in selling and closing out futures positions, these commissions are generally less than the transaction expenses which the Acquiring Fund would have incurred had the Acquiring Fund sold portfolio securities in order to reduce its exposure to increases in interest rates. The Acquiring Fund also may purchase financial futures contracts in anticipation of a decline in interest rates when it is not fully invested in a particular market in which it intends to make investments to gain market exposure that may in part or entirely offset an increase in the cost of securities it intends to purchase. It is anticipated that, in a substantial majority of these transactions, the Acquiring Fund will purchase securities upon termination of the futures contract.

The Acquiring Fund also has authority to purchase and write call and put options on futures contracts. Generally, these strategies are utilized under the same market and market sector conditions (i.e., conditions relating to specific types of investments) in which the Acquiring Fund enters into futures transactions. The Acquiring Fund may purchase put options or write call options on futures contracts rather than selling the underlying futures contract in anticipation of a decrease in the market value of securities or an increase in interest rates. Similarly, the Acquiring Fund may purchase call options, or write put options on futures contracts, as a substitute for the purchase of such futures to hedge against the increased cost resulting from an increase in the market value or a decline in interest rates of securities which the Acquiring Fund intends to purchase.

The Acquiring Fund may engage in options and futures transactions on exchanges and options in the over-the-counter markets (OTC options). In general, exchange traded contracts are third-party contracts (i.e., performance of the parties obligation is guaranteed by an exchange or clearing corporation) with standardized strike prices and expiration dates. OTC options transactions are two-party contracts with price and terms negotiated by the buyer and seller. See Restrictions on OTC Options below for information as to restrictions on the use of OTC options.

Restrictions on the Use of Futures Transactions. Under regulations of the CFTC, the futures trading activity described herein will not result in the Acquiring Fund being deemed a commodity pool, as defined under such regulations, provided that the Acquiring Fund adheres to certain restrictions. In particular, the Acquiring Fund may purchase and sell futures contracts and options thereon (i) for bona fide hedging purposes, and (ii) for non-hedging purposes, if the aggregate initial margin and premiums required to establish positions in such contracts and options does not exceed 5% of the liquidation value of the Acquiring Fund s portfolio, after taking into account unrealized profits and unrealized losses on any such contracts and options. Margin deposits may consist of cash or securities acceptable to the broker and the relevant contract market.

When the Acquiring Fund purchases a futures contract or writes a put option or purchases a call option thereon, an amount of cash or liquid instruments will be deposited in a segregated account with the Acquiring Fund s custodian so that the amount so segregated, plus the amount of variation margin held in the account of its broker, equals the market value of the futures contract, thereby ensuring that the use of such futures is unleveraged.

An order has been obtained from the SEC which exempts the Acquiring Fund from certain provisions of the 1940 Act in connection with transactions involving futures contracts and options thereon.

Restrictions on OTC Options. The Acquiring Fund will engage in transactions in OTC options only with banks or dealers which have capital of at least $50 million or whose obligations are guaranteed by an entity having capital of at least $50 million. OTC options and assets used to cover OTC options written by the Acquiring Fund are considered by the staff of the SEC to be illiquid. The illiquidity of such options or assets may prevent a successful sale of such options or assets, result in a delay of sale, or reduce the amount of proceeds that might otherwise be realized.

Risk Factors in Interest Rate Transactions and Options and Futures Transactions

The use of interest rate transactions is a highly specialized activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. Interest rate transactions involve the risk of an imperfect correlation between the index used in the hedging transaction and that pertaining to the securities which are the subject of such transaction. If the Investment Advisor is incorrect in its forecasts of market values, interest rates and other applicable factors, the investment performance of the Acquiring Fund would diminish compared with what it would have been if these investment techniques were not used. In addition, interest rate transactions that may be entered into by the Acquiring Fund do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that the Acquiring Fund is contractually obligated to make. If the security underlying an interest rate swap is prepaid and the Acquiring Fund continues to be obligated to make payments to the other party to the swap, the Acquiring Fund would have to make such payments from another source. If the other party to an interest rate swap defaults, the Acquiring Fund s risk of loss consists of the net amount of interest payments that the Acquiring Fund contractually is entitled to receive. In the case of a purchase by the Acquiring Fund of an interest rate cap or floor, the amount of loss is limited to the fee paid. Since interest rate transactions are individually negotiated, the Investment Advisor expects to achieve an acceptable degree of correlation between the Acquiring Fund s rights to receive interest on securities and its rights and obligations to receive and pay interest pursuant to interest rate swaps.

Utilization of options and futures transactions to hedge the portfolio involves the risk of imperfect correlation in movements in the price of options and futures and movements in the prices of the securities which are the subject of the hedge. If the price of the options or futures moves more or less than the price of the subject of the hedge, the Acquiring Fund will experience a gain or loss which will not be completely offset by movements in the price of the subject of the hedge. This risk particularly applies to the Acquiring Fund s use of futures and options thereon since it will generally use such instruments as a so called cross-hedge, which means that the security that is the subject of the futures contract is different from the security being hedged by the contract.

Prior to exercise or expiration, an exchange-traded option position can only be terminated by entering into a closing purchase or sale transaction. This requires a secondary market on an exchange for call or put options of the same series. The Acquiring Fund intends to enter into options and futures transactions, on an exchange or in the over-the-counter market, only if there appears to be a liquid secondary market for such options or futures. However, there can be no assurance that a liquid secondary market will exist at any specific time. Thus, it may not be possible to close an options or futures position. The inability to close options and futures positions also could have an adverse impact on the Acquiring Fund s ability to effectively hedge its portfolio. There is also the risk of loss by the Acquiring Fund of margin deposits or collateral in the event of bankruptcy of a broker with whom the Acquiring Fund has an open position in an option, a futures contract or an option related to a futures contract.

Other Investment Strategies

Repurchase Agreements. The Acquiring Fund may enter into repurchase agreements with respect to its permitted investments with financial institutions that (i) have, in the opinion of the Investment Advisor, substantial capital relative to the Acquiring Fund s exposure, or (ii) have provided the Acquiring Fund with a third-party guaranty or other credit enhancement. Under a repurchase agreement the Acquiring Fund buys a security at one price and simultaneously promises to sell that same security back to the seller at a higher price. The Acquiring Fund s repurchase agreements will provide that the value of the collateral underlying the repurchase agreement will always be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement, and will be marked to market daily. The repurchase date usually is within seven days of the original purchase date. Repurchase agreements are deemed to be loans under the 1940 Act. In all cases, the Investment Advisor must be satisfied with the creditworthiness of the other party to the agreement before entering into a repurchase agreement. In the event of the bankruptcy (or other insolvency proceeding) of the other party to a repurchase agreement, the Acquiring Fund might experience delays in recovering its cash. To the extent that, in the meantime, the value of the securities the Acquiring Fund purchases may have declined, the Acquiring Fund could experience a loss.

Reverse Repurchase Agreements. The Acquiring Fund may enter into reverse repurchase agreements with respect to its portfolio investments subject to the investment restrictions set forth herein. Reverse repurchase agreements involve the sale of securities held by the Acquiring Fund with an agreement by the Acquiring Fund to repurchase the securities at an agreed upon price, date and interest payment. The use by the Acquiring Fund of reverse repurchase agreements involves many of the same risks of leverage described under Risk Factors and Special Considerations and Other Investment Policies Leverage since the proceeds derived from such reverse repurchase agreements may be invested in additional securities. At the time the Acquiring Fund enters into a reverse repurchase agreement, it may establish and maintain a segregated account with the custodian containing cash or liquid instruments having a value not less than the repurchase price (including accrued interest). If the Acquiring Fund establishes and maintains such a segregated account, a reverse repurchase agreement will not be considered a borrowing by the Acquiring Fund; however, under circumstances in which the Acquiring Fund does not establish and maintain such a segregated account, such reverse repurchase agreement will be considered a borrowing for the purpose of the Acquiring Fund s limitation on borrowings. Reverse repurchase agreements involve the risk that the market value of the securities acquired in connection with the reverse repurchase agreement may decline below the price of the securities the Acquiring Fund has sold but is obligated to repurchase. Also, reverse repurchase agreements involve the risk that the market value of the securities retained in lieu of sale by the Acquiring Fund in connection with the reverse repurchase agreement may decline in price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Acquiring Fund s obligation to repurchase the securities, and the Acquiring Fund s use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision. Also, the Acquiring Fund would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreement are less than the value of the securities subject to such agreement.

Lending of Portfolio Securities. The Acquiring Fund may from time to time lend securities from its portfolio, with a value not exceeding 33 $^1/_3$% of its total assets, to banks, brokers and other financial institutions and receive collateral in cash or securities issued or guaranteed by the U.S. government, its agencies or instrumentalities which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The purpose of such loans is to permit the borrower to use such securities for delivery to purchasers when such borrower has sold short. If cash collateral is received by the Acquiring Fund, it is invested in short-term money market securities, and a portion of the yield received in respect of such investment is retained by the Acquiring Fund. Alternatively, if securities are delivered to the Acquiring Fund as collateral, the Acquiring Fund and the borrower negotiate a rate for the loan premium to be received by the Acquiring Fund for lending its portfolio securities. In either event, the total yield on the Acquiring Fund s portfolio is increased by loans of its portfolio securities. The Acquiring Fund will have the right to regain record ownership of loaned securities to exercise beneficial rights such as voting rights, subscription rights and rights to dividends, interest or other distributions. Such loans are terminable at any time. The Acquiring Fund may pay reasonable finders, administrative and custodial fees in connection with such loans.

When-Issued and Forward Commitment Securities. The Acquiring Fund may purchase securities on a when-issued basis and may purchase or sell securities on a forward commitment basis in order to hedge against anticipated changes in interest rates and prices. When such transactions are negotiated, the price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. When-issued securities and forward commitments may be sold prior to the settlement date, but the Acquiring Fund will enter into when-issued and forward commitments only with the intention of actually receiving or delivering the securities, as the case may be. If the Acquiring Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, it can incur a gain or loss. At the time the Acquiring Fund enters into a transaction on a when-issued or forward commitment basis, it will segregate with the custodian cash or liquid instruments with a value not less than the value of the when-issued or forward commitment securities. The value of these assets will be monitored daily to ensure that their marked to market value will at all times exceed the corresponding obligations of the Acquiring Fund. There is always a risk that the securities may not be delivered, and the Acquiring Fund may incur a loss. Settlements in the ordinary course, which may take substantially more than five business days for mortgage-related securities, are not treated by the Acquiring Fund as when-issued or forward commitment transactions and accordingly are not subject to the foregoing restrictions.

COMPARISON OF THE FUNDS

Investment Objectives

The Funds have substantially similar (but not identical) investment objectives, investment strategies and restrictions. The investment objectives, significant investment strategies and operating policies, and investment restrictions of the Combined Fund will be those of the Acquiring Fund.

Summary of Significant Differences in the Funds Investment Objectives and Policies

<u>Investment Objectives</u>. The primary investment objective of DSU is to provide current income by investing primarily in a diversified portfolio of U.S. companies debt instruments, including corporate loans, which are rated in the lower rating categories of the established rating services (BBB or lower by Standard & Poor s

Ratings Services or Baa or lower by Moody s Investor Services) or unrated debt instruments, which are in the judgment of the investment advisor of equivalent quality. The secondary objective of DSU is to provide capital appreciation. The investment objective of ARK is to provide high current income by investing principally in senior debt obligations of companies, including corporate loans made by banks and other financial institutions and both privately placed and publicly offered corporate bonds and notes. The investment objective of BHD is to provide total return through high current income and capital appreciation.

Distressed Securities. DSU may invest up to 20% of its total assets in Distressed Securities. ARK will not invest in securities in the lowest rating categories (Caa or below for Moody s and CCC or below for S&P); securities which are subsequently downgraded may continue to be held and will be sold only if, in the judgment of the Investment Advisor, it is advantageous to do so. BHD will, under normal market conditions, invest between 75% and 35% of its total managed assets in securities related below investment grade.

Preferred Shares. DSU may invest up to 20% of its total assets in preferred shares. Neither of the Target Funds has any limitations with respect to preferred shares.

Convertible Debt Securities. DSU may invest up to 20% of its total assets in convertible debt securities. Neither of the Target Funds has any limitations with respect to convertible debt securities.

Debt Instruments. DSU will invest, under normal market conditions, at least 80% of its total assets in debt instruments. ARK may invest up to 35% of its total assets in debt obligations of companies which do not constitute senior debt obligations but which otherwise meet the credit standards and criteria established by the Investment Adviser for investments in Senior Debt. BHD does not have any limitations with respect to debt instruments.

Non-U.S. Securities. DSU may invest up to 20% of the its total assets in financial instruments of issuers domiciled outside the U.S. or that are denominated in various foreign currencies and multinational foreign currency units, provided that the foreign issuers of any non-U.S. dollar denominated instruments purchased by DSU are domiciled in a country that is a member of the OECD. BHD may invest up to 20% of its total managed assets in Foreign Securities, which may include debt securities issued by foreign governments and other sovereign entities and debt securities issued by foreign corporations or supranational entities and securities denominated in foreign currencies or multinational currency units. BHD may invest in Brady Bonds and other sovereign debt of countries that have restructured or are in the process of restructuring their debt pursuant to the Brady Plan, which are viewed as speculative investments. ARK may invest, without limitation, in Senior Debt issued by non-U.S. companies, provided that the debt instruments are U.S. dollar-denominated or otherwise provide for payment in U.S. dollars, and the company meets the credit standards established by the 1940 Act for U.S. companies.

Leverage. DSU and BDH, under current market conditions, intend to utilize leverage in an amount equal to approximately $33\ ^{1}/_{3}\%$ of their respective total assets (including the amount obtained from leverage). ARK, under current market conditions, intends to utilize leverage in an amount equal to approximately 20% of its total assets (including the amount obtained from leverage).

Other Investment Companies. DSU does not have any limitations with respect to other investment companies, other than those imposed by the 1940 Act. ARK may not purchase securities of other investment companies, except to the extent that such purchases are permitted by applicable law. BHD may invest up to 10% of its total managed assets in securities of other open- or closed-end investment companies that invest primarily in bonds of the types in which the Fund may invest directly.

Short Sales. DSU may make short sales of securities, provided the market value of all securities sold short does not exceed 10% of its total assets. DSU may make short sales both as a form of hedging to offset potential declines in long positions in similar securities and in order to seek to enhance return. DSU s obligation to replace the borrowed security will be secured by collateral deposited with the broker dealer, usually cash, U.S. government securities or other liquid securities similar to those borrowed. DSU also will be required to segregate similar collateral with its custodian to the extent, if any, necessary so that the value of both collateral amounts in the aggregate is at all times equal to at least 100% of the current market value of the security sold short. DSU also may make short sales against the box. Short sales against the box are not subject to the foregoing 10% limitation. BHD may make short sales of bonds. BHD will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its total managed assets or its aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class. ARK does not have any limitations with respect to short sales.

Options. DSU and ARK may purchase call options on any of the types of securities in which they may invest. DSU and ARK are authorized to purchase put options to hedge against a decline in the value of their securities. DSU and ARK are authorized to engage in options on its futures contracts either as a hedge against adverse change in the market value of their portfolio securities and interest rates or to enhance each Fund s income. BHD does not have any limitations with respect to convertible debt securities.

A more detailed comparison of the Funds investment objectives, significant investment strategies and operating policies, and investment restrictions is set forth in the table below.

ARK	BHD	DSU
Investment Objective	**Investment Objective**	**Investment Objective**
The Fund s investment objective is to provide high current income by investing principally in senior debt obligations of companies, including corporate loans made by banks and other financial institutions and both privately placed and publicly offered corporate bonds and notes.	The Fund s investment objective is to provide total return through high current income and capital appreciation.	The Fund s primary investment objective is to provide current income by investing primarily in a diversified portfolio of US companies debt instruments, including corporate loans, which are rated in the lower rating categories of the established rating services (BBB or lower by S&P s or Baa or lower by Moody s) or unrated debt instruments, which are in the judgment of the investment adviser of equivalent quality. The Fund s secondary objective is to provide capital appreciation.
Distressed Securities	**Distressed Securities**	**Distressed Securities**
Senior Debt investments of the Fund may be rated in the lower rating categories of the established rating services (Baa or lower by Moody s and BBB or lower by S&P), or in unrated securities of comparable quality. Securities rated below Baa by Moody s or below BBB by S&P, and unrated securities of comparable quality are commonly known as junk bonds.	Under normal market conditions, between 75% and 35% of its total managed assets will be invested in securities rated below investment grade, such as those rated Ba or lower by Moody s and BB or lower by S&P or securities comparably rated by other Rating Agencies or in unrated securities determined by BlackRock to be of comparable quality.	Up to 20% of the Fund s total assets may be invested in Distressed Securities, which includes publicly offered or privately placed debt securities and Corporate Loans which, at the time of investment, are the subject of bankruptcy proceedings or otherwise in default as to the repayment of principal or payment of interest or are rated in the lowest rating categories (Ca or lower by Moody s and CC or lower by S&P) or which, if unrated, are in the judgment of the Investment Adviser of equivalent quality.

ARK	BHD	DSU
The Fund will not invest in securities in the lowest rating categories (Caa or below for Moody s and CCC or below for S&P). Securities which are subsequently downgraded may continue to be held and will be sold only if, in the judgment of the Investment Advisor, it is advantageous to do so.		Although the Fund will invest primarily in lower-rated securities, other than with respect to Distressed Securities (which are discussed below) it will not invest in securities in the lowest rating categories (Ca or below by Moody s and CC or below by S&P) unless the Investment Adviser believes that the financial condition of the issuer or the protection afforded to the particular securities is stronger than would otherwise be indicated by such low ratings.
Non-U.S. Securities	**Non-U.S. Securities**	**Non-U.S. Securities**
The Fund may invest in Senior Debt issued by non-U.S. companies, provided that the debt instruments are U.S. dollar-denominated or otherwise provide for payment in U.S. dollars, and the company meets the credit standards established by the 1940 Act for U.S. companies.	The Fund may invest up to 20% of its total managed assets in non-U.S. securities which may include debt securities issued by foreign governments and other sovereign entities and debt securities issued by foreign corporations or supranational entities and securities denominated in foreign currencies or multinational currency units. The Fund may invest in Brady Bonds and other sovereign debt of countries that have restructured or are in the process of restructuring their debt pursuant to the Brady Plan, which are viewed as speculative investments. Under normal market conditions, the Fund will not hold any non-U.S. securities of emerging market issuers, and, in the event the Fund decides to hold any such non-U.S. securities of emerging market issuers, such securities will not comprise more than 10% of the Fund s total managed assets.	Up to 20% of the Fund s total assets may be invested in financial instruments of issuers domiciled outside the United States or that are denominated in various foreign currencies and multinational foreign currency units, provided that the foreign issuers of any non-U.S. dollar denominated instruments purchased by the Fund are domiciled in a country that is a member of the OECD.

ARK	BHD	DSU
Convertible Debt Instruments and Preferred Stock	**Convertible Debt Instruments and Preferred Stock**	**Convertible Debt Instruments and Preferred Stock**
No Stated Policy	No Stated Policy	Up to 20% of the Fund s total assets can be invested in convertible debt instruments and preferred stock, each of which may be converted into common stock or other securities of the same or a different issuer, and non-convertible preferred stock.
Debt Instruments	**Debt Instruments**	**Debt Instruments**
The fund may invest up to 35% of its total assets in debt obligations of companies which do not constitute senior debt obligations but which otherwise meet the credit standards and criteria established by the Investment Adviser for investments in Senior Debt.	No Stated Policy	Under normal market conditions, at least 65% of the Fund s total assets will be invested in debt instruments.
		Up to 10% of the Fund s assets may be invested in debt instruments, including Corporate Loans, of investment companies (which may or may not be registered under the 1940 Act) whose portfolio securities consist entirely of (i) corporate debt or equity securities acceptable to the Fund s Investment Adviser or (ii) money market instruments.

ARK	BHD	DSU
Defensive Measures	**Defensive Measures**	**Defensive Measures**
Same as DSU	The Fund may implement various temporary defensive strategies at times when BlackRock determines that conditions in the markets make pursuing the Fund s basic investment strategy inconsistent with the best interests of its shareholders. These strategies may include investing all or a portion of the Fund s assets in higher-quality debt securities or US government obligations and high-quality, short-term debt securities.	Under unusual market or economic conditions or for temporary or defensive or liquidity purposes, the Fund may invest up to 100% of its assets in securities issued or guaranteed by the U.S. Government or its instrumentalities or agencies, certificates of deposits, banker s acceptances, and other bank obligations, commercial paper rated in the highest category by a nationally recognized statistical rating organization or other fixed-income securities deemed by the Investment Adviser to be consistent with a defensive posture.
Leverage	**Leverage**	**Leverage**
Under current market conditions, the Fund intends to utilize leverage in an amount equal to approximately 20% of its total assets (including the amount obtained from leverage).	Same as DSU	Under current market conditions, the Fund intends to utilize leverage in an amount equal to approximately 33 $^{1}/_{3}$% of its total assets (including the amount obtained from leverage).
The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which may otherwise require untimely dispositions of Fund securities.		The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.
Repurchase Agreements	**Repurchase Agreements**	**Repurchase Agreements**
The Fund may invest in securities pursuant to repurchase agreements and purchase and sale contracts. Repurchase agreements and purchase and sale contracts may be entered into only with a member bank of the Federal Reserve System or primary dealer in U.S. government securities.	No Stated Policy	The Fund may enter into repurchase agreements with respect to its permitted investments with financial institutions that (i) have, in the opinion of the Investment Adviser, substantial capital relative to the Fund s exposure, or (ii) have provided the Fund with a third-party guaranty or other credit enhancement.

