BLACKROCK CORPORATE HIGH YIELD FUND, INC.
Form N-2
June 11, 2014

As filed with the Securities and Exchange Commission on June 11, 2014

Securities Act Registration No. 333-
Investment Company Act Registration No. 811-21318

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-2

x Registration Statement under the Securities Act of 1933
o Pre-Effective Amendment No.
o Post-Effective Amendment No.
and/or
x Registration Statement Under the Investment Company Act of 1940
x Amendment No. 3

BlackRock Corporate High Yield Fund, Inc.
(Exact Name of Registrant as Specified in Charter)
100 Bellevue Parkway
Wilmington, Delaware 19809
(Address of Principal Executive Offices)

(800) 882-0052
(Registrant's Telephone Number, Including Area Code)

John Perlowski, President
BlackRock Corporate High Yield Fund, Inc.
55 East 52nd Street
New York, New York 10055
(Name and Address of Agent for Service)

Copies to:

Thomas A. DeCapo, Esq. Skadden, Arps, Slate, Meagher & Flom LLP 500 Boylston Street Boston, Massachusetts 02116	Janey Ahn, Esq. BlackRock Advisors, LLC 55 East 52nd Street New York, New York 10055

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box x

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Shares of Common Stock, $0.10 par value	N/A	N/A	$1,000,000(1)	$128.80

(1) Estimated solely for purposes of calculating the registration fee.

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 THE REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATES AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED JUNE 11, 2014

Shares
BlackRock Corporate High Yield Fund, Inc.
Common Stock

PART I

INFORMATION ABOUT BLACKROCK CORPORATE HIGH YIELD FUND, INC.

Item 1. Outside Front Cover

1.a. The registrant's name is BlackRock Corporate High Yield Fund, Inc. (the "Fund").

1.b. The Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end management investment company. The Fund's primary investment objective is to provide shareholders with current income. The Fund's secondary investment objective is to provide shareholders with capital appreciation. The 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 Fund (as defined in the 1940 Act). There can be no assurance that the investment objectives of the Fund will be realized.

The Fund seeks to achieve its objectives by investing primarily in a diversified portfolio of fixed income securities which are rated below investment grade by the established rating services (Ba or lower by Moody's Investors Service, Inc. ("Moody's"), BB or lower by Standard & Poor's Ratings Services ("Standard & Poor's" or "S&P") or BB or lower by Fitch, Inc. ("Fitch")) or, if unrated, are considered by the Investment Advisor to be of comparable quality. The Fund may invest directly in fixed income securities or synthetically through the use of derivatives. Debt securities rated below investment grade commonly are referred to as "junk bonds."

Under normal market conditions, the Fund invests at least 80% of its net assets (including assets acquired from the sale of preferred stock), plus the amount of any borrowings for investment purposes, in high yield securities, including high yield bonds (commonly referred to as "junk bonds"), corporate loans, convertible debt securities and preferred securities. This is a non-fundamental policy and may be changed by the Board of Directors of the Fund provided that stockholders are provided with at least 60 days prior written notice of any change as required by the rules under the 1940 Act.

The Fund may engage in various portfolio strategies both to seek to increase its return and to hedge its portfolio against movements in interest rates and in the securities markets through the use of derivatives, such as indexed and inverse securities, options, futures, options on futures, interest rate transactions, credit default swaps and short selling. There can be no assurance that the Fund will employ these strategies or that, if employed, they will be effective.

1.c. The Fund is offering up to shares of common stock.

1.d. You should read this Prospectus, which concisely sets forth information about the Fund, before deciding whether to invest in the Fund's common stock and retain it for future reference. Additional information about the Fund and materials incorporated by reference have been filed with the Securities and Exchange Commission (the "SEC") and are available upon either written or oral request, free of charge, by calling 1-800-882-0052, by writing to the

Fund, or may be found on the SEC's website at www.sec.gov. You may also request a copy of this Prospectus, annual and semi-annual reports, other information about the Fund, and/or make investor inquiries by calling 1-800-882-0052, or by writing to the Fund. The Fund's annual and semi-annual reports are also available on the Fund's website at www.blackrock.com free of charge. This reference to BlackRock's website is intended to allow public access to information regarding the Fund and does not, and is not intended to, incorporate BlackRock's website into this Prospectus.