ARK	BHD	DSU
Reverse Repurchase Agreements	**Reverse Repurchase Agreements**	**Reverse Repurchase Agreements**
No Stated Policy	Same as DSU	The Fund may enter into reverse repurchase agreements with respect to its portfolio investments subject to the investment restrictions set forth herein.
Securities Lending	**Securities Lending**	**Securities Lending**
Same as DSU	The Fund may lend its portfolio securities in an amount not to exceed 33 $^{1}/_{3}$% of the value of its total assets.	The Fund may from time to time lend securities from its portfolio, with a value not exceeding 33 $^{1}/_{3}$% of its total assets, to banks, brokers and other financial institutions and receive collateral in cash or securities issued or guaranteed by the U.S. government, its agencies or instrumentalities which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities.
When-Issued and Forward Commitment Securities	**When-Issued and Forward Commitment Securities**	**When-Issued and Forward Commitment Securities**
Same as DSU	Same as DSU	The Fund may purchase securities on a when-issued basis and may purchase or sell securities on a forward commitment basis in order to hedge against anticipated changes in interest rates and prices.
Other Investment Companies	**Other Investment Companies**	**Other Investment Companies**
The fund may not purchase securities of other investment companies, except to the extent that such purchases are permitted by applicable law.	The Fund may invest up to 10% of its total managed assets in securities of other open- or closed-end investment companies that invest primarily in bonds of the types in which the Fund may invest directly.	No Stated Policy

ARK	BHD	DSU
Bank Loans	**Bank Loans**	**Bank Loans**
No Stated Policy	The Fund may invest in bank loans denominated in US and foreign currencies that are originated, negotiated and structured by a syndicate of lenders consisting of commercial banks, thrift institutions, insurance companies, financial companies or other financial institutions one or more of which administers the security on behalf of the syndicate.	No Stated Policy
Corporate Loans	**Corporate Loans**	**Corporate Loans**
The Fund may invest in Senior Debt consisting of corporate loans made by banks and other financial institutions to corporations, partnerships, or trusts.	No Stated Policy	No Stated Policy
Illiquid Securities	**Illiquid Securities**	**Illiquid Securities**
Same as DSU	When purchasing securities that have not been registered under the Securities Act, and are not readily marketable, the Fund will endeavor, to the extent practicable, to obtain the right to registration at the expense of the issuer. The Fund may not be able to readily dispose of such securities at prices that approximate those at which the Fund could sell such securities if they were more widely traded and, as a result of such illiquidity, the Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations.	The Fund has no limitation on the amount of its investments which are not readily marketable or are subject to restrictions on resale.
Mortgage-Related Securities	**Mortgage-Related Securities**	**Mortgage-Related Securities**
No Stated Policy	The Fund may invest in residential and commercial mortgage-related securities issued by governmental entities and private issuers, including subordinated mortgage-related securities.	No Stated Policy

ARK	BHD	DSU
Options	**Options**	**Options**
Same as DSU	No Stated Policy	The Fund may purchase call options on any of the types of securities in which it may invest. The Fund is authorized to purchase put options to hedge against a decline in the value of its securities. The Fund will not sell puts if, as a result, more than 50% of the Fund s assets would be required to cover its potential obligations under its hedging and other investment transactions. The Fund is authorized to engage in options on its futures contracts either as a hedge against adverse change in the market value of its portfolio securities and interest rates or to enhance the Fund s income.
Interest Rate Transactions	**Interest Rate Transactions**	**Interest Rate Transactions**
Same as DSU	The Fund may enter into interest rate swaps and the purchase or sale of interest rate caps and floors. The Fund expects to enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio as a duration management technique or to protect against any increase in the price of securities the Fund anticipates purchasing at a later date. The Fund intends to use these transactions for hedging and risk management purposes and not as a speculative investment.	In order to hedge the value of the Fund s portfolio against interest rate fluctuations or to enhance the Fund s income, the Fund may enter into various interest rate transactions, such as interest rate swaps and the purchase or sale of interest rate caps and floors.

ARK	BHD	DSU
Futures	**Futures**	**Futures**
Same as DSU	In connection with its hedging and other risk management strategies, the Fund may also enter into contracts for the purchase or sale for future delivery (future contracts) of debt securities, aggregates of debt securities, financial indices, and U.S. Government debt securities or options on the foregoing to hedge the value of its portfolio securities that might result from a change in interest rates or market movements.	The Fund is authorized to engage in transactions in financial futures contracts.
Short Sales	**Short Sales**	**Short Sales**
No Stated Policy	The Fund may make short sales of bonds. The Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its total managed assets or the Fund s aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class.	No Stated Policy

Leverage

Each Fund may utilize leverage by borrowing through the Credit Facility or through entering into reverse repurchase agreements. As of May 31, 2013, the Funds had an aggregate Economic Leverage Ratio from reverse repurchase agreements and/or borrowings through the Credit Facility as follows:

Ticker	Economic Leverage Ratio
ARK	29.65%
BHD	24.70%
DSU	31.23%

The Combined Fund s Economic Leverage Ratio is expected to be substantially similar to the Acquiring Fund s current Economic Leverage Ratio.

Each Fund is currently a party to a senior committed secured, 360-day rolling credit facility (the Credit Facility) with State Street Bank and Trust Company (State Street). Each Fund has granted a security interest in substantially all of its assets to State Street in connection with the Credit Facility.

The Credit Facility currently allows for the following maximum commitment amounts:

Ticker	Commitment Amounts
ARK	$ 122,000,000
BHD	$ 52,000,000
DSU	$ 231,000,000

Advances are made by State Street to a Fund, at the Fund s option of (a) the higher of (i) 0.80% above the Fed Funds rate and (ii) 0.80% above the Overnight LIBOR or (b) 0.80% above 7-day, 30-day, 60-day or 90-day LIBOR. In addition, each Fund pays a facility fee and utilization fee (based on the daily unused portion of the commitments). The commitment fees are waived with respect to a Fund if such Fund meets certain conditions. A Fund may not declare dividends or make other distributions on shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding short-term borrowings is less than 300%.

For the fiscal year ended August 31, 2012, the daily weighted average interest rate for BHD under the Credit Facility was 0.94%. For the 12-month period ended February 28, 2013, the daily weighted average interest rate for BHD under the Credit Facility was 0.94%. For the fiscal year ended February 28, 2013, the daily weighted average interest rates for ARK and DSU under the Credit Facility were both approximately 0.94%.

As of May 31, 2013, the daily weighted average interest rates for the Funds with loans under the Credit Facility were as follows:

Ticker	Daily Weighted Average Interest Rates
ARK	0.95%
BHD	0.94%
DSU	0.95%

In connection with the Reorganizations, the Combined Fund expects to amend the Credit Facility to increase the maximum commitment amount to maintain an Economic Leverage Ratio substantially similar to the Acquiring Fund s current Economic Leverage Ratio. If all of the Reorganizations are consummated, the Combined Fund expects to increase the maximum commitment amount under the Credit Facility to $405,000,000. However, there can be no assurance the Combined Fund will increase the maximum commitment amount under the Credit Facility. If the Combined Fund does not increase the maximum commitment amount under the Credit Facility, then the Combined Fund may be required to either utilize other forms of leverage, which may include reverse repurchase agreements, in order to maintain an Economic Leverage Ratio that is substantially similar to the Acquiring Fund s current Economic Leverage Ratio or reduce the Combined Fund s economic leverage. In either case, the Combined Fund may not be able to maintain the current earnings and distribution yields of the Acquiring Fund, which may negatively affect the market price and NAV of the Combined Fund. In addition, if the Combined Fund is required to reduce its economic leverage, then it may be required to sell a portion of its assets, which may negatively affect the Combined Fund s portfolio holdings, portfolio allocation, portfolio diversification and investment strategy.

Investment Restrictions

The Funds have the similar (but not identical) investment restrictions. A comparison of the Funds investment restrictions is set forth in the table below. The investment restrictions of the Combined Fund will be those of the Acquiring Fund.

ARK	BHD	DSU
Diversification	**Diversification**	**Diversification**
No Stated Policy	No Stated Policy	The Fund may not make any investment inconsistent with the Fund s classification as a diversified company under the 1940 Act.*
Control or Management	**Control or Management**	**Control or Management**
Same as DSU*	The Fund may not invest in the securities of a company for the purpose of exercising management or control, but the Fund will vote the securities it owns in its portfolio as a shareholder or otherwise exercise its rights in accordance with the terms of the securities in accordance with its views.*	The Fund may not make investments for the purpose of exercising control or management.*
Commodities and Real Estate	**Commodities and Real Estate**	**Commodities and Real Estate**
Same as DSU*	The Fund may not purchase commodities or commodity contracts, except that the Fund may purchase and sell options, futures contracts and options thereon and may engage in interest rate and foreign currency transactions.* The Fund may not purchase, hold or deal in real estate, or oil, gas or other mineral leases or exploration or development programs, except that the Fund may purchase and sell securities that are secured by, or issued by companies that invest or deal in, real estate, oil, gas or other minerals, or interests therein.*	The Fund may not purchase or sell real estate, commodities or commodity contracts, provided that, the Fund may invest in securities secured by real estate or interests therein or issued by companies that invest in real estate or interests therein, and the Fund may purchase and sell financial futures contracts and options thereon.*
Senior Securities and Borrowings	**Senior Securities and Borrowings**	**Senior Securities and Borrowings**
Same as DSU*	Same as DSU*	The Fund may not issue senior securities or borrow money except as permitted by Section 18 of the 1940 Act.*

* A fundamental investment restriction.

ARK	BHD	DSU
Underwriting	**Underwriting**	**Underwriting**
Same as DSU*	Same as DSU*	The Fund may not underwrite securities of other issuers, except insofar as the Fund may be deemed an underwriter under the Securities Act of 1933, as amended, in selling portfolio securities.*
Lending	**Lending**	**Lending**
Same as DSU*	The Fund may not make loans to others, except through the purchase of debt obligations (including Bank Loans) and the entry into repurchase agreements. However, the Fund may lend its portfolio securities in an amount not to exceed 33 $^{1}/_{3}$% of the value of its total assets. Any loans of portfolio securities will be made according to guidelines established by the SEC and the Fund s Board of Trustees.*	The Fund may not make loans to other persons, except (i) to the extent that the Fund may be deemed to be making loans by purchasing Corporate Loans, as a Co-Lender or otherwise, and other debt instruments and entering into repurchase agreements in accordance with its investment objectives, polices and limitations and (ii) the Fund may lend its portfolio securities in an amount not in excess of 33 $^{1}/_{3}$% of its total assets, taken at market value, provided that such loans shall be made in accordance with the guidelines set forth in its prospectus.*

* A fundamental investment restriction.

ARK	BHD	DSU
Industry Concentration	**Industry Concentration**	**Industry Concentration**
Same as DSU*	The Fund may not purchase any security if as a result 25% or more of the total assets of the Fund would be invested in the securities of issuers having their principal business activities in the same industry, provided that there shall be no such limitation on the purchase of obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities.* The Fund may not with respect to 75% of its total managed assets, invest more than 5% of the value of its total managed assets in the securities of any single issuer or purchase more than 10% of the outstanding voting securities of any one issuer.*	The Fund may not invest more than 25% of its total assets in the securities of issuers in any one industry; provided that this limitation shall not apply with respect to obligations issued or guaranteed by the U.S. Government or by its agencies or instrumentalities and provided further that to the extent that the Fund invests in Corporate Loans the Fund may invest more than 25% and may invest up to 100% of its assets in securities of issuers in the industry group consisting of financial institutions and their holding companies, including commercial banks, thrift institutions, insurance companies and finance companies. For purposes of this restriction, the term issuer includes the Borrower, the Agent Bank and any Intermediate Participant.*
Investments in Investment Companies	**Investments in Investment Companies**	**Investments in Investment Companies**
The Fund may not purchase securities of other investment companies, except in connection with a merger, consolidation, acquisition or reorganization, or by purchase in the open market of securities of closed-end investment companies where no underwriter s or dealer s commission or profit, other than customary broker s commission, is involved and only if immediately thereafter not more than 10% of the Fund s total assets would be invested in such securities.*	Same as DSU*	The Fund may not purchase securities of other investment companies, except to the extent that such purchases are permitted by applicable law.

* A fundamental investment restriction.

ARK	BHD	DSU
Mortgage, Pledge, Hypothecate Property	**Mortgage, Pledge, Hypothecate Property**	**Mortgage, Pledge, Hypothecate Property**
The fund may not pledge its assets other than to secure issuances of senior securities or in connection with hedging transactions, when issued and forward-commitment transactions and similar investment strategies* The Fund may not mortgage, pledge, hypothecate, or in any manner transfer, as security for indebtedness, any securities owned or held by the Fund except as may be necessary in connection with hedging techniques involving interest rate transactions, foreign currency swap transactions relating to non-U.S. dollar denominated loans and permitted borrowings by the Fund.	The Fund may not pledge, mortgage or hypothecate its assets, except to the extent necessary to secure permitted borrowings and to the extent related to the purchase of securities on a when-issued or forward commitment basis and the deposit of assets in escrow in connection with writing covered put and call options and collateral and initial or variation margin arrangements with respect to options, forward contracts, futures contracts, options on futures contracts, swaps, caps, collars and floors.*	The Fund may not mortgage, pledge, hypothecate or in any manner transfer, as security for indebtedness, any securities owned or held by the Fund except as may be necessary in connection with borrowings permitted by Section 18 of the 1940 Act or applicable law, or except as may be necessary in connection with transactions in financial futures contracts and options thereon.
Margin	**Margin**	**Margin**
The Fund may not purchase any securities on margin, except that the Fund may obtain such short term credit as may be necessary for the clearance of purchases and sales of portfolio securities.*	No Stated Policy	The Fund may not purchase any securities on margin, except that the Fund may obtain such short term credit as may be necessary for the clearance of purchases and sales of portfolio securities (the deposit or payment by the Fund of initial or variation margin in connection with financial futures contracts and options thereon is not considered the purchase of a security on margin).

* A fundamental investment restriction.

ARK **Short Sales**	BHD **Short Sales**	DSU **Short Sales**
The Fund may not make short sales of securities or maintain a short position or invest in put, call, straddle or spread options, except as described in its prospectus.*	The Fund may not make any short sale of securities except in conformity with applicable laws, rules and regulations and unless after giving effect to such sale, the market value of all securities sold short does not exceed 25% of the value of the Fund s total managed assets and the Fund s aggregate short sales of a particular class of securities does not exceed 25% of the then outstanding securities of that class. The Fund may also make short sales against the box without respect to such limitations. In this type of short sale, at the time of the sale, the Fund owns or has the immediate and unconditional right to acquire at no additional cost the identical security.	The Fund may not make short sales of securities or maintain a short position or invest in put, call, straddle or spread options, except that the Fund may write purchase and sell options and futures on portfolio securities and related indices or otherwise in connection with bona fide hedging activities.

* A fundamental investment restriction.

Any policies of the Acquiring Fund not described as fundamental in this Joint Proxy Statement/Prospectus may be changed by its Board without shareholder approval.

MANAGEMENT OF THE FUNDS

The Board

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

The Advisors

BlackRock Advisors, LLC acts as the investment advisor for each Fund.

ARK pays the Investment Advisor a monthly management fee of 0.50% based on the Fund s average daily Managed Assets.

BHD pays the Investment Advisor a monthly management fee of 0.75% based on the Fund s average weekly Managed Assets.

DSU pays the Investment Advisor a monthly management fee of 0.60% based on the Fund s average daily Managed Assets. Managed Assets means the total assets of the Fund minus the sum of the accrued liabilities (other than the aggregate indebtedness constituting financial leverage).

If any of the Reorganizations are approved and consummated, the Combined Fund will pay the Investment Advisor a monthly management fee of 0.55% based on the Combined Fund s average daily Managed Assets.

BlackRock Financial Management, Inc. (the Sub-Adviser , and together with the Investment Advisor, the Advisors) acts as the sub-advisor for each Fund. The Investment Advisor and each of the Funds have entered into separate sub-advisory agreements under which the Investment Advisor pays the Sub-Advisor for services it provides, a monthly fee that is a percentage of the investment advisory fees paid by each Fund to the Investment Advisor.

A discussion regarding the basis for the approval of the Investment Management Agreement and the Sub-Investment Advisory Agreement by the Board of each Fund is provided in such Fund s Form N-CSR for such Fund s most recent fiscal year end available at www.sec.gov or by visiting www.blackrock.com.

The Investment Advisor is located at 100 Bellevue Parkway, Wilmington, Delaware 19809, and the Sub-Advisor is located at 55 East 52nd Street, New York, New York 10055 and each are wholly owned subsidiaries of BlackRock. BlackRock is one of the world s largest publicly-traded investment management firms and has over 20 years of experience managing closed-end products. As of March 31, 2013, BlackRock s assets under management were approximately $3.936 trillion, including approximately $47.8 billion in exchange-listed active funds and approximately $269.8 million in non-exchange-listed closed-end funds.

BlackRock helps clients meet their goals and overcome challenges with a range of products that include separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. Headquartered in New York City, as of March 31, 2013, the firm has approximately 10,600 employees in 30 countries and a major presence in key global markets, including North and South America, Europe, Asia, Australia and the Middle East and Africa.

Portfolio Management

The Investment Advisor serves as the investment advisor for each of the Funds and is expected to continue to serve as investment advisor for the Combined Fund.

ARK and DSU are managed by a team of investment professionals comprised of Leland T. Hart, Managing Director at BlackRock, James E. Keenan, Managing Director at BlackRock, and C. Adrian Marshall, Managing Director at BlackRock.

BHD is managed by a team of investment professionals comprised of James E. Keenan, Managing Director at BlackRock, Jeffrey Cucunato, Managing Director at BlackRock, and Derek Schoenhofen, Director at BlackRock.

Messers. Keenan, Hart, Marshall and Schoenhofen are members of BlackRock s Leveraged Finance Team. Mr. Cucunato is a member of the BlackRock Corporate Credit team and PM on the Credit Allocation Income Trust. Each member of the team is jointly responsible for the day-to-day management of its Fund s portfolio, which includes setting its Fund s overall investment strategy, overseeing the management of its Fund and/or selection of its investments. Mr. Keenan has been a member of ARK s and DSU s portfolio management team since 2009 and BHD s portfolio management team since 2007. Messrs. Hart and Marshall have been members of ARK s and DSU s portfolio management team since 2009. Messrs. Cucunato and Schoenhofen have been members of BHD s portfolio management team since 2009.

After the Reorganizations, it is expected that Messers. Hart, Keenan and Marshall will comprise the team of investment professionals for DSU.

Portfolio Manager	Biography
Leland Hart	Managing Director of BlackRock since 2009; Partner of R3 Capital Partners (R3) in 2009; Managing Director of R3 from 2008 to 2009; Managing Director of Lehman Brothers from 2006 to 2008; Executive Director of Lehman Brothers from 2003 to 2006.
James E. Keenan	Managing Director of BlackRock since 2008 and Head of the Leveraged Finance Portfolio team; Director of BlackRock from 2006 to 2007; Vice President of BlackRock from 2004 to 2005.
C. Adrian Marshall	Director of BlackRock since 2007; Vice President of BlackRock from 2004 to 2007.
Jeffrey Cucunato	Managing Director of BlackRock since 2005.
Derek Schoenhofen	Director of BlackRock since 2006; Vice President of BlackRock from 2000 to 2005.

The Statement of Additional Information provides additional information about the portfolio managers compensation, other accounts managed by the portfolio managers, and the portfolio managers ownership of securities in each Fund.

Portfolio Transactions with Affiliates

The Advisors may place portfolio transactions, to the extent permitted by law, with brokerage firms affiliated with the Funds and the Advisors, if they reasonably believe that the quality of execution and the commission are comparable to that available from other qualified brokerage firms. None of the Funds paid brokerage commissions to affiliated broker-dealers during their three most recent fiscal years.

Legal Proceedings

None.

Other Service Providers

The professional service providers for the Funds are as follows:

Service	Service Providers to the Funds
Investment Advisor	BlackRock Advisors, LLC
Sub-Advisor	BlackRock Financial Management, Inc.
Custodian	State Street Bank and Trust Company* The Bank of New York Mellon**
Transfer Agent, Dividend Disbursing Agent and Registrar	Computershare Trust Company, N.A.
Accounting Services Provider	State Street Bank and Trust Company
Independent Registered Public Accounting Firm	Deloitte & Touche LLP
Fund Counsel	Skadden, Arps, Slate, Meagher & Flom LLP
Counsel to the Independent Board Members	Debevoise & Plimpton LLP

* Custodian only for BHD
** Custodian only for ARK and DSU

All securities owned by BHD and all cash, including proceeds from the sale of securities in BHD s investment portfolio, are held by State Street Bank and Trust Company, 1 Lincoln Street, Boston, Massachusetts 02111, as custodian. All securities owned by ARK and DSU and all cash, including proceeds from the sale of securities in each of ARK s and DSU s investment portfolio, are held by The Bank of New York Mellon, One Wall Street, New York, New York 10286, as custodian. Computershare Trust Company, N.A., 250 Royall Street, Canton, Massachusetts 02021 serves as each Fund s transfer agent with respect to each Fund s common shares.

In connection with the Reorganizations, the Acquiring Fund expects to change its custodian from The Bank of New York Mellon to State Street Bank and Trust Company. Other than the change in custodian, it is not anticipated that the Reorganization will result in any change in the organizations providing services to the Acquiring Fund as set forth above. As a result of the Reorganizations, the service providers to the Acquiring Fund after taking into account the change in custodian are anticipated to be the service providers to the Combined Fund.

Capitalization

The Board of each Fund may authorize separate classes of shares together with such designation of preferences, rights, voting powers, restrictions, limitations, qualifications or terms as may be determined from time to time by the Board of such Fund. The tables below set forth (i) the capitalization of the Funds as of February 28, 2013 and (ii) the *pro forma* capitalization of the Combined Fund as if (a) the proposed Reorganizations of all of the Funds had occurred on February 28, 2013, which represents the most likely combination of the Reorganizations, (b) the proposed Reorganization of only ARK into DSU had occurred on February 28, 2013 and (c) the proposed Reorganizations of BHD into DSU had occurred on February 28, 2013.

Capitalization as of February 28, 2013 (Unaudited)

Reorganization of All the Funds

	DSU	ARK	BHD	Adjustments	*Pro forma* Combined Fund (Both Target Funds into DSU)
Net assets(a)	$ 474,953,005	$ 247,123,874	$ 104,306,254	$ (945,000)(b)	$ 825,438,133
Common Shares outstanding	108,362,126	56,852,901	7,065,121	16,284,539(c)	188,564,687
NAV	$ 4.38	$ 4.35	$ 14.76		$ 4.38

(a) Based on the number of outstanding shares of common stock listed in Outstanding common shares table.
(b) Reflects non-recurring aggregate estimated reorganization expenses of $945,000 of which $345,000 was attributable to BHD and $600,000 was attributable to DSU. Because of the expected benefits outlined above for each Fund, and because, over time, the savings attributable to each Fund s participation in each Reorganization outweigh the costs associated with such Reorganization, the Investment Advisor recommended, and the Board have approved, that BHD and DSU be responsible for its own Reorganization expenses. See Reasons for the Reorganizations. The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.
(c) Reflects adjustments (399,448) for ARK shares of common stock and 16,683,987 for BHD shares of common stock due to differences in per share NAV.

Reorganization of only ARK into DSU

	DSU	ARK	Adjustments	*Pro forma* Combined Fund (ARK into DSU)
Net assets(a)	$ 474,953,005	$ 247,123,874	$ (600,000)(b)	$ 721,476,879
Common Shares outstanding	108,362,126	56,852,901	(399,448)(c)	164,815,579
NAV	$ 4.38	$ 4.35		$ 4.38

(a) Based on the number of outstanding shares of common stock listed in Outstanding common shares table.

(b) Reflects non-recurring aggregate estimated reorganization expenses of $600,000 attributable to DSU. Because of the expected benefits outlined above for each Fund, and because, over time, the savings attributable to each Fund s participation in the Reorganization outweigh the costs associated with the Reorganization, the Investment Advisor recommended, and the Board have approved, that DSU be responsible for its own Reorganization expenses. See Reasons for the Reorganizations. The actual costs associated with the proposed Reorganization may be more or less than the estimated costs discussed herein.

(c) Reflects adjustments due to differences in per share NAV.

Reorganization of only BHD into DSU

	DSU	BHD	Adjustments	*Pro forma* Combined Fund (BHD into DSU)
Net assets(a)	$ 474,953,005	$ 104,306,254	$ (945,000)(b)	$ 578,314,259
Common Shares outstanding	108,362,126	7,065,121	16,683,987(c)	132,111,234
NAV	$ 4.38	$ 14.76		$ 4.38

(a) Based on the number of outstanding shares of common stock listed in Outstanding shares of common stock table below.

(b) Reflects non-recurring aggregate estimated reorganization expenses of $945,000 of which $345,000 was attributable to BHD and $600,000 was attributable to DSU, respectively. Because of the expected benefits outlined above for each Fund, and because, over time, the savings attributable to each Fund s participation in the Reorganization outweigh the costs associated with the Reorganization, the Investment Advisor recommended, and the Board have approved, that each Fund be responsible for its own Reorganization expenses. See Reasons for the Reorganizations. The actual costs associated with the proposed Reorganization may be more or less than the estimated costs discussed herein.

(c) Reflects adjustments due to differences in per share NAV.

ADDITIONAL INFORMATION ABOUT THE COMMON SHARES OF THE FUNDS

General

Shareholders of each Fund are entitled to share equally in dividends declared by such Fund s Board as payable to holders of the Fund s common shares and in the net assets of the Fund available for distribution to holders of the common shares. Shareholders do not have preemptive or conversion rights and each Fund s common shares are not redeemable. The outstanding common shares of each Fund are fully paid and nonassessable, except as provided under such Fund s charter.

Purchase and Sale

Purchase and sale procedures for the common shares of each of the Funds are identical. Investors typically purchase and sell common shares of the Funds through a registered broker-dealer on the NYSE, thereby incurring a brokerage commission set by the broker-dealer. Alternatively, investors may purchase or sell common shares of each of the Funds through privately negotiated transactions with existing shareholders.

Outstanding Common Shares as of May 31, 2013

Fund	Title of Class	Amount Authorized	Amount Held by Fund for its Own Account	Amount Outstanding Exclusive of Amount Shown in Previous Column
ARK	Common Stock	200,000,000	None	56,886,649
BHD	Common Shares	Unlimited	None	7,065,615
DSU	Common Stock	200,000,000	None	108,422,139

Share Price Data

The following tables set forth the high and low market prices for common shares of each Fund on the NYSE, for each full quarterly period within each Fund s two most recent fiscal years and each full quarter since the beginning of each Fund s current fiscal year, along with the NAV and discount or premium to NAV for each quotation.

ARK	**Market Price**		**NAV**		**Premium/(Discount) to NAV**	
Period Ended	**High**	**Low**	**High**	**Low**	**High**	**Low**
May 31, 2013	$ 4.76	$ 4.32	$ 4.47	$ 4.35	7.69%	(1.37)%
February 28, 2013	$ 4.57	$ 4.20	$ 4.37	$ 4.27	5.79%	(2.10)%
November 30, 2012	$ 4.51	$ 3.99	$ 4.29	$ 4.22	5.63%	(5.67)%
August 31, 2012	$ 4.43	$ 4.03	$ 4.22	$ 4.03	4.98%	(0.74)%
May 31, 2012	$ 4.20	$ 4.00	$ 4.18	$ 4.07	1.47%	(2.20)%
February 29, 2012	$ 4.10	$ 3.74	$ 4.15	$ 4.00	(0.97)%	(6.97)%
November 30, 2011	$ 3.92	$ 3.53	$ 4.10	$ 3.86	(3.70)%	(9.46)%
August 31, 2011	$ 4.25	$ 3.47	$ 4.24	$ 3.90	0.48%	(13.47)%
May 31, 2011	$ 4.25	$ 4.05	$ 4.27	$ 4.18	0.71%	(3.80)%
February 28, 2011	$ 4.23	$ 3.76	$ 4.22	$ 4.08	0.95%	(8.29)%
November 30, 2010	$ 4.05	$ 3.82	$ 4.15	$ 3.99	0.00%	(6.83)%
August 31, 2010	$ 4.02	$ 3.76	$ 4.01	$ 3.87	0.50%	(4.06)%
May 31, 2010	$ 4.48	$ 3.67	$ 4.09	$ 3.90	13.13%	(8.93)%
February 28, 2010	$ 3.95	$ 3.40	$ 3.93	$ 3.78	1.02%	(10.29)%

BHD	**Market Price**		**NAV**		**Premium/(Discount) to NAV**	
Period Ended	**High**	**Low**	**High**	**Low**	**High**	**Low**
May 31, 2013	$ 15.19	$ 13.93	$ 15.08	$ 14.67	2.77%	(5.04)%
February 28, 2013	$ 16.01	$ 14.58	$ 14.89	$ 14.65	8.44%	(0.61)%
November 30, 2012	$ 15.34	$ 13.69	$ 14.68	$ 14.42	4.92%	(5.13)%
August 31, 2012	$ 14.67	$ 13.82	$ 14.41	$ 13.77	3.57%	(0.14)%
May 31, 2012	$ 14.78	$ 13.70	$ 14.26	$ 13.86	5.19%	(2.63)%
February 29, 2012	$ 13.87	$ 12.97	$ 14.21	$ 13.33	(1.26)%	(4.90)%
November 30, 2011	$ 13.41	$ 11.91	$ 13.76	$ 12.72	(0.98)%	(6.37)%
August 31, 2011	$ 13.59	$ 12.04	$ 14.30	$ 13.21	(2.39)%	(11.54)%
May 31, 2011	$ 13.50	$ 12.75	$ 14.40	$ 14.00	(5.46)%	(9.20)%
February 28, 2011	$ 13.10	$ 12.24	$ 14.16	$ 13.73	(5.79)%	(11.05)%
November 30, 2010	$ 13.47	$ 12.64	$ 14.23	$ 13.58	(1.68)%	(9.33)%
August 31, 2010	$ 13.38	$ 12.25	$ 13.66	$ 13.01	(1.26)%	(6.70)%
May 31, 2010	$ 13.13	$ 11.88	$ 13.61	$ 13.04	(3.25)%	(10.60)%
February 28, 2010	$ 12.39	$ 11.85	$ 13.19	$ 12.76	(5.44)%	(9.17)%

DSU Period Ended	Market Price High	Market Price Low	NAV High	NAV Low	Premium/(Discount) to NAV High	Premium/(Discount) to NAV Low
May 31, 2013	$ 4.65	$ 4.33	$ 4.51	$ 4.39	3.15%	(2.26)%
February 28, 2013	$ 4.59	$ 4.18	$ 4.39	$ 4.27	5.03%	(2.79)%
November 30, 2012	$ 4.59	$ 4.05	$ 4.28	$ 4.19	8.00%	(4.26)%
August 31, 2012	$ 4.38	$ 4.01	$ 4.19	$ 4.00	5.07%	(0.25)%
May 31, 2012	$ 4.25	$ 4.02	$ 4.16	$ 4.04	3.41%	(1.95)%
February 29, 2012	$ 4.13	$ 3.72	$ 4.13	$ 3.96	0.25%	(6.53)%
November 30, 2011	$ 4.05	$ 3.70	$ 4.05	$ 3.79	1.76%	(5.33)%
August 31, 2011	$ 4.38	$ 3.56	$ 4.27	$ 3.91	2.85%	(11.44)%
May 31, 2011	$ 4.34	$ 3.95	$ 4.31	$ 4.24	1.64%	(6.84)%
February 28, 2011	$ 4.11	$ 3.74	$ 4.28	$ 4.10	(3.07)%	(9.22)%
November 30, 2010	$ 4.04	$ 3.81	$ 4.16	$ 4.01	(0.74)%	(7.07)%
August 31, 2010	$ 4.03	$ 3.70	$ 4.04	$ 3.91	(0.25)%	(6.31)%
May 31, 2010	$ 4.39	$ 3.68	$ 4.14	$ 3.91	7.60%	(7.30)%
February 28, 2010	$ 3.91	$ 3.52	$ 3.90	$ 3.73	0.51%	(8.29)%

As of May 31, 2013, the NAV per common share of DSU was $4.43 and the market price per common share was $4.33, representing a discount to NAV of (2.26)%, the NAV per common share of ARK was $4.38 and the market price per common share was $4.32, representing a discount to NAV of (1.37)% and the NAV per common share of BHD was $14.67 and the market price per common share was $13.93, representing a discount to NAV of (5.04)%.

For the periods shown in the tables above, the common shares of each Fund have traded at both a premium and discount to NAV.

Performance Information

The performance table below illustrates the past performance of an investment in common shares of each Fund by setting forth the average total returns for the Funds for the periods indicated. A Fund s past performance does not necessarily indicate how its common shares will perform in the future.

	Average Annual Total Returns as of May 31, 2013					
Fund	Trailing 12-month Distribution Yield based on May 31, 2013 NAV	One Year ended May 31, 2013 based on NAV	One Year ended May 31, 2013 based on Market Price	Since Inception ended May 31, 2013 based on NAV	Since Inception ended May 31, 2013 based on Market Price	Inception Date
ARK	6.85%	15.98%	14.11%	6.53%	6.19%	4/30/93
BHD	6.91%	13.19%	7.86%	9.19%	8.25%	2/28/02
DSU	7.31%	18.50%	14.13%	5.96%	5.80%	3/27/98

DIVIDENDS AND DISTRIBUTIONS

The dividend and distribution policy of the Acquiring Fund will be the dividend and distribution policy for the Combined Fund. The dividend and distribution policies of the Target Funds are substantially the same as those of the Acquiring Fund. The Acquiring Fund intends to make regular monthly cash distributions of all or a portion of its net investment income to holders of the Acquiring Fund s common shares. The Acquiring Fund s net investment income consists of all interest income accrued on portfolio assets less all expenses of the Acquiring Fund.

The tax treatment and characterization of the Acquiring Fund s distributions may vary significantly from time to time because of the varied nature of the Acquiring Fund s investments. The Acquiring Fund will indicate the proportion of its capital gains distributions that constitute long-term and short-term gains annually. The ultimate tax characterization of the Acquiring Fund s distributions made in a calendar or fiscal year cannot finally be determined until after the end of that fiscal year. As a result, there is a possibility that the Acquiring Fund may make total distributions during a calendar or fiscal year in an amount that exceeds the Acquiring Fund s earnings and profits (as determined for U.S. federal income tax purposes), if any, for the relevant fiscal year and its previously undistributed earnings and profits from prior years, if any. In such situations, the amount by which the Acquiring Fund s total distributions exceed its earnings and profits generally will be treated as a tax-free return of capital reducing the amount of a shareholder s tax basis in such shareholder s shares, with any amounts exceeding such basis treated as gain from the sale of shares.

Various factors will affect the level of the Acquiring Fund s net investment income, such as its asset mix, its level of retained earnings, the amount of leverage utilized by the Acquiring Fund and the effects thereof and the movement of interest rates for debt securities. These factors, among others, may result in the Combined Fund s level of net investment income being different from the level of net investment income for any of the Target Funds or the Acquiring Fund if the Reorganizations were not completed. To permit the Acquiring Fund to maintain more stable monthly distributions and to the extent consistent with the distribution requirements imposed on regulated investment companies by the Code, the Acquiring Fund may from time to time distribute less than the entire amount earned in a particular period. The income would be available to supplement future distributions. As a result, the distributions paid by the Acquiring Fund for any particular month may be more or less than the amount actually earned by the Acquiring Fund during that month. Undistributed earnings will increase the Acquiring Fund s NAV and, correspondingly, distributions from undistributed earnings and from capital, if any, will reduce the Acquiring Fund s NAV. Holders of the Acquiring Fund s common shares will automatically have all dividends and distributions reinvested in common shares issued by the Acquiring Fund or common shares of the Acquiring Fund purchased in the open market in accordance with the Acquiring Fund s Automatic Dividend Reinvestment Plan, unless an election is made to receive cash. For information concerning the manner in which dividends and distributions to holders of the Acquiring Fund s common shares may be reinvested automatically in the Acquiring Fund s common shares, see Automatic Dividend Reinvestment Plan as follows.

AUTOMATIC DIVIDEND REINVESTMENT PLAN

Unless the registered owner of common shares elects to receive cash by contacting Computershare Trust Company, N.A. (the Reinvestment Plan Agent), all dividends or other distributions (together, a dividend) declared for your common shares of the Acquiring Fund will be automatically reinvested by the Reinvestment Plan Agent, as agent for shareholders in administering the Acquiring Fund s dividend reinvestment plan (the Reinvestment Plan), in additional common shares of the Acquiring Fund. Shareholders who elect not to participate in the Reinvestment Plan will receive all dividends in cash paid by check mailed directly to the shareholder of record (or, if the common shares are held in street or other nominee name, then to such nominee) by Computershare Trust Company, N.A., as dividend disbursing agent. You may elect not to participate in the Reinvestment Plan and to receive all dividends in cash by contacting Computershare Trust Company, N.A., as Reinvestment Plan Agent, at the address provided on the following page. Participation in the Reinvestment Plan is completely voluntary and may be terminated or resumed at any time without penalty by written notice if received and processed by the Reinvestment Plan Agent prior to the dividend record date. Additionally, the Reinvestment Plan Agent seeks to process notices received after the record date but prior to the payable date and such notices often will become effective by the payable date. Where late notices are not processed by the applicable payable date, such termination or resumption will be effective with respect to any subsequently declared dividend.

Some brokers may automatically elect to receive cash on your behalf and may re-invest that cash in additional common shares of the Acquiring Fund for you. If you wish for all dividends declared on your common shares of the Acquiring Fund to be automatically reinvested pursuant to the Reinvestment Plan, please contact your broker.

The Reinvestment Plan Agent will open an account for each common shareholder under the Reinvestment Plan in the same name in which such common shareholder s common shares are registered. Whenever the Acquiring Fund declares a dividend payable in cash, non-participants in the Reinvestment Plan will receive cash and participants in the Reinvestment Plan will receive the equivalent in common shares. The common shares will be acquired by the Reinvestment Plan Agent for the participants accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Acquiring Fund (newly issued common shares) or (ii) by purchase of outstanding common shares on the open market (open-market purchases). If, on the dividend payment date, the NAV is equal to or less than the market price per share plus estimated brokerage commissions (such condition often referred to as a market premium), the Reinvestment Plan Agent will invest the dividend amount in newly issued common shares on behalf of the participants. The number of newly issued common shares to be credited to each participant s account will be determined by dividing the dollar amount of the dividend by the NAV on the dividend payment date. However, if the NAV is less than 95% of the market price on the dividend payment date, the dollar amount of the dividend will be divided by 95% of the market price on the dividend payment date. If, on the dividend payment date, the NAV is greater than the market price per share plus estimated brokerage commissions (such condition often referred to as a market discount), the Reinvestment Plan Agent will invest the dividend amount in common shares acquired on behalf of the participants in open-market purchases. In the event of a market discount on the dividend payment date, the Reinvestment Plan Agent will have until the last business day before the next date on which the common shares trade on an ex-dividend basis or 30 days after the dividend payment date, whichever is sooner (the last purchase date), to invest the dividend amount in common shares acquired in open-market purchases. It is contemplated that the Acquiring Fund will pay monthly income dividends. If, before the Reinvestment Plan Agent has completed its open-market purchases, the market price per common share exceeds the NAV per common share, the average per common share purchase price paid by the Reinvestment Plan Agent may exceed the NAV of the common shares, resulting in the acquisition of fewer common shares than if the dividend had been paid in newly issued common shares on the dividend payment date. Because of the foregoing difficulty with respect to open-market purchases, the Reinvestment Plan provides that if the Reinvestment Plan Agent is unable to invest the full dividend amount in open-market purchases, or if the market discount shifts to a market premium during the purchase period, the Reinvestment Plan Agent may cease making open-market purchases and may invest any uninvested portion in newly issued shares. Investments in newly issued shares made in this manner would be made pursuant to the same process described above and the date of issue for such newly issued shares will substitute for the dividend payment date.

The Reinvestment Plan Agent maintains all shareholders accounts in the Reinvestment Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Common shares in the account of each Reinvestment Plan participant will be held by the Reinvestment Plan Agent on behalf of the Reinvestment Plan participant, and each shareholder proxy will include those shares purchased or received pursuant to the Reinvestment Plan. The Reinvestment Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held under the Reinvestment Plan in accordance with the instructions of the participants.

In the case of shareholders such as banks, brokers or nominees, which hold shares for others who are the beneficial owners, the Reinvestment Plan Agent will administer the Reinvestment Plan on the basis of the number of common shares certified from time to time by the record shareholder s name and held for the account of beneficial owners who participate in the Reinvestment Plan.

The Reinvestment Plan Agent s fees for the handling of the reinvestment of dividends will be paid by the Acquiring Fund; however, each participant will pay a $0.02 per share fee incurred in connection with open-market purchases, which will be deducted from the value of the dividend. The automatic reinvestment of dividends will not relieve participants of any U.S. federal, state or local income tax that may be payable (or required to be withheld) on such dividends.

Participants that request a sale of shares through the Reinvestment Plan Agent are subject to a $2.50 sales fee and a $0.15 per share fee for BHD and a $0.02 per share fee for ARK and DSU. Per share fees include any applicable brokerage commissions the Reinvestment Plan Agent is required to pay.

The Acquiring Fund reserves the right to amend or terminate the Reinvestment Plan. There is no direct service charge to participants with regard to purchases in the Reinvestment Plan; however, the Acquiring Fund reserves the right to amend the Reinvestment Plan to include a service charge payable by the participants. Notice of amendments to the Reinvestment Plan will be sent to participants.

All correspondence concerning the Reinvestment Plan, including any questions about the Reinvestment Plan, should be directed to the Reinvestment Plan Agent at Computershare Trust Company, N.A., through the internet at www.computershare.com/blackrock, by calling 1-800-699-1236 or in writing to Computershare Trust Company, N.A., P.O. Box 43078, Providence, Rhode Island 02940-3078.

All overnight correspondence should be directed to the Reinvestment Plan Agent at 250 Royall Street, Canton, Massachusetts 02021.

CERTAIN PROVISIONS OF THE CHARTER

Each Fund s charter or declaration of trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board. This could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control over the Fund. Such attempts could have the effect of increasing the expenses of the Fund and disrupting the normal operation of the Fund.

The Board of BHD is divided into three classes, with the terms of one class expiring at each annual meeting of shareholders. At each annual meeting, one class of trustees is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the Board of BHD. The Board of ARK and DSU are not classified. With respect to BHD, a director may only be removed from office for cause and only by action taken by the holders of at least 75% of the shares of capital stock entitled to be voted on the matter. With respect to ARK and DSU, a director may be removed from office with or without cause by vote of the holders of $66\,^{2}/_{3}$% of the votes entitled to be voted on the matter.

The charter of BHD requires the favorable vote of $66\,^{2}/_{3}$% of the outstanding shares of capital stock of the Fund entitled to be voted on the matter, unless such action has been approved, adopted or authorized by the affirmative vote of at least two-thirds of the total number of directors fixed in accordance with the bylaws, in which case the affirmative vote of the holders of a majority of all of the outstanding shares entitled to vote on the matter is required, and the charters of ARK and DSU require the favorable vote of a 1940 Act Majority, to approve, adopt or authorize the following:

- a merger or consolidation or statutory share exchange of the Fund with any other corporation or entity,
- a sale of all or substantially all of the Fund s assets (other than in the regular course of the Fund s investment activities), or
- a liquidation or dissolution of the Fund.

Subtitle 8 of Title 3 of the Maryland General Corporate Law permits a Maryland corporation with a class of equity securities registered under the Securities and Exchange Act of 1934 and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to a provision requiring that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Pursuant to Subtitle 8 and by amendment to the bylaws, the Board of each of ARK and DSU elected to provide that vacancies on the Board be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred.

The Board of each Fund has determined that the voting requirements described above, are in the best interests of shareholders generally. Reference should be made to the charter of each Fund on file with the SEC for the full text of these provisions.

GOVERNING LAW

BHD is organized as a Delaware statutory trust pursuant to its Agreement and Declaration of Trust governed by the laws of the State of Delaware. BHD was organized on January 17, 2002 and commenced investment operations on February 28, 2002.

Each of ARK and DSU is incorporated as a Maryland corporation pursuant to its Articles of Incorporation governed by the laws of the State of Maryland. ARK was incorporated on January 26, 1993 and commenced operations on April 30, 1993. DSU was incorporated on December 10, 1997 and commenced operations on March 27, 1998.

In general, a Delaware statutory trust provides greater flexibility with respect to procedural matters and a corporation provides greater certainty with respect to limitation of personal liability. Under the Delaware Statutory Trust Act, shareholders of a Delaware statutory trust are entitled to the same limitation of personal liability as is extended to shareholders of a private corporation organized for profit under the General Corporation Law of the State of Delaware. However, there is a remote possibility that shareholders of a Delaware statutory trust could, under certain circumstances be held liable for the Delaware statutory trust s liabilities to the extent the courts of another state refused to recognize such limited liability in a controversy involving a Delaware statutory trust s obligations. BHD s governing document disclaims shareholder liability for acts or obligations of such Fund. Thus, a Delaware statutory trust shareholder s risk of incurring financial loss due to shareholder liability is limited to circumstances in which a court refuses to recognize the Delaware Statutory Trust Act and the complaining party is held not bound by the Delaware statutory trust s disclaimer regarding shareholder liability. As noted above, a Maryland corporation provides greater certainty with respect to limitation of personal liability. Shareholders of a Maryland corporation currently have no personal liability for the corporation s acts or obligations, except that a shareholder may be liable to the extent that (i) the shareholder knowingly accepted a distribution in violation of such Maryland corporation s charter or the Maryland General Corporation Law or (ii) the subscription price or other agreed upon consideration for stock subscribed for has not been paid.

In contrast to the Maryland General Corporation Law, the Delaware Statutory Trust Act allows the parties to define their business relationships and provide rules only in situations where the parties have failed to agree. The Delaware Statutory Trust Act gives maximum effect to the principle of freedom of contract and to the enforceability of a statutory trust s governing instrument. The Delaware Statutory Trust Act permits a trust s governing instrument to contain provisions relating to shareholder rights and the removal of trustees, and provides trusts with the ability to amend or restate the trust s governing instruments. The Delaware Statutory Trust Act also authorizes the trustees to take various actions without requiring shareholder approval if permitted by a trust s governing instruments. For example, trustees of a Delaware statutory trust may have the power to amend the trust s governing instrument, merge or consolidate a trust with another entity, and to change the Delaware statutory trust s domicile, in each case without a shareholder vote.

Other differences between Maryland and Delaware law relate to the authorized shares of a Fund. Consistent with Maryland law, ARK and DSU have authorized a specific number of shares, while BHD, consistent with Delaware law, has authorized the issuance of an unlimited number of shares.

The foregoing is only a summary of certain differences between ARK and DSU under Maryland law and BHD under Delaware law. It is not intended to be a complete list of differences and shareholders should refer to the provisions of each Fund s applicable organizational documents for a more thorough comparison. Such documents are filed as part of each Fund s registration statement with the SEC, and shareholders may obtain copies of such documents as described on page iv of this Joint Proxy Statement/Prospectus.

CONVERSION TO OPEN-END FUND

To convert ARK or DSU to an open-end investment company, such Fund s charter requires the affirmative vote of the holders of at least $66\frac{2}{3}\%$ of such Fund s outstanding shares of capital stock entitled to be voted on the matter (or a majority of such shares if the amendment was previously approved, adopted or authorized by the affirmative vote of at least two-thirds of the total number of directors fixed in accordance with the bylaws).

To convert BHD to an open-end investment company, BHD s declaration of trust requires the favorable vote of a majority of trustees then in office following by the favorable vote of the holders of not less than seventy-five percent (75%) of the shares outstanding (or a 1940 Act Majority if the amendment was previously approved, adopted or authorized by the affirmative vote of at least eighty percent (80%) of the board members of the Fund).

The foregoing votes would satisfy a separate requirement in the 1940 Act that any conversion of a Fund to an open-end investment company be approved by the shareholders. If approved in the foregoing manners, we anticipate conversion of a Fund to an open-end investment company might not occur until 90 days after the shareholders meeting at which such conversion was approved and would also require at least 10 days prior notice to all shareholders. Following any such conversion, it is possible that certain of the Fund s investment policies and strategies would have to be modified to assure sufficient portfolio liquidity. In the event of conversion, the Fund s common shares would cease to be listed on the NYSE. Shareholders of an open-end investment company may require the company to redeem their shares at any time, except in certain circumstances as authorized by or under the 1940 Act, at their NAV, less such redemption charge, if any, as might be in effect at the time of redemption. An open-end investment company expects to pay all such redemption requests in cash, but reserves the right to pay redemption requests in a combination of cash and securities. If such partial payment in securities were made, investors may incur brokerage costs in converting such securities to cash. If a Fund were converted to an open-end investment company, it is likely that new shares would be sold at NAV plus a sales load. Each Board believes, however, that its Fund s closed-end structure is desirable in light of its Fund s investment objectives and policies. Therefore, shareholders should assume that it is not likely that any Board would vote to convert its Fund to an open-end fund.

VOTING RIGHTS

Voting rights are identical for the shareholders of each Fund. The shareholders of each Fund are entitled to one vote for each share held by them. The shareholders of each Fund do not have any preemptive or preferential right to purchase or subscribe to any shares of such Fund.

Each Fund s common shares do not have cumulative voting rights, which means that the holders of more than 50% of a Fund s common shares voting for the election of directors can elect all of the directors standing for election by such holders, and, in such event, the holders of the Fund s remaining common shares will not be able to elect any directors.

APPRAISAL RIGHTS

Shareholders of BHD do not have appraisal rights for their common shares because BHD is organized as a Delaware statutory trust and its governing documents do not provide for appraisal rights. Shareholders of ARK and DSU do not have appraisal rights because under Maryland law, shareholders of an investment company whose shares are traded publicly on a national securities exchange are not entitled to demand the fair value of their shares in connection with a reorganization.

FINANCIAL HIGHLIGHTS

BlackRock Senior High Income Fund, Inc. (ARK)

The Financial Highlights table is intended to help you understand ARK s financial performance for the periods shown. Certain information reflects the financial results for a single ARK common share. The total returns in the table represent the rate an investor would have earned or lost on an investment in ARK (assuming reinvestment of all dividends and/or distributions, if applicable). The information for the periods shown has been audited by Deloitte & Touche LLP, ARK s independent registered public accounting firm. Financial statements for the fiscal year ended February 28, 2013 and the Report of the Independent Registered Public Accounting Firm thereon appear in ARK s Annual Report for the fiscal year ended February 28, 2013, which is available upon request.

			Year Ended February 28,				Year Ended February 28,			
BlackRock Senior High Income Fund, Inc. (ARK)	**Year Ended February 28, 2013[1]**	**Year Ended February 29, 2012[1]**	**2011**	**2010**	**2009**	**Year Ended February 29, 2008**	**2007**	**2006**	**2005**	**Year Ended February 29, 2004**
Per Share Operating Performance										
NAV, beginning of year	$ 4.15	$ 4.22	$ 3.91	$ 2.54	$ 5.04	$ 6.17	$ 6.00	$ 6.28	$ 6.10	$ 4.82
Net investment income[2]	0.32	0.32	0.32	0.36	0.41	0.54	0.57	0.55	0.57	0.62
Net realized and unrealized gain (loss)	0.20	(0.06)	0.32	1.31	(2.43)	(1.11)	0.16	(0.27)	0.16	1.30
Net increase (decrease) from investment operations	0.52	0.26	0.64	1.67	(2.02)	(0.57)	0.73	0.28	0.73	1.92
Dividends and distributions from:[3]										
Net investment income	(0.32)	(0.33)	(0.33)	(0.30)	(0.43)	(0.56)	(0.56)	(0.56)	(0.55)	(0.64)
Tax return of capital					(0.05)					
Total dividends and distributions	(0.32)	(0.33)	(0.33)	(0.30)	(0.48)	(0.56)	(0.56)	(0.56)	(0.55)	(0.64)
NAV, end of year	$ 4.35	$ 4.15	$ 4.22	$ 3.91	$ 2.54	$ 5.04	$ 6.17	$ 6.00	$ 6.28	$ 6.10
Market price, end of year	$ 4.34	$ 4.06	$ 4.18	$ 3.94	$ 2.21	$ 4.91	$ 6.53	$ 5.88	$ 6.21	$ 6.11
Total Investment Return[4]										
Based on NAV	13.08%	6.86%	17.13%	68.90%	(42.15)%	(9.76)%	12.82%	5.07%	12.88%	41.49%
Based on market price	15.32%	5.54%	15.13%	95.61%	(48.33)%	(16.94)%	21.84%	4.13%	11.44%	25.34%
Ratios to Average Net Assets										
Total expenses	1.27%	1.25%[5]	1.13%	1.13%	2.24%	2.70%	3.03%	2.39%	1.69%	1.42%
Total expenses after fees waived	1.27%	1.25%[5]	1.13%	1.13%	2.24%	2.70%	3.03%	2.39%	1.69%	1.42%
Total expenses after fees waived and excluding interest expense and income tax	0.94%[6]	0.94%[6]	0.90%	0.93%	1.05%	0.86%	0.90%	0.91%	0.91%	0.90%

87

BlackRock Senior High Income Fund, Inc. (ARK)	Year Ended February 28, 2013[1]	Year Ended February 29, 2012[1]	Year Ended February 28, 2011	2010	2009	Year Ended February 29, 2008	Year Ended February 28, 2007	2006	2005	Year Ended February 29, 2004
Net investment income	7.60%	7.80%[5]	7.83%	10.70%	9.96%	9.16%	9.42%	9.23%	9.28%	11.23%
Supplemental Data										
Net assets, end of year (000)	$ 247,124	$ 235,316	$ 238,760	$ 221,173	$ 143,643	$ 284,692	$ 347,449	$ 335,690	$ 349,791	$ 339,950
Borrowings outstanding, end of year (000)	$ 98,000	$ 69,000	$ 50,000	$ 43,000	$ 47,000	$ 91,500	$ 132,000	$ 141,700	$ 147,500	$ 132,297
Average borrowings outstanding, during the year (000)	$ 85,071	$ 66,806	$ 41,405	$ 29,978	$ 79,422	$ 109,978	$ 131,575	$ 128,461	$ 137,934	$ 112,037
Portfolio turnover	68%	60%	83%	80%	49%	48%	62%	48%	54%	64%
Asset coverage, end of year per $1,000	$ 3,522	$ 4,410	$ 5,775	$ 6,144	$ 4,056	$ 4,112	$ 3,632	$ 3,369	$ 3,371	$ 3,570

1 Consolidated Financial Highlights.
2 Based on average shares outstanding.
3 Dividends and distributions are determined in accordance with federal income tax regulations.
4 Total investment returns based on market price, which can be significantly greater or lesser than the NAV, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.
5 Restated to include income taxes for the consolidated entity.
6 For the year ended February 28, 2013 and February 29, 2012, the total expense ratio after fees waived and excluding interest expense, borrowing costs and income tax were 0.87% and 0.83%, respectively.

BlackRock Strategic Bond Trust (BHD)

The Financial Highlights table is intended to help you understand BHD s financial performance for the periods shown. Certain information reflects the financial results for a single BHD common share. The total returns in the table represent the rate an investor would have earned or lost on an investment in BHD (assuming reinvestment of all dividends and/or distributions, if applicable). The information for the six months ended February 28, 2013 is unaudited. The information for the remaining periods shown has been audited by Deloitte & Touche LLP, BHD s independent registered public accounting firm. Financial statements for the fiscal year ended August 31, 2012 and the Report of the Independent Registered Public Accounting Firm thereon appear in BHD s Annual Report for the fiscal year ended August 31, 2012, which is available upon request.

BlackRock Strategic Bond Trust (BHD)	Six Months Ended February 28, 2013 (Unaudited)	Year Ended August 31, 2012	2011	2010	2009	Period November 1, 2007 to August 31, 2008	Year Ended October 31, 2007	2006	2005	2004	2003	For the Period February 28, 2002[1] to October 31, 2002
Per Share Operating Performance												
NAV, beginning of period	$ 14.40	$ 13.48	$ 13.57	$ 12.12	$ 12.76	$ 13.80	$ 13.83	$ 13.68	$ 15.10	$ 15.07	$ 12.63	$ 14.33[2]
Net investment income	0.49[3]	0.99[3]	1.06[3]	1.01[3]	0.93[3]	0.76[3]	0.95	0.99	1.10	1.39	1.59	0.98
Net realized and unrealized gain (loss)	0.38	1.01	(0.04)	1.35	(0.69)	(1.03)	(0.06)	0.18	(1.13)	0.25	2.34	(1.77)
Net increase (decrease) from investment operations	0.87	2.00	1.02	2.36	0.24	(0.27)	0.89	1.17	(0.03)	1.64	3.93	(0.79)
Dividends and distributions from:												
Net investment income	(0.51)	(1.08)[4]	(1.11)[4]	(0.91)[4]	(0.88)[4]	(0.77)[4]	(0.92)[4]	(0.98)[4]	(1.12)[4]	(1.61)[4]	(1.49)[4]	(0.84)[4]
Tax return of capital								(0.04)	(0.27)			
Total dividends and distributions	(0.51)	(1.08)	(1.11)	(0.91)	(0.88)	(0.77)	(0.92)	(1.02)	(1.39)	(1.61)	(1.49)	(0.84)
Capital charges with respect to the issuance of Common shares												(0.07)
NAV, end of period	$ 14.76	$ 14.40	$ 13.48	$ 13.57	$ 12.12	$ 12.76	$ 13.80	$ 13.83	$ 13.68	$ 15.10	$ 15.07	$ 12.63
Market price, end of period	$ 15.09	$ 14.52	$ 12.93	$ 13.17	$ 11.43	$ 10.85	$ 11.88	$ 12.85	$ 12.45	$ 16.70	$ 15.27	$ 12.35
Total Investment Return[5]												
Based on NAV	6.12%[6]	15.66%	8.09%	20.38%	3.99%	(1.19)%[6]	7.26%	9.58%	(0.49)%	11.35%	32.55%	(6.16)%[6]
	7.60%[6]	21.58%	6.83%	23.88%	15.34%	(2.40)%[6]	(0.62)%	11.87%	(18.11)%	21.54%	37.36%	(12.34)%[6]

Based on market price												
Ratios to Average Net Assets												
Total expenses	1.50%[7]	1.45%	1.52%	1.13%	1.00%	0.93%[7]	1.45%	2.25%	2.14%	1.49%	2.01%	2.57%[7]

BlackRock Strategic Bond Trust (BHD)	Six Months Ended February 28, 2013 (Unaudited)	Year Ended August 31, 2012	2011	2010	2009	Period November 1, 2007 to August 31, 2008	Year Ended October 31, 2007	2006	2005	2004	2003	For the Period February 28, 2002[1] to October 31, 2002
Total expenses after fees waived and before fees paid indirectly	1.50%[7]	1.45%	1.51%	1.11%	0.92%	0.82%[7]	1.27%	2.25%	2.14%	1.49%	2.01%	2.57%[7]
Total expenses after fees waived and paid indirectly	1.50%[7]	1.45%	1.51%	1.11%	0.92%	0.82%[7]	1.27%	2.00%	1.87%	1.23%	1.71%	2.26%[7]
Total expenses after fees waived and paid indirectly and excluding interest expense	1.24%[7,8]	1.24%[8]	1.26%	1.04%	0.92%	0.81%[7]	0.87%	0.94%	0.92%	0.89%	1.01%	1.25%[7]
Net investment income	6.71%[7]	7.15%	7.59%	7.77%	8.67%	6.85%[7]	6.86%	7.26%	7.58%	9.23%	11.32%	10.68%[7]
Supplemental Data												
Net assets, end of period (000)	$ 104,306	$ 101,724	$ 95,127	$ 95,794	$ 85,581	$ 90,092	$ 97,410	$ 97,614	$ 96,546	$ 106,433	$ 106,045	$ 88,594
Borrowings outstanding, end of period (000)	$ 28,000	$ 30,000	$ 24,000	$ 12,000		$ 1,571	$ 413	$ 14,951	$ 31,883	$ 13,188	$ 45,872	$ 44,223
Average borrowings outstanding during the period (000)	$ 29,384	$ 22,089	$ 22,696	$ 5,701	$ 303	$ 391	$ 7,240	$ 21,104	$ 30,406	$ 27,562	$ 46,036	$ 44,889
Portfolio turnover	25%	47%	72%	83%	61%	27%	34%	56%	51%	31%	32%	22%
Asset coverage, end of period per $1,000	$ 4,725	$ 4,391	$ 4,964	$ 8,983		$ 58,347	$ 236,789	$ 7,529	$ 4,028	$ 9,071	$ 3,312	$ 3,003

1 Commencement of operations. This information includes the initial investments by BlackRock Funding, Inc. NAV immediately after the closing of the public offering was $14.25.
2 NAV, beginning of period, reflects a deduction of $0.675 per share sales charge from the initial offering price of $15.00 per share.
3 Based on average shares outstanding.
4 Dividends and distributions are determined in accordance with federal income tax regulations.

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

6 Aggregate total investment return.

7 Annualized.

8 For the six months ended February 28, 2013 and the year ended August 31, 2012, the total expense ratio after fees waived and paid indirectly and excluding interest expense and borrowing costs were 1.19% and 1.14%, respectively.

BlackRock Debt Strategies Fund, Inc. (DSU)

The Financial Highlights table is intended to help you understand DSU s financial performance for the periods shown. Certain information reflects the financial results for a single DSU Common share. The total returns in the table represent the rate an investor would have earned or lost on an investment in DSU s (assuming reinvestment of all dividends and/or distributions, if applicable). The information for the periods shown has been audited by Deloitte & Touche LLP, DSU s independent registered public accounting firm. Financial statements for the fiscal year ended February 28, 2013 and the Report of the Independent Registered Public Accounting Firm thereon appear in DSU s Annual Report for the fiscal year ended February 28, 2013, which is available upon request.

BlackRock Debt Strategies Fund, Inc. (DSU)	Year Ended February 28, 2013[1]	Year Ended February 29, 2012[1]	Year Ended February 28,			Year Ended February 29, 2008	Year Ended February 28,			Year Ended February 29, 2004
			2011	2010	2009		2007	2006	2005	
Per Share Operating Performance										
NAV, beginning of year	$ 4.13	$ 4.28	$ 3.89	$ 2.35	$ 5.57	$ 7.01	$ 6.69	$ 7.06	$ 6.71	$ 5.35
Net investment income[2]	0.33	0.33	0.33	0.39	0.52	0.66	0.68	0.63	0.67	0.75
Net realized and unrealized gain (loss)	0.25	(0.16)	0.40	1.55	(3.12)	(1.43)	0.28	(0.35)	0.34	1.40
Net increase (decrease) from investment operations	0.58	0.17	0.73	1.94	(2.60)	(0.77)	0.96	0.28	1.01	2.15
Dividends and distributions from:[3]										
Net investment income	(0.33)	(0.32)	(0.33)	(0.39)	(0.62)	(0.67)	(0.64)	(0.65)	(0.66)	(0.79)
Tax return of capital			(0.01)	(0.01)						
Total dividends and distributions	(0.33)	(0.32)	(0.34)	(0.40)	(0.62)	(0.67)	(0.64)	(0.65)	(0.66)	(0.79)
Recovery of previously expensed offering costs (capital write-off) resulting from the issuance of Common Stock										[4]
NAV, end of year	$ 4.38	$ 4.13	$ 4.28	$ 3.89	$ 2.35	$ 5.57	$ 7.01	$ 6.69	$ 7.06	$ 6.71
Market price, end of year	$ 4.46	$ 4.13	$ 4.05	$ 3.91	$ 2.07	$ 5.43	$ 7.28	$ 6.77	$ 6.71	$ 6.69
Total Investment Return[5]										
Based on NAV	14.78%	4.53%	19.92%	87.82%	(50.19)%	(11.72)%	15.35%	4.57%	15.95%	41.84%
Based on market price	16.87%	10.47%	12.90%	114.32%	(54.99)%	(17.13)%	18.37%	11.34%	10.53%	26.31%
Ratios to Average Net Assets										
Total expenses	1.41%	1.44%[6]	1.27%	1.23%	2.42%	3.13%	3.16%	2.63%	1.83%	1.53%
Total expenses after fees waived and paid indirectly	1.41%	1.44%[6]	1.27%	1.23%	2.42%	3.13%	3.16%	2.63%	1.83%	1.53%
Total expenses after fees waived and paid indirectly and excluding interest expense and income tax	1.04%[7]	1.06%[7]	1.02%	1.02%	1.20%	0.99%	0.99%	1.02%	1.02%	1.00%

BlackRock Debt Strategies Fund, Inc. (DSU)	Year Ended February 28, 2013[1]	Year Ended February 29, 2012[1]	Year Ended February 28, 2011	2010	2009	Year Ended February 29, 2008	Year Ended February 28, 2007	2006	2005	Year Ended February 29, 2004
Net investment income	7.89%	7.99%[6]	8.22%	12.16%	11.79%	9.90%	9.97%	9.55%	9.84%	12.22%
Supplemental Data										
Net assets, end of year (000)	$ 474,953	$ 445,824	$ 461,247	$ 419,222	$ 252,080	$ 594,204	$ 745,944	$ 708,411	$ 745,256	$ 706,261
Borrowings outstanding, end of year (000)	$ 190,000	$ 145,000	$ 117,000	$ 67,000	$ 90,000	$ 199,000	$ 298,600	$ 259,900	$ 298,400	$ 269,075
Average borrowings outstanding, during the year (000)	$ 177,975	$ 142,596	$ 89,362	$ 58,574	$ 163,286	$ 272,846	$ 283,906	$ 294,371	$ 304,549	$ 239,315
Portfolio turnover	72%	59%	81%	86%	44%	51%	65%	46%	60%	70%
Asset coverage, end of year per $1,000	$ 3,500	$ 4,075	$ 4,942	$ 7,257	$ 3,801	$ 3,986	$ 3,498	$ 3,726	$ 3,498	$ 3,625

1 Consolidated Financial Highlights.
2 Based on average shares outstanding.
3 Dividends and distributions are determined in accordance with federal income tax regulations.
4 Amount is less than $0.01 per share.
5 Total investment returns based on market price, which can be significantly greater or lesser than the NAV, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.
6 Restated to include income taxes for the consolidated entity.
7 For the years ended February 28, 2013 and February 29, 2012, the total expense ratio after fees waived and paid indirectly and excluding interest expense, borrowing costs and income tax was 0.98% and 0.95%, respectively.

INFORMATION ABOUT THE REORGANIZATIONS

Under the Reorganization Agreements (a form of which is attached as Appendix A to the Statement of Additional Information), each Target Fund will merge directly with and into the Acquiring Fund. As soon as practicable after the Closing Date for the Reorganizations, the Target Funds will deregister as investment companies under the 1940 Act.

Acquiring Fund Shares will be distributed *pro rata* to the holders of record of each of the Target Fund s common shares, as applicable. Such distribution of Acquiring Fund Shares to each Target Fund s shareholders will be accomplished by opening new accounts on the books of Acquiring Fund in the names of the shareholders of the Target Funds and transferring to those shareholder accounts Acquiring Fund Shares. Each newly-opened account on the books of the Acquiring Fund for the former shareholders of the Target Funds will represent the respective *pro rata* number of Acquiring Fund Shares (rounded down, in the case of fractional common shares held other than in a Plan account, to the next largest number of whole common shares) due such shareholder. No fractional Acquiring Fund Shares will be issued (except for common shares held in a Plan account). In the event there are fractional common shares in an account other than a Plan account, the Acquiring Fund s transfer agent will aggregate all such fractional Acquiring Fund Shares and sell the resulting whole common shares on the NYSE, for the account of all holders of such fractional interests, and each such holder will be entitled to the pro rata share of the proceeds from such sale upon surrender of Target Fund common share certificates. See Terms of the Reorganization Agreement Surrender and Exchange of Share Certificates for a description of the procedures to be followed by the Target Funds shareholders to obtain their Acquiring Fund Shares (and cash in lieu of fractional common shares, if any).

As a result of the Reorganizations, each shareholder of a Target Fund will own Acquiring Fund Shares that (except for cash payments received in lieu of fractional common shares) will have an aggregate NAV (not the market value) immediately after the Closing Date equal to the aggregate NAV (not the market value) of that shareholder s Target Fund common shares immediately prior to the Closing Date. Since the Acquiring Fund Shares will be issued at NAV in exchange for the common shares of each Target Fund having a value equal to the aggregate NAV of those Acquiring Fund Shares, the NAV per share of Acquiring Fund Shares should remain virtually unchanged by the Reorganizations except for its share of the applicable costs of the Reorganizations. Thus, the Reorganizations will result in no dilution of the NAV of the Acquiring Fund Shares, other than to reflect the applicable costs of the Reorganization. However, as a result of the Reorganizations, a shareholder of any of the Funds will hold a reduced percentage of ownership in the Combined Fund than he or she did in any of the Target Funds. No sales charge or fee of any kind will be charged to shareholders of the Target Funds in connection with their receipt of Acquiring Fund Shares in the Reorganizations.

TERMS OF THE REORGANIZATION AGREEMENTS

The following is a summary of the significant terms of the Reorganization Agreements. This summary is qualified in its entirety by reference to the Form of Reorganization Agreement attached as Appendix A to the Statement of Additional Information.

Valuation of Assets and Liabilities

The respective assets of each of the Funds will be valued on the business day prior to the Closing Date (the Valuation Time). The valuation procedures are the same for each Fund: the NAV per common share of each Fund will be determined after the close of business on the NYSE (generally, 4:00 p.m., Eastern time) at the Valuation Time. For the purpose of determining the NAV of a common share of each Fund, the value of the securities held by the such Fund plus any cash or other assets (including interest accrued but not yet received) minus all liabilities (including accrued expenses) of such Fund is divided by the total number of common shares of such Fund outstanding at such time. Daily expenses, including the fees payable to the Investment Advisor, will accrue at the Valuation Time.

Amendments and Conditions

The Reorganization Agreements may be amended at any time prior to the Closing Date with respect to any of the terms therein upon mutual agreement. However, after adoption of the Reorganization Agreements and approval of the Reorganizations, no amendment or modification may be made which by law requires further approval by such shareholders without such further approval. The obligations of each Fund pursuant to the applicable Reorganization Agreement are subject to various conditions, including a registration statement on Form N-14 being declared effective by the SEC, approval of the Reorganization Agreement by the shareholders of the respective Target Funds, approval of the Reorganizations by the shareholders of the Acquiring Fund, receipt of an opinion of counsel as to tax matters, receipt of an opinion of counsel as to corporate and securities matters and the continuing accuracy of various representations and warranties of the Funds being confirmed by the respective parties.

Postponement; Termination

Under the Reorganization Agreements, the Board of any Fund may cause a Reorganization to be postponed or abandoned under certain circumstances should such Board determine that it is in the best interests of the shareholders of its respective Fund to do so. The Reorganization Agreements may be terminated, and the Reorganizations abandoned at any time (whether before or after adoption thereof by the shareholders of either of the Funds) prior to the Closing Date, or the Closing Date may be postponed: (i) by mutual consent of the Boards of the Funds and (ii) by the Board of either Fund if any condition to that Fund s obligations set forth in the pertinent Reorganization Agreement has not been fulfilled or waived by such Board.

Surrender and Exchange of Share Certificates

The Acquiring Fund will issue to Target Fund shareholders book entry interests for the Acquiring Fund Shares registered in the name of on the basis of each holder s proportionate interest in the aggregate NAV (not the market value) of Target Fund common shares. With respect to any Target Fund shareholder holding certificates evidencing ownership of Target Fund shares as of the Closing Date, and subject to the Acquiring Fund being informed thereof in writing by the Target Fund, the Acquiring Fund will not permit such shareholder to receive new book entry interests of the Acquiring Fund Shares, until notified by the Target Fund or its agent that such shareholder has surrendered his or her outstanding certificates evidencing ownership of Target Fund shares or, in the event of lost certificates, posted adequate bond. The Target Fund, at its own expense, will request its shareholders to surrender their outstanding certificates evidencing ownership of Target Fund shares or post adequate bond.

Please do not send in any share certificates at this time. Upon consummation of the Reorganizations, shareholders of the Target Funds will be furnished with instructions for exchanging their share certificates for book entry interests representing Acquiring Fund Shares and, if applicable, cash in lieu of fractional common shares.

From and after the Closing Date, there will be no transfers on the stock transfer books of the Target Funds. If, after the Closing Date, certificates representing common shares of the Target Funds are presented to the Acquiring Fund, they will be cancelled and exchanged for book entry interests representing Acquiring Fund Shares and cash in lieu of fractional common shares, if applicable, distributable with respect to the Target Funds common shares in the Reorganization.

Expenses of the Reorganization

BHD and DSU will bear expenses incurred in connection with the Reorganizations. The Investment Advisor will bear the costs of the Reorganization for ARK. The expenses incurred in connection with the Reorganizations include but are not limited to, costs related to the preparation and distribution of materials distributed to each

Fund s Board, expenses incurred in connection with the preparation of the Reorganization Agreements and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to shareholders, SEC and state securities commission filing fees, and legal and audit fees in connection with the Reorganizations, including legal fees incurred preparing each Fund s Board materials, attending each Fund s Board meetings and preparing the minutes, auditing fees associated with each Fund s financial statements, stock exchange fees, transfer agency fees, rating agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganizations, which will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate. The expenses of the Reorganizations (assuming all of the Reorganizations are consummated) are estimated to be $345,000 for BHD and $600,000 for DSU. The Investment Advisor will bear ARK s costs of the Reorganization because the shareholders of ARK are not expected to experience the same level of economic benefits from the Reorganizations as the shareholders of BHD and DSU. Therefore, the costs associated with ARK s Reorganization will not be directly borne by ARK. Neither the Funds nor the Advisors will pay any expenses of shareholders arising out of or in connection with the Reorganization (e.g., expenses incurred by the shareholder as a result of attending the shareholder meeting, voting on the Reorganizations or other action taken by the shareholder in connection with the Reorganizations). The actual costs associated with the proposed Reorganizations may be more or less than the estimated costs discussed herein.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE REORGANIZATIONS

The following is a summary of certain U.S. federal income tax consequences of the Reorganizations. The discussion is based upon the Code, Treasury regulations, court decisions, published positions of the Internal Revenue Service (IRS) and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). The discussion is limited to U.S. persons who hold common shares of a Target Fund as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This summary does not address all of the U.S. federal income tax consequences that may be relevant to a particular shareholder or to shareholders who may be subject to special treatment under U.S. federal income tax laws. No ruling has been or will be obtained from the IRS regarding any matter relating to the Reorganizations. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects described below. This summary of U.S. federal income tax consequences is for general information only. The Funds shareholders should consult their own tax advisers regarding the U.S. federal income tax consequences of the Reorganizations, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax law.

It is a condition to the closing of each Reorganization that the respective Target Fund and the Acquiring Fund each receive an opinion from Skadden Arps, dated as of the Closing Date, regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code. The opinion of Skadden Arps will be based on U.S. federal income tax law in effect on the Closing Date. In rendering its opinion, Skadden Arps will also rely upon certain representations of the management of the respective Target Fund and the Acquiring Fund and assume, among other things, that the Reorganization will be consummated in accordance with the applicable Reorganization Agreement and other operative documents and as described herein. An opinion of counsel is not binding on the IRS or any court.

As a reorganization, the U.S. federal income tax consequences of each Reorganization can be summarized as follows:

- No gain or loss will be recognized by a Target Fund or the Acquiring Fund by reason of the Reorganization.

- No gain or loss will be recognized by a shareholder of a Target Fund who exchanges all of its Target Fund stock solely for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of a fractional Acquiring Fund Share, as discussed below).

The aggregate tax basis of Acquiring Fund Shares received by a shareholder of a Target Fund pursuant to the Reorganization will be the same as the aggregate tax basis of the shareholder s Target Fund common shares surrendered in exchange therefor (reduced by any amount of tax basis allocable to a fractional Acquiring Fund common share for which cash is received).

The holding period of Acquiring Fund Shares received by a shareholder of a Target Fund pursuant to the Reorganization will include the holding period of the shareholder s Target Fund common shares surrendered in exchange therefor.

A shareholder of a Target Fund that receives cash in lieu of a fractional Acquiring Fund common share in connection with the Reorganization will be treated as having received cash in redemption of such fractional Acquiring Fund common share. A Target Fund shareholder that receives cash in lieu of a fractional Acquiring Fund common share will recognize capital gain or loss equal to the difference between the amount of cash deemed received for the fractional Acquiring Fund common share and the Target Fund shareholder s tax basis in Target Fund common shares allocable to the fractional Acquiring Fund common share. The capital gain or loss will be a long-term capital gain or loss if the Target Fund shareholder s holding period for Target Fund common shares is more than one year as of the date the Reorganization is consummated.

The Acquiring Fund s tax basis in a Target Fund s assets received by the Acquiring Fund pursuant to the Reorganization will, in each instance, equal the tax basis of such assets in the hands of such Target Fund immediately prior to the Reorganization, and the Acquiring Fund s holding period for such assets will, in each instance, include the period during which the assets were held by a Target Fund

The Acquiring Fund intends to continue to be taxed under the rules applicable to regulated investment companies as defined in Section 851 of the Code, which are the same rules currently applicable to each Fund and its shareholders.

None of the Funds intend to sell any assets in connection with the Reorganizations other than in the ordinary course of business. If, however, assets of the Target Funds were to be sold in connection with the Reorganization, or if such assets were required to be marked to market as a result of the termination of the Target Fund s taxable year or as a result of the transfer of certain assets in the Reorganization, the tax impact of any such sales (or deemed sales) would depend on the difference between the price at which such portfolio assets are sold and the Target Fund s basis in such assets. Any capital gains recognized in these sales (or deemed sales) on a net basis will be distributed to the Target Fund shareholders as capital gain dividends (to the extent of net realized long-term capital gains) and/or ordinary dividends (to the extent of net realized short-term capital gains) during or with respect to the year of sale (or deemed sale) and prior to or on the date of the Reorganization, and such distributions will be taxable to shareholders of the Target Fund.

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

The Acquiring Fund will succeed to capital loss carryforwards (and certain unrealized built-in losses, if any) of each of the acquired Target Funds, which will be subject to the tax loss limitation rules described below because each Target Fund will undergo an ownership change for U.S. federal income tax purposes, and such limitations might be significant. For each Fund that undergoes an ownership change, the Code generally limits the amount of pre-ownership change losses that may be used to offset post-ownership change gains to a specific annual loss limitation amount (generally the product of (i) the fair market value of the stock of such Fund, with certain adjustments, immediately prior to the Reorganization and (ii) a rate established by the IRS). Subject to certain limitations, any unused portion of these losses may be available in subsequent years, subject to the remaining portion of any applicable capital loss carryforward limit, as measured from the date of recognition.

Although the capital loss carryforwards of the Combined Fund attributable to each Target Fund that participates in a Reorganization are subject to tax loss limitation rules (as outlined above), it is currently expected that such tax loss limitation rules should not have a material adverse effect on the Combined Fund s utilization of each such Fund s capital loss carryforward as compared with what each such Fund s utilization of its own capital loss carryforward would be without the Reorganization. The ability of each Fund (and the Combined Fund) to utilize any capital loss carryforwards now or in the future depends on many variables and assumptions, including but not limited to, projected performance of a Fund, the unrealized gain/loss position of a Fund, the types of securities held by a Fund, the current and future market environment (including the level of interest rates), portfolio turnover and applicable law (including the requirement that capital loss carryforwards without expiration dates be utilized before capital loss carryforwards that have expiration dates), and is, therefore, highly uncertain. Information with respect to the Funds capital loss carryforwards as of February 28, 2013 is set forth below:

		Capital Loss Amount*		
Expiration	**ARK**	**DSU**	**Expiration**	**BHD**
2/28/2014	4,906,362	20,233,987	8/31/2018	2,148,422
2/28/2015	1,585,622	3,578,574		
2/28/2017	27,675,242	56,690,782		
2/28/2018	60,685,648	148,062,952		
2/28/2019	9,564,345	16,301,990		
No expiration date**	4,915,470	15,790,485		
	109,332,689	260,658,770		2,148,422

* The Funds anticipate that approximately $65 million of capital loss carryforwards will be lost/forfeited as a result of the tax loss limitation rules described above. No assurances can be given, however, that this estimate will be correct and the actual amount of forfeited capital loss carryforwards could be higher or lower than such estimate, depending on the circumstances. The Funds believe that the potential loss of capital loss carryforwards as a result of the Reorganizations is not a material factor in evaluating the Reorganizations in light of several factors, including (1) the difficulty of projecting the likelihood of utilization of some or all of the capital loss carryforwards prior to their expiration, and (2) the potentially limited opportunity for capital gains in light of the Funds investment policy of investing primarily in debt securities and instruments.

** Must be used prior to losses subject to expiration.

Due to the operation of these tax loss limitation rules, it is possible that shareholders of the Target Funds would receive taxable distributions of short-term and long-term capital gains earlier than they would have in the absence of the Reorganizations. Such taxable distributions will be treated either as ordinary income (and not as favorably taxed qualified dividend income) if such capital gains are short term or as favorably taxed capital gain dividends if such capital gains are long term. The actual financial effect of the loss limitation rules on a shareholder of a Fund whose losses are subject to the loss limitation rules would depend on many variables, including such Fund s expected growth rate if the relevant Reorganization were not to occur (i.e., whether, in the absence of the Reorganization, the Fund would generate sufficient capital gains against which to utilize its capital loss carryforwards prior to their expiration (and certain realized built-in losses), in excess of what would have been the annual loss limitation amount had the relevant Reorganization occurred), the timing and amount of future capital gains recognized by the Combined Fund if the relevant Reorganization were to occur, and the timing of a historic Fund shareholder s disposition of its shares (the tax basis of which might, depending on the facts, reflect that shareholder s share of such Fund s capital losses). Shareholders of all of the Funds should consult their own tax advisors in this regard.

In addition, for five years beginning on the Closing Date of a Reorganization, the Combined Fund will not be allowed to offset certain pre-Reorganization built-in gains attributable to a Fund that is a gain corporation with capital loss carryforwards (and certain built-in losses) attributable to another Fund.

PROPOSAL 2: THE REORGANIZATIONS OF THE ACQUIRING FUND

Pursuant to the Reorganization Agreements, which are described more fully under Proposal 1: The Reorganizations of the Target Funds , each Target Fund will merge directly with and into the Acquiring Fund and the Acquiring Fund will amend its Articles of Incorporation to increase its share capital by 200,000,000 shares and issue additional Acquiring Fund Shares in connection with such Reorganization and list such shares for trading on the NYSE. The Acquiring Fund will issue to the Target Funds common shareholders book entry interests for the Acquiring Fund Shares registered in the name of such shareholder. Each Target Fund will then terminate its registration under the 1940 Act. The Acquiring Fund Board, based upon its evaluation of all relevant information, anticipates that each Reorganization will benefit the Acquiring Fund shareholders.

The aggregate NAV (not the market value) of Acquiring Fund Shares issued in each Reorganization will equal the aggregate NAV (not the market value) of the Target Fund s common shares held immediately prior to the Reorganization, less the applicable costs of the Reorganization (although shareholders may receive cash for their fractional common shares). The Reorganizations will result in no reduction of the NAV of the Acquiring Fund Shares, other than to reflect the costs of each Reorganization, as applicable. No gain or loss for U.S. federal income tax purposes will be recognized by the Acquiring Fund or its shareholders in connection with any Reorganization. The Acquiring Fund will continue to operate as a registered, diversified, closed-end investment company with the investment objectives and policies described in this Joint Proxy Statement/Prospectus.

The Acquiring Fund pays the Investment Advisor a monthly management fee of 0.60% based on the Acquiring Fund s average daily Managed Assets. Managed Assets means the total assets of the Acquiring Fund minus the sum of the accrued liabilities (other than the aggregate indebtedness constituting financial leverage). If any of the Reorganizations are approved and consummated, the Combined Fund will pay the Investment Advisor a monthly fee at an annual rate of 0.55% of the Combined Fund s average daily Managed Assets.

For the 12-month period ended February 28, 2013, the Total Expense Ratio of the Acquiring Fund was 1.41%. The Acquiring Fund estimates that the completion of all of the Reorganizations would result in a Total Expense Ratio for the Combined Fund of 1.27% on a historical and *pro forma* basis for the 12-month period ended February 28, 2013, representing a reduction in the Total Expense Ratio for the shareholders of the Acquiring Fund of 0.14%.

The Acquiring Fund Board recommends that shareholders of the Acquiring Fund approve the Reorganizations, including the Amendment and the Issuances at the Special Meeting to be held on October 25, 2013 at 9:00 a.m.(Eastern time).

Shareholder approval of each of DSU s proposed Reorganizations with each of ARK and BHD requires the affirmative vote of a 1940 Act Majority. Subject to the requisite approval of the shareholders of each Fund with regard to its Reorganization(s), it is expected that the Closing Date will be sometime during the fourth quarter of 2013, but it may be at a different time as described herein. For additional information regarding voting requirements, see Voting Information and Requirements.

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

The Acquiring Fund Board recommends that shareholders of the Acquiring Fund vote FOR each of DSU s proposed Reorganizations with each of ARK and BHD.

VOTING INFORMATION AND REQUIREMENTS

General

A list of the Funds shareholders of record as of the Record Date will be available at the shareholder meeting.

Record Date

The Funds have fixed the close of business on August 28, 2013 as the record date (the Record Date) for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting or any adjournment thereof. Shareholders on the Record Date will be entitled to one vote for each share held, with no shares having cumulative voting rights.

As of the Record Date, the Funds had the following number of common shares outstanding:

ARK	BHD	DSU
56,886,649	7,065,615	108,422,139

Proxies

Shareholders may vote by appearing in person at the Special Meeting, by returning the enclosed proxy card or by casting their vote via telephone or the Internet using the instructions provided on the enclosed proxy card (described in greater detail below). Shareholders of each Fund have the opportunity to submit their voting instructions via the Internet or by touch-tone telephone voting. The giving of such a proxy will not affect your right to vote in person should you decide to attend the Special Meeting. To use the Internet, please access the Internet address found on your proxy card. To record your voting instructions by automated telephone, please call the toll-free number listed on your proxy card. The Internet and automated telephone voting instructions are designed to authenticate shareholder identities, to allow shareholders to give their voting instructions, and to confirm that shareholders instructions have been recorded properly. Shareholders submitting their voting instructions via the Internet should understand that there may be costs associated with Internet access, such as usage charges from Internet access providers and telephone companies that must be borne by the shareholders. Any person giving a proxy may revoke it at any time prior to its exercise by giving written notice of the revocation to the Secretary of the Fund at the address indicated above, by delivering a duly executed proxy bearing a later date, by recording later-dated voting instructions via the Internet or automated telephone or by attending the Special Meeting and voting in person. The giving of a proxy will not affect your right to vote in person if you attend the Special Meeting and wish to do so.

Votes cast by proxy or in person at the Special Meeting will be tabulated by the inspectors of election appointed for the Special Meeting. For BHD, the holders of at least one-third of the shares entitled to vote on the proposal must be present in person or by proxy to have a quorum to conduct business at the Special Meeting. For ARK and BHD, the holders of a majority of the shares entitled to vote on the proposal must be present in person or by proxy to have a quorum to conduct business at the Special Meeting. The inspectors of election, who may be employees of BlackRock, will determine whether or not a quorum is present at the Special Meeting. The inspectors of election will generally treat abstentions and broker non-votes (i.e., shares held by brokers or nominees, typically in street name, as to which proxies have been returned but (a) instructions have not been received from the beneficial owners or persons entitled to vote and (b) the broker or nominee does not have discretionary voting power or elects not to exercise discretion on a particular matter) as present for purposes of determining a quorum, subject to any applicable rules of the stock exchange on which a Fund s shares are listed.

If you hold your shares directly (not through a broker-dealer, bank or other financial institution) and if you return a properly executed proxy card that does not specify how you wish to vote on a proposal, your shares will be voted FOR each Proposal on which you are entitled to vote.

Broker-dealer firms holding shares of a Fund in street name for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their shares on Proposals 1-2 before the Special Meeting. Proposals 1-2 are not routine matters and shareholder instructions are required for broker-dealers to vote a beneficial owner s shares.

If you hold shares of a Fund through a bank or other financial institution or intermediary (called a service agent) that has entered into a service agreement with the Fund or a distributor of the Fund, the service agent may be the record holder of your shares. At the Special Meeting, a service agent will vote shares for which it receives instructions from its customers in accordance with those instructions. A properly executed proxy card or other authorization by a shareholder that does not specify how the shareholder s shares should be voted on a proposal may be deemed to authorize a service provider to vote such shares in favor of the proposal. Depending on its policies, applicable law or contractual or other restrictions, a service agent may be permitted to vote shares with respect to which it has not received specific voting instructions from its customers. In those cases, the service agent may, but may not be required to, vote such shares in the same proportion as those shares for which the service agent has received voting instructions. This practice is commonly referred to as echo voting.

All properly executed proxies received prior to the Special Meeting will be voted in accordance with the instructions marked thereon or otherwise as provided therein. Unless instructions to the contrary are marked, proxies will be voted FOR the approval of each proposal. Abstentions and broker non-votes are not treated as votes FOR a proposal.

With respect to Proposal 1(A) and 1(B), abstentions and broker non-votes will have the same effect as votes AGAINST the proposal.

With respect to Proposal 2(A) and 2(B), abstentions will be counted as votes cast and will therefore have the same effect as votes AGAINST the proposal and broker non-votes will have the same effect as votes AGAINST the proposal; provided, that, if more than 50% of all securities entitled to vote on the proposal cast votes, than broker non-votes will not have any effect on the result of the vote.

As used herein, a 1940 Act Majority means the affirmative vote of either (i) $66\frac{2}{3}$% or more of the voting securities present at the Special Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Fund, whichever is less.

Voting Requirement for Proposal 1: The Reorganizations of the Target Funds

Target Funds	Proposals	Required Approval of Target Fund Shareholders
ARK	Proposal 1(A): The shareholders of ARK are being asked to approve the Agreement and Plan of Reorganization among ARK and DSU and the termination of ARK s registration under the 1940 Act.	A majority of the outstanding shares entitled to vote
BHD	Proposal 1(B): The shareholders of BHD are being asked to approve the Agreement and Plan of Reorganization among BHD and DSU and the termination of BHD s registration under the 1940 Act.	1940 Act Majority

Voting Requirement for Proposal 2: The Reorganizations of the Acquiring Fund

Target Funds	Proposals	Required Approval of Acquiring Fund Shareholders
ARK	Proposal 2(A): The shareholders of DSU are being asked to approve the Agreement and Plan of Reorganization between DSU and ARK, including the amendment to DSU s Articles of Incorporation to increase its share capital by 200,000,000 shares and the issuance of additional common shares of DSU in connection therewith.	A majority of the outstanding shares entitled to vote
BHD	Proposal 2(B): The shareholders of DSU are being asked to approve the Agreement and Plan of Reorganization between DSU and BHD, including the amendment to DSU s Articles of Incorporation to increase its share capital by 200,000,000 shares and the issuance of additional common shares of DSU in connection therewith .	A majority of the outstanding shares entitled to vote

SHAREHOLDER INFORMATION

As of May 31, 2013, the officers and directors of each Fund, as a group, beneficially owned less than 1% of the outstanding common shares of each such Fund. Unless otherwise indicated, the information set forth below is as of May 31, 2013. To each Fund s knowledge, no person beneficially owned more than 5% of the Fund s respective outstanding common shares, except as set forth below.

Title of Share Class	Name and Address of Beneficial Owners	Amount and Nature of Beneficial Ownership	Percentage of Share Class
ARK			
Common shares	First Trust Portfolios L.P.(1) 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187	7,059,626	12.46%
	First Trust Advisors L.P.(1) 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187		
	The Charger Corporation(1) 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187		
	Morgan Stanley(2) 1585 Broadway New York, New York 10036	3,438,910	6.10%

101

Title of Share Class	Name and Address of Beneficial Owners	Amount and Nature of Beneficial Ownership	Percentage of Share Class
	Morgan Stanley Smith Barney LLC[2] 1585 Broadway New York, New York 10036		
	Advisors Asset Management, Inc. 18925 Base Camp Road Monument, Colorado 80132	3,160,327	5.58%
BHD			
Common shares	First Trust Portfolios L.P.[1]	917,622	13.00%
	120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187		
	First Trust Advisors L.P.[1] 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187		
	The Charger Corporation[1] 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187		
DSU			
Common shares	First Trust Portfolios L.P.[1] 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187	17,164,823	15.90%
	First Trust Advisors L.P.[1] 120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187		
	Morgan Stanley L.P.[2] 1585 Broadway New York, New York 10036	10,997,431	10.20%
	Morgan Stanley Smith Barney LLC[2] 1585 Broadway New York, New York 10036		

(1) First Trust Portfolios L.P., First Trust Advisors L.P. and The Charger Corporation filed their Schedule 13G jointly and did not differentiate holdings as to each entity.

(2) Morgan Stanley and Morgan Stanley Smith Barney LLC, filed their Schedule 13G jointly and did not differentiate holdings as to each entity.

SHAREHOLDER PROPOSALS

To be considered for presentation at a shareholder s meeting, rules promulgated by the SEC generally require that, among other things, a shareholder s proposal must be received at the offices of the relevant Fund a reasonable time before solicitation is made. In addition, each Fund s bylaws provide for advance notice provisions, which require shareholders to give timely notice in proper written form to the Secretary of the Fund. Shareholders should review each Fund s bylaws for additional information regarding the Funds advance notice provisions. The bylaws of ARK, BHD and DSU were filed with the SEC on October 7, 2008 as part of such Funds Form 8-Ks, and shareholders may obtain copies of such documents as described on page ii of this Joint Proxy Statement/Prospectus.

The timely submission of a proposal does not necessarily mean that such proposal will be included. Any shareholder who wishes to submit a proposal for consideration at a meeting of such shareholder s Fund should send such proposal to the relevant Fund at Park Avenue Plaza, 40 East 52nd Street, New York, New York 10022, Attention: Janey Ahn.

SOLICITATION OF PROXIES

Solicitation of proxies is being made primarily by the mailing of this Notice and Joint Proxy Statement/Prospectus with its enclosures on or about September 18, 2013. Shareholders of the Funds whose shares are held by nominees such as brokers can vote their proxies by contacting their respective nominee. In addition to the solicitation of proxies by mail, employees of the Advisors and their affiliates as well as dealers or their representatives may solicit proxies in person or by mail, telephone, fax or the internet. The Funds and the Advisors have retained Georgeson Inc. (Georgeson), 480 Washington Blvd., 26th Floor, Jersey City, New Jersey 07310 , a proxy solicitation firm, to assist with the solicitation of proxies. The cost of Georgeson s services in connection with the proxy is anticipated to be approximately $20,000, $6,650 and $39,500 for ARK, BHD and DSU, respectively. The Investment Advisor will bear all of the solicitation costs of ARK.

LEGAL MATTERS

Certain legal matters concerning the U.S. federal income tax consequences of the Reorganization will be passed upon by Skadden, Arps, Slate, Meagher & Flom LLP, which serves as special counsel to the Funds. Certain legal matters concerning the issuance of Acquiring Fund Shares will be passed upon by Miles & Stockbridge P.C., which serves as special Maryland counsel to the Funds.

OTHER MATTERS WITH RESPECT TO THE MEETING

A representative of the Independent Registered Public Accounting Firm may attend the Special Meeting and will have the opportunity to make a statement if he or she desires to do so and will be available to answer appropriate questions.

A list of BHD shareholders entitled to attend and to vote at the meeting will be available in the offices of BHD, 1 University Square Drive Princeton, New Jersey 08540-6455, for inspection by any shareholder during regular business hours beginning ten days prior to the date of the meeting. A list of ARK s and DSU s shareholders entitled to attend and to vote at the meeting will be available for inspection by any shareholder at the meeting.

Shareholders who want to communicate with the Board or any individual director should write the Fund to the attention of the Secretary, 40 East 52nd Street, New York, New York 10022. Shareholders may communicate with the Board electronically by sending an email to closedendfundsbod@blackrock.com. The communication should indicate that you are a Fund shareholder. If the communication is intended for a specific director and so indicates, it will be sent only to that director. If a communication does not indicate a specific director, it will be sent to the Chair of the Governance and Nominating Committee and the outside counsel to the Independent Board Members for further distribution as deemed appropriate by such persons.

Additionally, shareholders with complaints or concerns regarding accounting matters may address letters to the Fund s Chief Compliance Officer, 100 Bellevue Parkway, Wilmington, Delaware 19809. Shareholders who are uncomfortable submitting complaints to the Chief Compliance Officer may address letters directly to the Chair of the Audit Committee of the Board. Such letters may be submitted on an anonymous basis.

PRIVACY PRINCIPLES OF THE FUNDS

The Funds are committed to maintaining the privacy of their current and former shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Funds collect, how the Funds protect that information and why, in certain cases, the Funds may share such information with select parties.

The Funds obtain or verify personal non-public information from and about you from different sources, including the following: (i) information the Funds receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with the Funds, their affiliates or others; (iii) information the Funds receive from a consumer reporting agency; and (iv) from visits to the Funds or their affiliates websites.

The Funds do not sell or disclose to non-affiliated third parties any non-public personal information about their current and former shareholders, except as permitted by law or as is necessary to respond to regulatory requests or to service shareholder accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

The Funds may share information with their affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, the Funds restrict access to non-public personal information about their current and former shareholders to those BlackRock employees with a legitimate business need for the information. The Funds maintain physical, electronic and procedural safeguards that are designed to protect the non-public personal information of their current and former shareholders, including procedures relating to the proper storage and disposal of such information.

If you are located in a jurisdiction where specific laws, rules or regulations require a Fund to provide you with additional or different privacy-related rights beyond what is set forth above, then the Fund will comply with those specific laws, rules or regulations.

OTHER INFORMATION

BlackRock is independent in ownership and governance, with no single majority stockholder and a majority of independent directors. PNC is BlackRock s largest stockholder and is an affiliate of BlackRock for 1940 Act purposes.

If you cannot be present in person at the Special Meeting, please fill in, sign and return the enclosed proxy card or please record your voting instructions by telephone or via the Internet promptly. No postage is necessary if the enclosed proxy card is mailed in the United States.

John M. Perlowski

President and Chief Executive Officer

BlackRock Senior High Income Fund, Inc.

BlackRock Strategic Bond Trust

BlackRock Debt Strategies Fund, Inc.

September 9, 2013

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

SUBJECT TO COMPLETION, DATED SEPTEMBER 9, 2013

STATEMENT OF ADDITIONAL INFORMATION

RELATING TO THE REORGANIZATION OF

BLACKROCK SENIOR HIGH INCOME FUND, INC.

BLACKROCK STRATEGIC BOND TRUST

BLACKROCK DEBT STRATEGIES FUND, INC.

Dated September 9, 2013

This Statement of Additional Information is available to the shareholders of (i) BlackRock Senior High Income Fund, Inc. (ARK), (ii) BlackRock Strategic Bond Trust (BHD) (each a Target Fund and, collectively, the Target Funds) and (iii) BlackRock Debt Strategies Fund, Inc. (DSU or the Acquiring Fund, and together with the Target Funds, the Funds) in connection with the proposed reorganizations (each a Reorganization and, collectively, the Reorganizations) whereby each Target Fund will merge directly with and into the Acquiring Fund. Each Target Fund will then terminate its registration under the 1940 Act of 1940 (the 1940 Act). In each Reorganization, the outstanding common shares of each Target Fund will be exchanged for newly-issued common shares of the Acquiring Fund, par value $0.10 per share (Acquiring Fund Shares). The aggregate net asset value (NAV) (not the market value) of Acquiring Fund Shares received by the shareholders of the Target Fund in each Reorganization will equal the aggregate NAV (not the market value) of the common shares of such Target Fund held by such shareholders immediately prior to such Reorganization, less the applicable costs of such Reorganization (though shareholders may receive cash for their fractional common shares). A copy of a form of the Agreement and Plan of Reorganization between each Target Fund and the Acquiring Fund is attached hereto as Appendix A. Unless otherwise defined herein, capitalized terms have the meanings given to them in the Joint Proxy Statement/Prospectus.

This Statement of Additional Information is not a prospectus and should be read in conjunction with the Joint Proxy Statement/Prospectus dated September 9, 2013 relating to the proposed Reorganizations. A copy of the Joint Proxy Statement/Prospectus may be obtained, without charge, by writing to the Funds at 1 University Square Drive Princeton, New Jersey 08540-6455, or by calling (800) 882-0052.

The Acquiring Fund will provide, without charge, upon the written or oral request of any person to whom this Statement of Additional Information is delivered, a copy of any and all documents that have been incorporated by reference in the registration statement of which this Statement of Additional Information is a part.

TABLE OF CONTENTS

RISK FACTORS AND SPECIAL CONSIDERATIONS

The following information supplements the discussion of the Funds risk factors that are described in the Joint Proxy Statement/Prospectus and the preceding discussion of the Funds investment objective, policies and techniques.

Legal, Tax and Regulatory Risks. Legal, tax and regulatory changes could occur that may materially adversely affect a Fund. For example, the regulatory and tax environment for derivative instruments in which a Fund may participate is evolving, and changes in the regulation or taxation of derivative instruments may materially adversely affect the value of derivative instruments held by the Fund and the ability of the Fund to pursue its investment strategies.

To qualify for the favorable U.S. federal income tax treatment generally accorded to RICs, a Fund must, among other things, derive in each taxable year at least 90% of its gross income from certain prescribed sources and distribute for each taxable year at least 90% of its investment company taxable income (generally, ordinary income plus the excess, if any, of net short-term capital gain over net long-term capital loss). If for any taxable year a Fund does not qualify as a RIC, all of its taxable income for that year (including its net capital gain) would be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and such distributions would be taxable as ordinary dividends to the extent of the Fund s current and accumulated earnings and profits.

Inflation Risk. Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the common shares and distributions on those shares can decline. In addition, during any periods of rising inflation, interest rates on borrowings would likely increase, which would tend to further reduce returns to the holders of common shares.

Deflation Risk. Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues. In addition, deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a Fund s portfolio.

Management Risk. Each Fund is subject to management risk because each is an actively managed investment portfolio. The Advisors and the individual portfolio managers will apply investment techniques and risk analyses in making investment decisions for the Funds, but there can be no guarantee that these will produce the desired results. A Fund may be subject to a relatively high level of management risk because the Fund may invest in derivative instruments, which may be highly specialized instruments that require investment techniques and risk analyses different from those associated with bonds.

Reliance on the Advisors. Each Fund is dependent upon services and resources provided by the Advisors, and therefore the Advisors parent, BlackRock. The Advisors are not required to devote their full time to the business of a Fund and there is no guarantee or requirement that any investment professional or other employee of the Advisors will allocate a substantial portion of his or her time to the Fund. The loss of one or more individuals involved with the Advisors could have a material adverse effect on the performance or the continued operation of a Fund. For additional information on BlackRock Advisors and BlackRock, see Investment Management Agreements Investment Management Agreement.

Reliance on Service Providers. Each Fund relies upon the performance of service providers to perform various functions. In particular, the Advisors and the Fund s Custodian, accounting agent and transfer agent, and their respective delegates, if any, will perform services that are integral to the Fund s operations and financial performance. Failure by any service provider to carry out its obligations to a Fund in accordance with the terms of its appointment, to exercise due care and skill, or to perform its obligations to the Fund at all as a result of insolvency, bankruptcy or other causes could have a material adverse effect on the Fund s performance and returns to shareholders. The termination of a Fund s relationship with any service provider, or any delay in appointing a replacement for such service provider, could materially disrupt the business of the Fund and could have a material adverse effect on the Fund s performance and returns to shareholders.

Information Technology Systems. Each Fund is dependent on the Advisors for certain management services as well as back-office functions. The Advisors depend on information technology systems in order to assess investment opportunities, strategies and markets and to monitor and control risks for the Funds. It is possible that a failure of some kind which causes disruptions to these information technology systems could materially limit the Advisors ability to adequately assess and adjust investments, formulate strategies and provide adequate risk control. Any such information technology-related difficulty could harm the performance of a Fund. Further, failure of the back-office functions of the Advisors to process trades in a timely fashion could prejudice the investment performance of a Fund. Further, failure of the back-office functions of the Advisors to process trades in a timely fashion could prejudice the investment performance of a Fund.

Misconduct of Employees and of Service Providers. Misconduct or misrepresentations by employees of the Advisors or a Fund s service providers could cause significant losses to the Fund. Employee misconduct may include binding a Fund to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in any case, may result in unknown and unmanaged risks or losses) or making misrepresentations regarding any of the foregoing. Losses could also result from actions by a Fund s service providers, including, without limitation, failing to recognize trades and misappropriating assets. In addition, employees and service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting a Fund s business prospects or future marketing activities. Despite the Advisors due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining the Advisors due diligence efforts. As a result, no assurances can be given that the due diligence performed by the Advisors will identify or prevent any such misconduct.

DIRECTORS/TRUSTEES AND OFFICERS

The Board Members

The Board of each Fund currently consists of 11 individuals (each, a Board Member), nine of whom are not interested persons of the Funds as defined in the 1940 Act (the Independent Board Members). The registered investment companies advised by the Advisors or their affiliates (the BlackRock-Advised Funds) are organized into one complex of closed-end funds (the Closed-End Complex), two complexes of open-end funds (the Equity-Liquidity Complex and the Equity-Bond Complex) and one complex of exchange-traded funds (the Exchange-Traded Complex ; each such complex a BlackRock Fund Complex). The Funds are each included in the Closed-End Complex. The Board Members also oversee as Board members the operations of the other closed-end registered investment companies included in the Closed-End Complex. See Board Leadership Structure and Oversight for additional information.

Biographical Information

Certain biographical and other information relating to the Board Members and officers of the Funds is set forth below, including their year of birth, their principal occupation for at least the last five years, the length of time served, the total number of investment companies overseen in the BlackRock Fund Complexes and any public directorships or trusteeships. Board Members serve until their resignation, removal or death, or until December 31 of the year in which they turn 72. The maximum age limitation may be waived as to any Board Member by action of a majority of the Board Members upon a finding of good cause therefore. In 2013, the Board approved the extension of the mandatory retirement age for James T. Flynn and Kate F. Feldstein by one additional year, until December 31 of the year in which James T. Flynn turns 75 and Kate F. Feldstein turns 73, which the Board believes is in the best interest of shareholders. The officers of the Funds serve at the pleasure of the Board Members or until their successors have been duly elected and qualified.

Please refer to the below table which identifies the Board Members which sets forth certain biographical information about the Board Members, for all of the Funds.

Name, Address and Year of Birth	Position(s) Held with Funds	Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies (RICs) Consisting of Investment Portfolios (Portfolios) Overseen**	Other Public Company or Investment Company Directorships Held During Past Five Years***
Independent Board Members					
Richard E. Cavanagh 55 East 52nd Street New York, New York 10055 1946	Chairman of the Boards	Since 2007	Trustee, Aircraft Finance Trust from 1999 to 2009; Director, The Guardian Life Insurance Company of America since 1998; Trustee, Educational Testing Service from 1997 to 2009 and Chairman thereof from 2005 to 2009; Senior Advisor, The Fremont Group since 2008 and Director thereof since 1996; Faculty Member/Adjunct Lecturer, Harvard University since 2007; President and Chief Executive Officer, The Conference Board, Inc. (global business research organization) from 1995 to 2007.	94 RICs consisting of 90 Portfolios	Arch Chemical (chemical and allied products) from 1999 to 2011
Karen P. Robards 55 East 52nd Street New York, New York 10055 1950	Vice Chairperson of the Boards and Chairperson of the Audit Committee	Since 2007	Partner of Robards & Company, LLC (financial advisory firm) since 1987; Co-founder and Director of the Cooke Center for Learning and Development (a not-for-profit organization) since 1987; Director of Care Investment Trust, Inc. (health care real estate investment trust) from 2007 to 2010; Investment Banker at Morgan Stanley from 1976 to 1987.	94 RICs consisting of 90 Portfolios	AtriCure, Inc. (medical devices) since 2000; Greenhill & Co., Inc. since 2013
Michael J. Castellano 55 East 52nd Street New York, New York 10055	Board Member and Member of the Audit Committee	Since 2011	Chief Financial Officer of Lazard Group LLC from 2001 to 2011; Chief Financial Officer of Lazard Ltd from 2004 to 2011; Director, Support Our Aging Religious (non-profit) since 2009; Director, National Advisory Board of Church Management at Villanova University since 2010; Trustee, Domestic Church Media Foundation since 2012.	94 RICs consisting of 90 Portfolios	None

1946

Name, Address and Year of Birth	Position(s) Held with Funds	Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies (RICs) Consisting of Investment Portfolios (Portfolios) Overseen**	Other Public Company or Investment Company Directorships Held During Past Five Years***
Frank J. Fabozzi 55 East 52nd Street New York, New York 10055 1948	Board Member and Member of the Audit Committee	Since 2007	Editor of and Consultant for The Journal of Portfolio Management since 2006; Professor of Finance, EDHEC Business School since 2011; Professor in the Practice of Finance and Becton Fellow, Yale University School of Management from 2006 to 2011; Adjunct Professor of Finance and Becton Fellow, Yale University from 1994 to 2006.	94 RICs consisting of 90 Portfolios	None
Kathleen F. Feldstein 55 East 52nd Street New York, New York 10055 1941	Board Member	Since 2007	President of Economics Studies, Inc. (private economic consulting firm) since 1987; Chair, Board of Trustees, McLean Hospital from 2000 to 2008 and Trustee Emeritus thereof since 2008; Member of the Board of Partners Community Healthcare, Inc. from 2005 to 2009; Member of the Corporation of Partners HealthCare since 1995; Trustee, Museum of Fine Arts, Boston since 1992; Member of the Visiting Committee to the Harvard University Art Museum since 2003; Director, Catholic Charities of Boston since 2009.	94 RICs consisting of 90 Portfolios	The McClatchy Company (publishing) since 2006
James T. Flynn 55 East 52nd Street New York, New York 10055 1939	Board Member and Member of the Audit Committee	Since 2007	Chief Financial Officer of JPMorgan & Co., Inc. from 1990 to 1995.	94 RICs consisting of 90 Portfolios	None
Jerrold B. Harris	Board Member				

55 East 52nd Street New York, New York 10055 1942	Since 2007	Trustee, Ursinus College since 2000; Director, Troemner LLC (scientific equipment) since 2000; Director of Delta Waterfowl Foundation from 2010 to 2012; President and Chief Executive Officer, VWR Scientific Products Corporation from 1990 to 1999.	94 RICs consisting of 90 Portfolios	BlackRock Kelso Capital Corp. (business development company) since 2004

Name, Address and Year of Birth	Position(s) Held with Funds	Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies (RICs) Consisting of Investment Portfolios (Portfolios) Overseen**	Other Public Company or Investment Company Directorships Held During Past Five Years***
R. Glenn Hubbard 55 East 52nd Street New York, New York 10055 1958	Board Member	Since 2007	Dean, Columbia Business School since 2004; Faculty Member, Columbia Business School since 1988.	94 RICs consisting of 90 Portfolios	ADP (data and information services) since 2004; KKR Financial Corporation (finance) since 2004; Metropolitan Life Insurance Company (insurance) since 2007
W. Carl Kester 55 East 52nd Street New York, New York 10055 1951	Board Member and Member of the Audit Committee	Since 2007	George Fisher Baker Jr. Professor of Business Administration, Harvard Business School, since 2008; Deputy Dean for Academic Affairs from 2006 to 2010; Chairman of the Finance Unit from 2005 to 2006; Senior Associate Dean and Chairman of the MBA Program from 1999 to 2005; Member of the faculty of Harvard Business School since 1981.	94 RICs consisting of 90 Portfolios	None

Name, Address and Year of Birth	Position(s) Held with Funds	Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies (RICs) Consisting of Investment Portfolios (Portfolios) Overseen**	Other Public Company or Investment Company Directorships Held During Past Five Years***
Interested Board Members					
Paul L. Audet 55 East 52nd Street New York, New York 10055 1953	Board Member	Since 2011	Senior Managing Director of BlackRock and Head of U.S. Mutual Funds since 2011; Chair of the U.S. Mutual Funds Committee reporting to the Global Executive Committee since 2011; Head of BlackRock s Real Estate business from 2008 to 2011; Member of BlackRock s Global Operating and Corporate Risk Management Committees and of the BlackRock Alternative Investors Executive Committee and Investment Committee for the Private Equity Fund of Funds business since 2008; Head of BlackRock s Global Cash Management business from 2005 to 2010; Acting Chief Financial Officer of BlackRock from 2007 to 2008; Chief Financial Officer of BlackRock from 1998 to 2005.	155 RICs consisting of 282 Portfolios	None
Henry Gabbay 55 East 52nd Street New York, New York 10055 1947	Board Member	Since 2007	Consultant, BlackRock from 2007 to 2008; Managing Director, BlackRock from 1989 to 2007; Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; President of BlackRock Funds and BlackRock Bond Allocation Target Shares from 2005 to 2007; Treasurer of certain closed-end funds in the Closed-End Complex from 1989 to 2006.	155 RICs consisting of 282 Portfolios	None

* Board Members serve until their resignation, removal or death, or until December 31 of the year in which they turn 72. The maximum age limitation may be waived as to any Board Member by action of a majority of the Board Members upon a finding of good cause therefore. In 2013, the Board approved the extension of the mandatory retirement age for James T. Flynn and Kate F. Feldstein by one additional year, until December 31 of the year in which James T. Flynn turns 75 and Kate F. Feldstein turns 73, which the Board believes is in the best interest of shareholders.

** For purposes of this chart, RICs refers to registered investment companies and Portfolios refers to the investment programs of the BlackRock Advised Funds.

*** Directorships disclosed under this column do not include directorships disclosed under the column Principal Occupation(s) During Past Five Years.

Messrs. Gabbay and Audet are interested persons (as defined in the 1940 Act) of the Funds by virtue of their current or former positions with the Advisors, each a wholly owned subsidiary of BlackRock, Inc., and/or their ownership of BlackRock, Inc. and/or The PNC Financial Services Group, Inc. securities.

Experience, Qualifications and Skills

The Independent Board Members have adopted a statement of policy that describes the experience, qualifications, skills and attributes that are necessary and desirable for potential Independent Board Member candidates (the Statement of Policy). The Board believes that each Independent Board Member satisfied, at the time he or she was initially elected or appointed a Board Member, and continues to satisfy, the standards contemplated by the Statement of Policy. Furthermore, in determining that a particular Board Member was and continues to be qualified to serve as a Board Member, the Board has considered a variety of criteria, none of which, in isolation, was controlling. The Board believes that, collectively, the Board Members have balanced and diverse experience, skills, attributes and qualifications, which allow the Board to operate effectively in governing the Funds and protecting the interests of stockholders. Among the attributes common to all Board Members is their ability to review critically, evaluate, question and discuss information provided to them, to interact effectively with the Funds investment advisor, sub-advisor, other service providers, counsel and independent registered public accounting firm, and to exercise effective business judgment in the performance of their duties as Board Members. Each Board Member s ability to perform his or her duties effectively is evidenced by his or her educational background or professional training; business, consulting, public service or academic positions; experience from service as a board member of the Funds or the other funds in the BlackRock fund complexes (and any predecessor funds), other investment funds, public companies, or non-profit entities or other organizations; ongoing commitment and participation in Board and committee meetings, as well as their leadership of standing and ad hoc committees throughout the years; or other relevant life experiences.

The table below discusses some of the experiences, qualifications and skills of each of the Fund s Board Members that support the conclusion that they should serve on the Board.

Board Member	Experience, Qualifications and Skills
Richard E. Cavanagh	Mr. Cavanagh brings to the Boards a wealth of practical business knowledge and leadership as an experienced director/trustee of various public and private companies. In particular, because Mr. Cavanagh served for over a decade as President and Chief Executive Officer of The Conference Board, Inc., a global business research organization, he is able to provide the Boards with expertise about business and economic trends and governance practices. Mr. Cavanagh created the blue ribbon Commission on Public Trust and Private Enterprise in 2002, which recommended corporate governance enhancements. Mr. Cavanagh s service as a director of The Guardian Life Insurance Company of America and as a senior advisor and director of The Fremont Group provides added insight into investment trends and conditions. Mr. Cavanagh s long-standing service on the boards of the Closed-End Complex also provides him with a specific understanding of the Funds, their operations, and the business and regulatory issues facing the Funds. Mr. Cavanagh s independence from the Funds and the Funds investment advisor enhances his service as Chair of the Boards, Chair of the Leverage Committee, Chair of the Executive Committee and as a member of the Governance and Nominating Committee, Compliance Committee and Performance Oversight Committee.

Board Member	Experience, Qualifications and Skills
Karen P. Robards	The Boards benefit from Ms. Robards s many years of experience in investment banking and the financial advisory industry where she obtained extensive knowledge of the capital markets and advised clients on corporate finance transactions, including mergers and acquisitions and the issuance of debt and equity securities. Ms. Robards s prior position as an investment banker at Morgan Stanley provides useful oversight of the Funds investment decisions and investment valuation processes. Additionally, Ms. Robards s experience derived from serving as a director of Care Investment Trust, Inc., a health care real estate investment trust, provides the Board with the benefit of her experience with the management practices of other financial companies. Ms. Robards s long-standing service on the Board of the Closed-End Complex also provides her with a specific understanding of the Funds, their operations, and the business and regulatory issues facing the Funds. Ms. Robards s knowledge of financial and accounting matters qualifies her to serve as Vice Chair of the Boards and as the Chair of each Fund s Audit Committee. Ms. Robards s independence from the Funds and the Funds investment advisor enhances her service as a member of the Performance Oversight Committee, Executive Committee, Governance and Nominating Committee and Leverage Committee.
Michael J. Castellano	The Boards benefit from Mr. Castellano s career in accounting which spans over forty years. Mr. Castellano has served as Chief Financial Officer of Lazard Ltd. and as a Managing Director and Chief Financial Officer of Lazard Group. Prior to joining Lazard, Mr. Castellano held various senior management positions at Merrill Lynch & Co., including Senior Vice President Chief Control Officer for Merrill Lynch s capital markets businesses, Chairman of Merrill Lynch International Bank and Senior Vice President Corporate Controller. Prior to joining Merrill Lynch & Co., Mr. Castellano was a partner with Deloitte & Touche where he served a number of investment banking clients over the course of his 24 years with the firm. Mr. Castellano s knowledge of financial and accounting matters qualifies him to serve as a member of each Fund s Audit Committee. Mr. Castellano s independence from the Funds and the Funds investment advisor enhances his service as a member of the Audit Committee, Governance and Nominating Committee and Performance Oversight Committee.
Frank J. Fabozzi	Dr. Fabozzi holds the designations of Chartered Financial Analyst and Certified Public Accountant. Dr. Fabozzi was inducted into the Fixed Income Analysts Society s Hall of Fame and is the 2007 recipient of the C. Stewart Sheppard Award given by the CFA Institute. The Boards benefit from Dr. Fabozzi s experiences as a professor and author in the field of finance. Dr. Fabozzi s experience as a Professor of Finance at EDHEC Business School, as a Professor in the Practice of Finance and Becton Fellow at the Yale University School of Management and as editor of the Journal of Portfolio Management demonstrate his wealth of expertise in the investment management and structured finance areas. Dr. Fabozzi has authored and edited numerous books and research papers on topics in investment management and financial econometrics, and his writings have focused on fixed income securities and portfolio management, many of which are considered standard references in the investment management industry. Dr. Fabozzi s long-standing service on the Board of the Closed-End Complex also provides him with a specific understanding of the Funds, their operations and the business and regulatory issues facing the Funds. Moreover, Dr. Fabozzi s knowledge of financial and accounting matters qualifies him to serve as a member of each Fund s Audit Committee. Dr. Fabozzi s independence from the Funds and the Funds investment advisor enhances his service as Chair of the Performance Oversight Committee and as a member of the Governance and Nominating Committee and Leverage Committee.

Board Member	Experience, Qualifications and Skills
Kathleen F. Feldstein	Dr. Feldstein, who served as President of Economics Studies, Inc., an economic consulting firm, benefits the Boards by providing business leadership and experience and knowledge of economics. The Boards benefit from Dr. Feldstein s experience as a director/trustee of publicly traded and private companies, including financial services, technology and telecommunications companies. Dr. Feldstein s long-standing service on the boards of the Closed-End Complex also provides her with a specific understanding of the Funds, their operations, and the business and regulatory issues facing the Funds. In addition, Dr. Feldstein s independence from the Funds and the Funds investment advisor enhances her service as a member of the Compliance Committee, Governance and Nominating Committee and Performance Oversight Committee.
James T. Flynn	Mr. Flynn brings to the Boards a broad and diverse knowledge of business and capital markets as a result of his many years of experience in the banking and financial industry. Mr. Flynn s five years as the Chief Financial Officer of JP Morgan & Co. provide the Board with experience on financial reporting obligations and oversight of investments. Mr. Flynn s long-standing service on the boards of the Closed-End Complex also provides him with a specific understanding of the Funds, their operations, and the business and regulatory issues facing the Funds. Mr. Flynn s knowledge of financial and accounting matters qualifies him to serve as a member of each Fund s Audit Committee. Mr. Flynn s independence from the Funds and the Funds investment advisor enhances his service as a member of the Governance and Nominating Committee and Performance Oversight Committee.
Jerrold B. Harris	Mr. Harris s time as President and Chief Executive Officer of VWR Scientific Products Corporation brings to the Boards business leadership and experience and knowledge of the chemicals industry and national and international product distribution. Mr. Harris s position as a director of BlackRock Kelso Capital Corporation brings to the Boards the benefit of his experience as a director of a business development company governed by the 1940 Act and allows him to provide the Boards with added insight into the management practices of other financial companies. Mr. Harris s long-standing service on the boards of the Closed-End Complex also provides him with a specific understanding of the Funds, their operations and the business and regulatory issues facing the Funds. Mr. Harris s independence from the Funds and the Funds investment advisor fosters his role as Chair of the Compliance Committee and as a member of the Governance and Nominating Committee and Performance Oversight Committee.
R. Glenn Hubbard	Dr. Hubbard has served in numerous roles in the field of economics, including as the Chairman of the U.S. Council of Economic Advisers of the President of the United States. Dr. Hubbard serves as the Dean of Columbia Business School, has served as a member of the Columbia Faculty and as a Visiting Professor at the John F. Kennedy School of Government at Harvard University, the Harvard Business School and the University of Chicago. Dr. Hubbard s experience as an advisor to the President of the United States adds a dimension of balance to the Funds governance and provides perspective on economic issues. Dr. Hubbard s service on the Board of KKR Financial Corporation, ADP and Metropolitan Life Insurance Company provides the Board with the benefit of his experience with the management practices of other financial companies. Dr. Hubbard s long-standing service on the Board of the Closed-End Complex also provides him with a specific understanding of the Funds, their operations, and the business and regulatory issues facing the Funds. Dr. Hubbard s independence from the Funds and the Funds investment advisor enhances his service as the Chair of the Governance and Nominating Committee and a member of the Compliance Committee and Performance Oversight Committee.

Board Member	Experience, Qualifications and Skills
W. Carl Kester	The Boards benefit from Dr. Kester s experiences as a professor and author in finance, and his experience as the George Fisher Baker Jr. Professor of Business Administration at Harvard Business School and as Deputy Dean of Academic Affairs at Harvard Business School adds to the Board a wealth of expertise in corporate finance and corporate governance. Dr. Kester has authored and edited numerous books and research papers on both subject matters, including co-editing a leading volume of finance case studies used worldwide. Dr. Kester s long-standing service on the Board of the Closed-End Complex also provides him with a specific understanding of the Funds, their operations, and the business and regulatory issues facing the Funds. Dr. Kester s knowledge of financial and accounting matters qualifies him to serve as a member of each Fund s Audit Committee. In addition, Dr. Kester s independence from the Funds and the Funds investment advisor enhances his service as a member of the Governance and Nominating Committee, Performance Oversight Committee and the Leverage Committee.
Paul L. Audet	Mr. Audet has a wealth of experience in the investment management industry, including more than 13 years with BlackRock and over 30 years in finance and asset management. He also has expertise in finance, as demonstrated by his positions as Chief Financial Officer of BlackRock and head of BlackRock s Global Cash Management business. Mr. Audet currently is a member of BlackRock s Global Operating and Corporate Risk Management Committees, the BlackRock Alternative Investors Executive Committee and the Investment Committee for the Private Equity Fund of Funds. Prior to joining BlackRock, Mr. Audet was the Senior Vice President of Finance at PNC Bank Corp. and Chief Financial Officer of the investment management and mutual fund processing businesses and head of PNC s Mergers & Acquisitions Unit. Mr. Audet serves as a member of the Executive Committee.
Henry Gabbay	The Boards benefit from Dr. Gabbay s many years of experience in administration, finance and financial services operations. Dr. Gabbay s experience as a Managing Director of BlackRock, Chief Administrative Officer of BlackRock Advisors, LLC and President of BlackRock Funds provides the Board with insight into investment company operational, financial and investment matters. Dr. Gabbay s former positions as Chief Administrative Officer of BlackRock Advisors, LLC and as Treasurer of certain closed-end funds in the Closed-End Complex provide the Board with direct knowledge of the operations of the Funds and their investment advisor. Dr. Gabbay s long-standing service on the Board of the Closed-End Complex also provides him with a specific understanding of the Funds, their operations, and the business and regulatory issues facing the Funds. Dr. Gabbay serves as a member of the Leverage Committee.

Board Leadership Structure and Oversight

The Board has overall responsibility for the oversight of the Funds. The Chair of the Board and the Chief Executive Officer are two different people. Not only is the Chair of the Board an Independent Board Member, but also the Chair of each Board committee (each, a Committee) is an Independent Board Member. The Board has six standing Committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee, an Executive Committee and a Leverage Committee. The role of the Chair of the Board is to preside at all meetings of the Board and to act as a liaison with service providers, officers, attorneys, and other Board Members between meetings. The Chair of each Committee performs a similar role with respect to such Committee. The Chair of the Board or Committees may also perform such other functions as may be delegated by the Board or the Committees from time to time. The Independent Board Members meet regularly outside the presence of the Funds management, in executive session or with other service providers to the Funds. The Board has regular meetings five times a year, including a meeting to consider the approval of the Funds Advisory Agreements, and may hold special meetings if required before their next regular meeting. During the fiscal year ended February 28, 2013 for ARK and DSU and August 31, 2012 for BHD the Board held five regular meetings and two special meetings. Each Committee meets regularly to conduct the oversight functions delegated to that Committee by the Board and reports its findings to the Board. The Board and each standing Committee conduct annual assessments of their oversight function and structure. The Board has determined that the Board s leadership structure is appropriate because it allows the Board to exercise independent judgment over management and to allocate areas of responsibility among Committees and the Board to enhance effective oversight.

The Board decided to separate the roles of Chair and Chief Executive Officer because it believes that an independent Chair:

- Increases the independent oversight of the Funds and enhances the Board s objective evaluation of the Chief Executive Officer
- Allows the Chief Executive Officer to focus on the Funds operations instead of Board administration
- Provides greater opportunities for direct and independent communication between shareholders and the Board
- Provides an independent spokesman for the Funds

The Board has engaged the Advisors to manage the Funds on a day-to day basis. The Board is responsible for overseeing the Advisors, other service providers, the operations of the Funds and associated risks in accordance with the provisions of the 1940 Act, state law, other applicable laws, the Funds charters, and the Funds investment objective(s) and strategies. The Board reviews, on an ongoing basis, the Funds performance, operations, and investment strategies and techniques. The Board also conducts reviews of the Advisors and their role in running the operations of the Funds.

Day-to-day risk management with respect to the Funds is the responsibility of the Advisors or other service providers (depending on the nature of the risk), subject to the supervision of the Advisor. The Funds are subject to a number of risks, including investment, compliance, operational and valuation risks, among others. While there are a number of risk management functions performed by the Advisors or other service providers, as applicable, it is not possible to eliminate all of the risks applicable to the Funds. Risk oversight is part of the Board s general oversight of the Funds and is addressed as part of various Board and Committee activities. The Board, directly or through Committees, also review reports from, among others, management, the independent registered public accounting firm for the Funds, the Advisors, and internal auditors for the Advisors or their affiliates, as appropriate, regarding risks faced by the Funds and management s or the service provider s risk functions. The Committee system facilitates the timely and efficient consideration of matters by the Board Members and facilitates effective oversight of compliance with legal and regulatory requirements and of the Funds activities and associated risks. The Board has appointed a Chief Compliance Officer, who oversees the implementation and testing of the Funds compliance program and reports regularly to the Board regarding compliance matters for the Funds and their service providers. The Independent Board Members have engaged independent legal counsel to assist them in performing their oversight responsibilities.

Audit Committee. The Board has a standing Audit Committee composed of Karen P. Robards (Chair), Michael J. Castellano, Frank J. Fabozzi, James T. Flynn and W. Carl Kester, all of whom are Independent Board Members. The principal responsibilities of the Audit Committee are to assist the Board in fulfilling its oversight responsibilities relating to the accounting and financial reporting policies and practices of the Funds. The Audit Committee s responsibilities include, without limitation: (i) approving the selection, retention, termination and compensation of the Funds independent registered public accounting firm and evaluating the independence and objectivity of the independent auditors; (ii) approving all audit engagement terms and fees for the Funds; (iii) reviewing the conduct and results of each audit; (iv) reviewing any issues raised by the Funds independent registered public accounting firm or management regarding the accounting or financial reporting policies and practices of the Funds, their internal controls, and, as appropriate, the internal controls of certain service providers and management s response to any such issues; (v) reviewing and discussing the Funds audited and unaudited financial statements and disclosure in the Funds shareholder reports relating to the Funds performance; (vi) assisting the Board in considering the performance of the Funds internal audit function provided by its investment advisor, administrator, pricing agent or other service provider; and (vii) resolving any disagreements between the Funds management and the Funds independent registered public accounting firm regarding financial reporting. During the fiscal year ended February 28, 2013 for ARK and DSU and August 31, 2012 for BHD, the Audit Committee held fourteen and eleven meetings, respectively. A copy of the Audit Committee Charter for the Funds can be found in the Corporate Governance section of the BlackRock Closed-End Fund website at www.blackrock.com.

Governance and Nominating Committee. The Board has a standing Governance and Nominating Committee composed of R. Glenn Hubbard (Chair), Richard E. Cavanagh, Michael J. Castellano, Frank J. Fabozzi, Kathleen F. Feldstein, James T. Flynn, Jerrold B. Harris, W. Carl Kester and Karen P. Robards, all of whom are Independent Board Members. The principal responsibilities of the Governance and Nominating Committee are: (i) identifying individuals qualified to serve as Independent Board Members and recommending Independent Board Member nominees for election by shareholders or appointment by the Board; (ii) advising the Board with respect to Board composition, procedures and committees (other than the Audit Committee); (iii) overseeing periodic self-assessments of the Board and committees of the Board (other than the Audit Committee); (iv) reviewing and making recommendations in respect of Independent Board Member compensation; (v) monitoring corporate governance matters and making recommendations in respect thereof to the Board; and (vi) acting as the administrative committee with respect to Board policies and procedures, committee policies and procedures (other than the Audit Committee) and codes of ethics as they relate to the Independent Board Members. During the fiscal year ended February 28, 2013 for ARK and DSU and August 31, 2012 for BHD, the Governance and Nominating Committee held six meetings.

The Governance and Nominating Committee of the Board seeks to identify individuals to serve on the Board who have a diverse range of viewpoints, qualifications, experiences, backgrounds and skill sets so that the Board will be better suited to fulfill its responsibility of overseeing the Funds activities. In so doing, the Governance and Nominating Committee reviews the size of the Board, the ages of the current Board Members and their tenure on the Board, and the skills, background and experiences of the Board Members in light of the issues facing the Funds in determining whether one or more new directors should be added to the Board. The Board as a group strives to achieve diversity in terms of gender, race and geographic location. The Governance and Nominating Committee believes that the Board Members as a group possess the array of skills, experiences and backgrounds necessary to guide the Funds. The Board Members biographies included above highlight the diversity and breadth of skills, qualifications and expertise that the Board Members bring to the Funds.

The Governance and Nominating Committee may consider nominations for Board Members made by the Funds shareholders as it deems appropriate. Under the Funds By-laws, shareholders must follow certain procedures to nominate a person for election as a director at a shareholder meeting, or to introduce an item of business at a shareholder meeting. Under these advance notice procedures, shareholders must submit the proposed nominee or item of business by delivering a notice to the Secretary of the Funds at their principal executive offices. Each Fund must receive notice of a shareholder s intention to introduce a nomination or proposed item of business for a shareholder meeting called for the purpose of electing directors not later than the close of business on the fifth day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

Each Fund s By-laws provide that notice of a proposed nomination must include certain information about the shareholder and the nominee, as well as a written consent of the proposed nominee to serve if elected. A notice of a proposed item of business must include a description of and the reasons for bringing the proposed business to the meeting, any material interest of the shareholder in the business, and certain other information about the shareholder.

Further, the Funds have adopted Board Member qualification requirements which can be found in the Funds By-laws and are applicable to all Board Members that may be nominated, elected, appointed, qualified or seated to serve as Board Members. Reference is made to the Funds By-laws for more details.

A copy of the Governance and Nominating Committee Charter for the Funds can be found in the Corporate Governance section of the BlackRock Closed-End Fund website at www.blackrock.com.

Compliance Committee. The Board has a Compliance Committee composed of Jerrold B. Harris (Chair), Richard E. Cavanagh, Kathleen F. Feldstein and R. Glenn Hubbard, each of whom are Independent Board Members. The Compliance Committee s purpose is to assist the Board in fulfilling its responsibility with respect to the oversight of regulatory and fiduciary compliance matters involving the Funds, the fund-related activities of BlackRock, and any sub-advisors and the Funds other third party service providers. The Compliance Committee s responsibilities include, without limitation: (i) overseeing the compliance policies and procedures of the Funds and their service providers; (ii) reviewing information on and, where appropriate, recommending policies concerning the Funds compliance with applicable law; (iii) reviewing information on any significant correspondence with or other actions by regulators or governmental agencies with respect to the Funds and any employee complaints or published reports that raise concerns regarding compliance matters; and (iv) reviewing reports from and making certain recommendations in respect of the Funds Chief Compliance Officer, including, without limitation, determining the amount and structure of the Chief Compliance Officer s compensation. The Board has adopted a written charter for the Compliance Committee. During the fiscal year ended February 28, 2013 for ARK and DSU and August 31, 2012 for BHD, the Compliance Committee held five and six meetings, respectively.

Performance Oversight Committee. The Board has a Performance Oversight Committee composed of Frank J. Fabozzi (Chair), Richard E. Cavanagh, Michael J. Castellano, Kathleen F. Feldstein, James T. Flynn, Jerrold B. Harris, R. Glenn Hubbard, W. Carl Kester and Karen P. Robards, all of whom are Independent Board Members. The Performance Oversight Committee s purpose is to assist the Board in fulfilling its responsibility to oversee the Funds investment performance relative to the Funds investment objectives, policies and practices. The Performance Oversight Committee s responsibilities include, without limitation: (i) reviewing the Funds investment objectives, policies and practices; (ii) recommending to the Board any required action in respect of changes in fundamental and non-fundamental investment restrictions; (iii) reviewing information on appropriate benchmarks and competitive universes; (iv) reviewing the Funds investment performance relative to such benchmarks; (v) reviewing information on unusual or exceptional investment matters; (vi) reviewing whether the Funds have complied with their investment policies and restrictions; and (vii) overseeing policies, procedures and controls regarding valuation of the Funds investments. The Board has adopted a written charter for the Performance Oversight Committee. During the fiscal year ended February 28, 2013 for ARK and DSU and August 31, 2012 for BHD, the Performance Oversight Committee held four meetings.

Leverage Committee. The Board has a Leverage Committee composed of Richard E. Cavanagh (Chair), Karen P. Robards, Frank J. Fabozzi, Henry Gabbay and W. Carl Kester. The Leverage Committee s responsibilities include, without limitation: (i) to support the Independent Board Members in pursuing the best interests of the Funds and its shareholders; (ii) to oversee the Funds usage of leverage, including the Funds incurrence, refinancing and maintenance of leverage and, to the extent necessary or appropriate, authorize or approve the execution of documentation in respect thereto, (iii) to oversee and authorize actions in respect of refinancing and redeeming forms of leverage; and (iv) to receive reports with respect to the foregoing matters. The Board has adopted a written charter for the Leverage Committee. During the fiscal year ended February 28, 2013 for ARK and DSU and August 31, 2012 for BHD, the Leverage Committee held ten and two meetings, respectively.

Executive Committee. The Board has an Executive Committee composed of Richard E. Cavanagh and Karen P. Robards, both of whom are Independent Board Members, and Paul L. Audet, who serves as an interested Board Member. The principal responsibilities of the Executive Committee include, without limitation: (i) acting on routine matters between meetings of the Board; (ii) acting on such matters as may require urgent action between meetings of the Board; and (iii) exercising such other authority as may from time to time be delegated to the Executive Committee by the Board. The Board has adopted a written charter for the Executive Committee. During the fiscal year ended February 28, 2013 for ARK and DSU and August 31, 2012 for BHD, the Executive Committee held one meeting.

Information about the specific experience, skills, attributes and qualifications of each Board Member, which in each case led to the Board s conclusion that the Board Member should serve (or continue to serve) as a Board Member of the Funds, is provided in Biographical Information Pertaining to Board Members.

Share Ownership

Information relating to each director s share ownership in each Fund and in the other funds in the Closed-End Complex that are overseen by the respective director (Supervised Funds) as of May 31, 2013 is set forth in the chart below:

Name of Board Member	Aggregate Dollar Range of Equity Securities in ARK	Aggregate Dollar Range of Equity Securities in BHD	Aggregate Dollar Range of Equity Securities in DSU	Aggregate Dollar Range of Equity Securities in Supervised Funds
Paul L. Audet	None	None	None	Over $100,000
Michael J. Castellano	$10,001-$50,000	$10,001-$50,000	$10,001-$50,000	Over $100,000
Richard E. Cavanagh	$1-$10,000	$1-$10,000	$1-$10,000	Over $100,000
Frank J. Fabozzi	$1-$10,000	$1-$10,000	$1-$10,000	$50,001-$100,000
Kathleen F. Feldstein	None	$1-$10,000	None	$50,001-$100,000
James T. Flynn	None	None	None	$50,001-$100,000
Henry Gabbay	$1-$10,000	$1-$10,000	$1-$10,000	Over $100,000
Jerrold B. Harris	$1-$10,000	$1-$10,000	$1-$10,000	Over $100,000
R. Glenn Hubbard	None	$1-$10,000	None	Over $100,000
W. Carl Kester	$1-$10,000	$1-$10,000	$1-$10,000	Over $100,000
Karen P. Robards	None	None	None	Over $100,000

Name of Board Member	Aggregate Dollar Range of Share Equivalents in ARK	Aggregate Dollar Range of Share Equivalents in BHD	Aggregate Dollar Range of Share Equivalents in DSU	Aggregate Dollar Range of Equity Securities and Share Equivalents in Supervised Funds
Paul L. Audet	None	None	None	Over $100,000
Michael J. Castellano	None	None	None	Over $100,000
Richard E. Cavanagh	None	None	None	Over $100,000
Frank J. Fabozzi	None	None	None	Over $100,000
Kathleen F. Feldstein	None	None	None	Over $100,000
James T. Flynn	None	None	None	Over $100,000
Henry Gabbay	None	None	None	Over $100,000
Jerrold B. Harris	None	None	None	Over $100,000
R. Glenn Hubbard	None	None	None	Over $100,000
W. Carl Kester	None	None	None	Over $100,000
Karen P. Robards	None	None	None	Over $100,000

As of May 31, 2013, the officers and Board Members as a group owned an aggregate of less than 1% of the outstanding shares of any Supervised Fund. As of May 31, 2013, none of the Independent Board Members of the Funds or their immediate family members owned beneficially or of record any securities of BlackRock or any affiliate of BlackRock or underwriter or any person controlling, controlled by or under common control with any such entities nor did any Independent Board Member of the Funds or their immediate family member have any material interest in any transaction, or series of similar transactions, during the most recently completed two calendar years involving the Funds, BlackRock or any affiliate of BlackRock or underwriter or any person controlling, controlled by or under common control with any such entities.

Compensation of Board Members

Each Independent Board Member is paid an annual retainer of $250,000 per year for his or her services as a Board Member of all BlackRock-advised closed-end funds (the Closed-End Complex) that are overseen by the respective director/trustee, and each Board Member may also receive a $10,000 board meeting fee for special unscheduled meetings or meetings in excess of six Board meetings held in a calendar year, together with out-of-pocket expenses in accordance with a Board policy on travel and other business expenses relating to attendance at meetings. In addition, the Chair and Vice Chair of the Board are paid an additional annual retainer of $120,000 and $40,000, respectively. The Chairs of the Audit Committee, Compliance Committee, Governance and Nominating Committee, and Performance Oversight Committee are paid an additional annual retainer of $35,000, $20,000, $10,000 and $20,000, respectively. Each Audit Committee and Leverage Committee member is paid an additional annual retainer of $25,000 for his or her service on such committee. For the year ended December 31, 2012, the Closed-End Complex reimbursed Independent Board Member expenses in an aggregate amount of $32,393. Each Fund pays a *pro rata* portion quarterly (based on relative net assets) of the foregoing Board Member fees paid by the funds in the Closed-End Complex.

Dr. Gabbay is an interested person of the Funds and serves as an interested Board Member of three groups of BlackRock-advised funds the Closed-End Complex and two complexes of open-end funds (the Equity-Liquidity Complex and the Equity-Bond Complex ; each such complex, a BlackRock Fund Complex). Dr. Gabbay receives for his services as a Board Member of such BlackRock Fund Complexes (i) an annual retainer of $550,000 allocated to the funds in these three BlackRock Fund Complexes, including the Funds, based on their relative net assets and (ii) with respect to each of the two open-end BlackRock Fund Complexes, a Board meeting fee of $3,750 (with respect to meetings of the Equity-Liquidity Complex) and $18,750 (with respect to meetings of the Equity-Bond Complex) to be paid for attendance at each Board meeting up to five Board meetings held in a calendar year by each such complex (compensation for meetings in excess of this number to be determined on a case-by-case basis). Dr. Gabbay is also reimbursed for out-of-pocket expenses in accordance with a Board policy on travel and other business expenses relating to attendance at meetings. Dr. Gabbay s compensation for serving on the Board of the funds in these BlackRock Fund Complexes (including the Funds) is equal to 75% of each Board Member retainer and, as applicable, of each Board meeting fee (without regard to additional fees paid to Board and Committee chairs) received by the Independent Board Members serving on such Board, as well as the full Leverage Committee member retainer. The Board of the Funds or of any other fund in a BlackRock Fund Complex may modify the Board Members compensation from time to time depending on market conditions and accordingly Dr. Gabbay s compensation would be impacted by those modifications.

The Independent Board Members have agreed that a maximum of 50% of each Independent Board Member s total compensation paid by funds in the Closed-End Complex may be deferred pursuant to the Closed-End Complex s deferred compensation plan. Under the deferred compensation plan, deferred amounts earn a return for the Independent Board Members as though equivalent dollar amounts had been invested in common shares of certain funds in the Closed-End Complex selected by the Independent Board Members. This has approximately the same economic effect for the Independent Board Members as if they had invested the deferred amounts in such other funds in the Closed-End Complex. The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of a fund and are recorded as a liability for accounting purposes.

The following table sets forth the compensation that each of the Board Members earned from the Funds as of each Fund s most recent fiscal year end and the aggregate compensation paid to them by all funds in the Closed-End Complex for the calendar year ended December 31, 2012, which includes deferred compensation amounts paid to each Independent Board Member and Dr. Gabbay by the Funds. Mr. Audet serves without compensation from the Funds because of his affiliation with BlackRock, Inc. and the Advisors.

	Aggregate Compensation from ARK[(1)]	Aggregate Compensation from DSU[(1)]	Aggregate Compensation from BHD[(1)]	Total Compensation from Closed-End Complex[(5)]	Number of Registered Investment Companies in Closed-End Complex Overseen by Board Member
Michael J. Castellano[(2)]	$ 2,048	$ 3,882	$ 368	$ 275,000	94
Richard E. Cavanagh[(2)(4)]	$ 2,832	$ 5,368	$ 1,199	$ 395,000	94
Frank J. Fabozzi[(2)(4)]	$ 2,320	$ 4,398	$ 958	$ 320,000	94
Kathleen F. Feldstein[(2)]	$ 1,862	$ 3,529	$ 801	$ 250,000	94
R. Glenn Hubbard[(2)]	$ 1,936	$ 3,671	$ 833	$ 260,000	94
James T. Flynn[(2)]	$ 2,048	$ 3,882	$ 881	$ 275,000	94
Jerrold B. Harris[(2)]	$ 2,011	$ 3,812	$ 865	$ 270,000	94
W. Carl Kester[(2)(4)]	$ 2,171	$ 4,116	$ 894	$ 300,000	94
Karen P. Robards[(2)(4)]	$ 2,730	$ 5,175	$ 1,135	$ 375,000	94
Henry Gabbay[(3)(4)]	$ 1,551	$ 2,951	$ 655	$ 206,250	94

(1) Information is for the Fund s most recent fiscal year.

(2) Total amount of deferred compensation payable by the Closed-End Complex, as of December 31, 2012, to Mr. Castellano, Mr. Cavanagh, Dr. Fabozzi, Dr. Feldstein, Dr. Hubbard, Mr. Flynn, Mr. Harris, Dr. Kester, and Ms. Robards is $135,875, $599,111, $545,068, $633,776, $931,806, $930,159, $867,683, $507,359 and $481,779, respectively.

(3) As of December 31, 2012 the Board Member did not participate in the deferred compensation plan.

(4) Each Leverage Committee member was paid a retainer of $25,000 for the year ended December 31, 2012.

(5) Represents the aggregate compensation earned by such persons from the Closed-End Complex during the calendar year ended December 31, 2012. Of this amount, Mr. Cavanagh, Dr. Fabozzi, Dr. Feldstein, Dr. Hubbard, Mr. Flynn, Mr. Harris, Dr. Kester, Ms. Robards and Mr. Castellano deferred $37,000, $29,500, $75,000, $130,000, $137,500, $135,000, $75,000, $70,000 and $82,500, respectively.

Independent Board Member Ownership of Securities

As of May 31, 2013, the Independent Board Members (and their respective immediate family members) did not beneficially own securities of the Advisors or an entity controlling, controlled by or under common control with the Advisors (not including registered investment companies).

Information Pertaining to the Executive Officers

The executive officers of the Funds, their year of birth and their principal occupations during the past five years (their titles may have varied during that period) are shown in the table below. The address of each officer is c/o BlackRock, Inc., Park Avenue Plaza, 55 East 52nd Street, New York, New York 10055. With the exception of the CCO, executive officers receive no compensation from the Funds. The Funds compensate the CCO for his services as their CCO.

Each executive officer is an interested person of the Funds (as defined in the 1940 Act) by virtue of that individual s position with BlackRock or its affiliates described in the table below.

Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupations(s) During Past 5 Years
John M. Perlowski 55 East 52nd Street New York, New York 10055 1964	President and Chief Executive Officer	Annual; Since 2011	Managing Director of BlackRock, Inc. since 2009; Global Head of BlackRock Fund Administration since 2009; Managing Director and Chief Operating Officer of the Global Product Group at Goldman Sachs Asset Management, L.P. from 2003 to 2009; Treasurer of Goldman Sachs Mutual Funds from 2003 to 2009 and Senior Vice President thereof from 2007; Director of Goldman Sachs Offshore Funds from 2002 to 2009; Director of Family Resource Network (charitable foundation) since 2009.
Anne F. Ackerley 55 East 52nd Street New York, New York 10055 1962	Vice President*	Annual; Since 2007	Managing Director of BlackRock, Inc. since 2000; Chief Marketing Officer of BlackRock, Inc. since 2012; President and Chief Executive Officer of the BlackRock-advised funds from 2009 to 2011; Vice President of the BlackRock-advised funds from 2007 to 2009; Chief Operating Officer of BlackRock s Global Client Group from 2009 to 2012; Chief Operating Officer of BlackRock s U.S. Retail Group from 2006 to 2009; Head of BlackRock s Mutual Fund Group from 2000 to 2006.
Robert W. Crothers 55 East 52nd Street New York, New York 10055 1981	Vice President	Annual; Since 2012	Director of BlackRock, Inc. since 2011; Vice President of BlackRock, Inc. from 2008 to 2010; Associate of BlackRock, Inc. from 2006 to 2008.
Brendan Kyne 55 East 52nd Street	Vice President	Annual; Since 2009	Managing Director of BlackRock, Inc. since 2010; Director of BlackRock, Inc. from 2008 to 2009; Head of Product Development and Management for BlackRock s U.S. Retail Group since 2009; Co-head of Product Development and Management for BlackRock s U.S. Retail Group from 2007 to

New York, New York 10055 1977			2009; Vice President of BlackRock, Inc. from 2005 to 2008.
Neal J. Andrews 55 East 52nd Street New York, New York 10055 1966	Chief Financial Officer	Annual; Since 2007	Managing Director of BlackRock, Inc. since 2006; Senior Vice President and Line of Business Head of Fund Accounting and Administration at PNC Global Investment Servicing (US) Inc. from 1992 to 2006.

Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupations(s) During Past 5 Years
Jay M. Fife 55 East 52nd Street New York, New York 10055 1970	Treasurer	Annual; Since 2007	Managing Director of BlackRock, Inc. since 2007; Director of BlackRock, Inc. in 2006; Assistant Treasurer of MLIM and Fund Asset Management L.P. advised Funds from 2005 to 2006; Director of MLIM Fund Services Group from 2001 to 2006.
Brian P. Kindelan 55 East 52nd Street New York, New York 10055 1959	Chief Compliance Officer (CCO) and Anti-Money Laundering Officer	Annual; Since 2007	Chief Compliance Officer of the BlackRock-advised Funds since 2007; Managing Director and Senior Counsel of BlackRock, Inc. since 2005.
Janey Ahn 55 East 52nd Street New York, New York 10055 1975	Secretary	Annual; Since 2012	Director of BlackRock, Inc. since 2009; Vice President of BlackRock, Inc. from 2008 to 2009; Assistant Secretary of the Funds from 2008 to 2012; Associate at Willkie Farr & Gallagher LLP from 2006 to 2008.

* Ms. Ackerley was Chief Executive Officer of the Funds from 2009 to 2011 and Vice President from 2007 to 2009. She was also President of the Funds, from 2009 to 2011.

Indemnification of Board Members and Officers

The governing documents of each Fund generally provide that, to the extent permitted by applicable law, the Fund will indemnify its Board Members and officers against liabilities and expenses incurred in connection with litigation in which they may be involved because of their offices with the Fund unless, as to liability to the Fund or its investors, it is finally adjudicated that they engaged in willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in their offices. In addition, the Fund will not indemnify Board Members with respect to any matter as to which directors did not act in good faith in the reasonable belief that his or her action was in the best interest of the Fund or, in the case of any criminal proceeding, as to which Board Members had reasonable cause to believe that the conduct was unlawful. Indemnification provisions contained in a Fund s governing documents are subject to any limitations imposed by applicable law.

The Funds in the Closed-End Complex have also entered into a separate indemnification agreement with the Board Members of each Board (the Indemnification Agreement). The Indemnification Agreement (i) extends the indemnification provisions contained in a Fund s governing documents to Board Members who leave that Fund s Board and serve on an advisory board of a different fund in the Closed-End Complex; (ii) sets in place the terms of the indemnification provisions of a Fund s governing documents once a director retires from a Board; and (iii) in the case of Board Members who left the Board of a Fund in connection with or prior to the board consolidation that occurred in 2007 as a result of the merger of BlackRock and Merrill Lynch & Co., Inc. s investment management business, clarifies that such Fund continues to indemnify the director for claims arising out of his or her past service to that Fund.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Funds Board Members, executive officers, persons who own more than ten percent of a registered class of a Fund s equity securities, the

Investment Advisor and certain officers of the Investment Advisor (including in some cases former Section 16 insiders for a period of up to 6 months), to file reports on holdings of, and transactions in, Fund shares with the SEC and to furnish the Funds with copies of all such reports. Based solely on a review of copies of such reports furnished to the relevant Funds and representations from these reporting persons, each Fund believes that its Board Members, executive officers, ten percent holders, the Investment Advisor and certain officers of the Investment Advisor met all such applicable SEC filing requirement for the Funds most recently concluded fiscal year

INVESTMENT MANAGEMENT AGREEMENTS

Investment Management Agreement

The investment management agreement between each Fund and the Investment Advisor was approved by the respective Fund s Board, including a majority of the Independent Board Members. Certain administrative services are also provided to the Funds by the Investment Advisor pursuant to the investment management agreement between each Fund and the Investment Advisor. The Investment Advisor and its affiliates provide each Fund with services such as: preparing shareholder reports and communications, including annual and semi-annual financial statements and the Funds websites; communications with analysts to support secondary market trading; assisting with daily accounting and pricing; preparing periodic filings with regulators and stock exchanges; overseeing and coordinating the activities of other service providers; administering and organizing Board meetings and preparing the Board materials for such meetings; providing legal and compliance support (such as helping to prepare proxy statements and responding to regulatory inquiries); and performing other Fund administrative tasks necessary for the operation of the respective Fund (such as tax reporting and fulfilling regulatory filing requirements).

BlackRock Advisors, LLC acts as the investment advisor for each Fund. ARK pays the Investment Advisor a monthly management fee of 0.50% based on the Fund s average daily Managed Assets. BHD pays the Investment Advisor a monthly management fee of 0.75% based on the Fund s average weekly Managed Assets. DSU pays the Investment Advisor a monthly management fee of 0.60% based on the Fund s average daily Managed Assets. Managed Assets means the total assets of the Fund minus the sum of the accrued liabilities (other than the aggregate indebtedness constituting financial leverage).

If any of the Reorganizations are approved and consummated, the Combined Fund will pay the Investment Advisor a monthly fee at an annual rate of 0.55% of the Combined Fund s average daily Managed Assets.

The investment management agreements continue in effect for a period of two years from their respective effective dates, and if not terminated earlier, continue in effect for successive periods of 12 months thereafter, provided that each continuance is specifically approved at least annually by both (1) the vote of a majority of the applicable Fund s Board or the vote of a majority of the securities of the applicable Fund at the time outstanding and entitled to vote (as such term is defined in the 1940 Act) and (2) by the vote of a majority of the Independent Board Members of the applicable Fund, cast in person at a meeting called for the purpose of voting on such approval. The agreements may be terminated at any time, without the payment of any penalty, by each Fund (upon the vote of a majority of the applicable Fund s Board or a majority of the outstanding voting securities of the applicable Fund) or by the Investment Advisor, upon 60 days written notice by either party to the other which can be waived by the non-terminating party. The agreements will terminate automatically in the event of their assignment (as such term is defined in the 1940 Act and the rules thereunder).

The investment management agreements provide that the Investment Advisor will not be liable for any error of judgment or mistake of law or for any loss suffered by a Fund in connection with the performance of the investment management agreements, 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 the Investment Advisor s part in the performance of its duties or from reckless disregard by the Investment

Advisor of its duties under the investment management agreement. The investment management agreements also provide for indemnification by each Fund of the Investment Advisor, its directors, officers, employees, agents and control persons for liabilities incurred by them in connection with their services to each Fund, subject to certain limitations and conditions.

The Investment Advisor will devote such time and effort to the business of each Fund as is reasonably necessary to perform its duties to each Fund. However, the services of the Investment Advisor are not exclusive, and the Investment Advisor provides similar services to other investment companies and other clients and may engage in other activities.

The tables below set forth information about the total advisory fees paid by the Funds to the Investment Advisor and any amounts waived by the Investment Advisor.

Advisory Fees Paid to the Investment Advisor

For the Fiscal Year Ended	Paid to the Investment Advisor ARK	DSU
February 28, 2013	$ 1,619,965	$ 3,790,193
February 29, 2012	$ 1,496,938	$ 3,508,300
February 28, 2011	$ 1,349,606	$ 3,160,807

For the Fiscal Year Ended	Waived by the Investment Advisor ARK	DSU
February 28, 2013	$ 1,009	$ 1,545
February 29, 2012	$ 992	$ 1,506
February 28, 2011	$ 2,085	$ 2,372

For the Fiscal Year Ended	Paid to the Investment Advisor BHD
August 31, 2012	$ 897,234
August 31, 2011	$ 910,284
August 31, 2010	$ 733,733

For the Fiscal Year Ended	Waived by the Investment Advisor BHD
August 31, 2012	$ 317
August 31, 2011	$ 1,031
August 31, 2010	$ 23,773

Sub-Investment Advisory Agreements

BlackRock Financial Management, Inc. acts as the sub-advisor for each Fund (the Sub-Advisor). The Investment Advisor and each Fund has entered into a separate sub-advisory agreement with each Sub-Advisor under which the Investment Advisor pays the Sub-Advisor for services it provides, a monthly fee that is a percentage of the investment advisory fees paid by each Fund to the Investment Advisor. The Investment Advisor, and not any of the Funds, would be responsible for paying the Sub-Advisor from its advisory compensation.

The sub-investment advisory agreements continue in effect for a period of two years from their effective dates, and if not terminated earlier, will continue in effect for successive periods of 12 months thereafter, provided that each continuance is specifically approved at least annually by both (1) the vote of a majority of a Fund s Board or the vote of a majority of the outstanding voting securities of a Fund at the time outstanding and entitled to vote (as defined in the 1940 Act) and (2) by the vote of a majority of the Independent Board Members, cast in person at a meeting called for the purpose of voting on such approval. The agreements may be terminated at any time, without the payment of any penalty, by a Fund or the Investment Advisor (upon the vote of a majority of a Fund s Board or a majority of the outstanding voting securities of a Fund) or by the Sub-Advisor, upon 60 days written notice by either party to the other, which notice can be waived by the non-terminating party. The agreements will terminate automatically in the event of their assignment (as such term is defined in the 1940 Act and the rules thereunder).

The sub-investment advisory agreements provide that the Sub-Advisor will not be liable for any error of judgment or mistake of law or for any loss suffered by a Fund in connection with the performance of the investment management agreements, 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 the Sub-Advisor s part in the performance of its duties or from reckless disregard by the Sub-Advisor of its duties under the sub-investment advisory agreement. The sub-investment advisory agreements also provide for indemnification by each Fund of the sub-investment advisor, its directors, officers, employees, agents and control persons for liabilities incurred by them in connection with their services to each Fund, subject to certain limitations and conditions.

The Sub-Advisor will devote such time and effort to the business of each Fund as is reasonably necessary to perform its duties to each Fund. However, the services of the Sub-Advisor are not exclusive, and the Sub-Advisor provides similar services to other investment companies and other clients and may engage in other activities.

The following table sets forth the sub-advisory fees paid by the Investment Advisor to the Sub-Advisor.

Advisory Fees Paid to BlackRock Financial Management, Inc.

For the Fiscal Year Ended	**Paid to the Sub-Advisor ARK**	**Paid to the Sub-Advisor DSU**
February 28, 2013	$ 726,473	$ 1,701,486
February 29, 2012		
February 28, 2011		

For the Fiscal Year Ended	**Paid to the Sub-Advisor BHD**
August 31, 2012	$ 344,398
August 31, 2011	$ 345,848
August 31, 2010	$ 269,341

OTHER AGREEMENTS

Fund Accounting Agreement

Fund accounting services are provided to the Funds by State Street Bank and Trust Company (the Accounting Services Provider) pursuant to a fund accounting agreement that was entered into by the Funds and

State Street Bank and Trust Company. The table below shows the amounts paid by the Funds to the Accounting Services Provider and to the Investment Advisor for such services for the periods indicated:

Accounting Services	ARK	
For the Fiscal Year Ended	Paid to State Street	Paid to the Investment Advisor
February 28, 2013	$ 70,067	
February 29, 2012	$ 63,609	
February 28, 2011	$ 47,230	$ 4,242

Accounting Services	BHD	
For the Fiscal Year Ended	Paid to State Street	Paid to the Investment Advisor
August 31, 2012	$ 69,736	
August 31, 2011	$ 22,681	$ 751
August 31, 2010	$ 17,359	$ 1,885

Accounting Services	DSU	
For the Fiscal Year Ended	Paid to State Street	Paid to the Investment Advisor
February 28, 2013	$ 111,417	
February 29, 2012	$ 104,065	
February 28, 2011	$ 88,352	$ 8,322

FUND MANAGEMENT

Other Accounts Managed by the Portfolio Managers

For ARK, as of February 28, 2013:

	Number of Other Accounts Managed and Assets by Account Type			Number of Other Accounts and Assets for Which Advisory Fee is Performance-Based		
Name of Portfolio Manager	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
Leland Hart	7	16	13	0	7	0
	$3.95 Billion	$3.74 Billion	$3.23 Billion	$0	$1.52 Billion	$0
C. Adrian Marshall	7	16	13	0	7	0
	$3.95 Billion	$3.74 Billion	$3.23 Billion	$0	$1.52 Billion	$0
James Keenan	19	20	27	0	7	4
	$16.30 Billion	$10.57 Billion	$6.70 Billion	$0	$1.52 Billion	$571.8 Million

For BHD, as of August 31, 2012:

	Number of Other Accounts Managed and Assets by Account Type			Number of Other Accounts and Assets for Which Advisory Fee is Performance-Based		
Name of Portfolio Manager	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts

Jeffrey Cucunato	6	13	79	0	6	1
	$2.32 Billion	$77.98 Billion	$52.29 Billion	$0	$74.59 Billion	$514.2 Million
Derek Schoenhofen	10	4	30	0	1	4
	$11.43 Billion	$5.97 Billion	$7.76 Billion	$0	$417.8 Million	$571.2 Million
James Keenan	17	12	29	0	8	4
	$14.47 Billion	$8.20 Billion	$7.12 Billion	$0	$2.14 Billion	$571.2 Million

For DSU, as of February 28, 2013:

	Number of Other Accounts Managed and Assets by Account Type			Number of Other Accounts and Assets for Which Advisory Fee is Performance-Based		
Name of Portfolio Manager	**Other Registered Investment Companies**	**Other Pooled Investment Vehicles**	**Other Accounts**	**Other Registered Investment Companies**	**Other Pooled Investment Vehicles**	**Other Accounts**
Leland Hart	7	16	13	0	7	0
	$3.72 Billion	$3.74 Billion	$3.23 Billion	$0	$1.52 Billion	$0
C. Adrian Marshall	7	16	13	0	7	0
	$3.72 Billion	$3.74 Billion	$3.23 Billion	$0	$1.52 Billion	$0
James Keenan	19	20	27	0	7	4
	$16.07 Billion	$10.57 Billion	$6.70 Billion	$0	$1.52 Billion	$571.8 Million

Potential Material Conflicts of Interest

BlackRock has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous clients in addition to the Acquiring Fund, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Acquiring Fund. In addition, BlackRock, its affiliates and significant shareholders and any officer, director, shareholder or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Acquiring Fund. BlackRock, or any of its affiliates or significant shareholders, or any officer, director, shareholder, employee or any member of their families may take different actions than those recommended to the Acquiring Fund by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock s (or its affiliates or significant shareholders) officers, directors or employees are directors or officers, or companies as to which BlackRock or any of its affiliates or significant shareholders or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. Certain portfolio managers also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for a fund. It should also be noted that Messrs. Hart, Keenan and Marshall may be managing hedge fund and/or long only accounts, or may be part of a team managing hedge fund and/or long only accounts, subject to incentive fees. Messrs. Hart, Keenan and Marshall may therefore be entitled to receive a portion of any incentive fees earned on such accounts.

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this end, BlackRock has adopted policies that are intended to ensure reasonable efficiency in client transactions and provide BlackRock with sufficient flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base, as appropriate.

Portfolio Manager Compensation Overview

BlackRock s financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a performance-based discretionary bonus, participation in various benefits programs and one or more of the incentive compensation programs established by BlackRock.