You should not construe the contents of this Prospectus as legal, tax or financial advice. You should consult with your own professional advisors as to the legal, tax, financial or other matters relevant to the suitability of an investment in the Fund.

The Fund's common stock does not represent a deposit or an obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

1.e. This Prospectus is dated , 2014.

1.f. Not applicable.

1.g. The Fund's common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "HYT." Sales of the Fund's common stock, if any, under this Prospectus may be made in transactions that are deemed to be "at the market" as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), including sales made directly on the NYSE. The minimum price on any day at which Fund common stock may be sold will not be less than the current net asset value ("NAV") per share plus the per share amount of the commission to be paid to the Fund's distributor (the "Minimum Price"), BlackRock Investments, LLC (the "Distributor"). The Fund and the Distributor will determine whether any sales of the Fund's common stock will be authorized on a particular day; the Fund and the Distributor, however, will not authorize sales of the Fund's common stock if the per share price of the shares is less than the Minimum Price. The Fund and the Distributor may also not authorize sales of the Fund's common stock on a particular day even if the per share price of the shares is equal to or greater than the Minimum Price, or may only authorize a fixed number of shares to be sold on any particular day. The Fund and the Distributor will have full discretion regarding whether sales of shares of the Fund’s common stock will be authorized on a particular day and, if so, in what amounts. As of , 2014, the last reported sale price for the Fund's common stock on the NYSE was $ per share.

The Distributor has entered into a sub-placement agreement, dated , 2014 (the "Dealer Agreement"), with UBS Securities LLC (the "Dealer") with respect to the Fund relating to the common stock offered by this Prospectus. In accordance with the terms of the Dealer Agreement, the Fund may offer and sell its common stock from time to time through the Dealer as sub-placement agent for the offer and sale of its common stock. The Fund will compensate the Distributor with respect to sales of common stock at a commission rate of 1.00% of the gross proceeds of the sale of the Fund's common stock. Out of this commission, the Distributor will compensate broker-dealers at a rate of up to 0.80% of the gross sales proceeds of the sale of the Fund's common stock sold by that broker-dealer.

1.h. The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the SEC is effective. This preliminary prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

1.i. The Fund's common stock has traded both at a premium and a discount to NAV. The Fund cannot predict whether its common stock will trade at a premium or discount to NAV in the future. The provisions of the 1940 Act generally require that the public offering price of common shares (less any underwriting commissions and discounts) must equal or exceed the NAV per share of a company's common stock (calculated within 48 hours of pricing). The Fund's issuance of common stock may have an adverse effect on prices for the Fund's common shares in the secondary market by increasing the number of common stock available in the market, which may put downward pressure on the market price for the Fund's common stock. Shares of common stock of closed-end investment companies frequently trade at a discount from NAV, which may increase investors' risk of loss.

1.j.

Investing in the Fund's common stock involves certain risks that are described in Item 8.3 beginning on page I-20 of Part I of this Prospectus, and under Item 8 in Part II of this Prospectus under "Risk Factors," beginning on page II-30 of Part II. Certain of these risks are summarized in Item 3.2 beginning on page I-10 of Part I of this Prospectus.

1.k. Not applicable.

2. Not applicable.

Item 2. Cover Pages; Other Offering Information

1. Exchange listing: see Item 1.g.

2. Not applicable.

3. Not applicable.

Item 3. Fee Table and Synopsis

1. Shareholder Transaction Expenses

Sales load paid by you (as a percentage of offering price)	%(1)
Offering expenses borne by the Fund (as a percentage of offering price)	%(2)
Dividend reinvestment plan fees	None(3)

	Percentage of net assets attributable to common shares
Annual Expenses	
Management fees(4)	0.88%
Interest expense(5)	0.39%
Other expenses(6)	0.13%
Total annual expenses(7)	1.40%

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(1) Represents the estimated commission with respect to the Fund's common stock being sold in this offering. There is no guarantee that there will be any sales of the Fund's common stock pursuant to this Prospectus. Actual sales of the Fund's common stock under this Prospectus, if any, may be less than as set forth under "Capitalization" below. In addition, the price per share of any such sale may be greater or less than the price set forth under "Capitalization" below, depending on market price of the Fund's common stock at the time of any such sale.

(2) Based on the Minimum Price as of , 2014. Offering expenses generally include, but are not limited to, the preparation, review and filing with the SEC of the Fund's registration statement (including this Prospectus), the preparation, review and filing of any associated marketing or similar materials, costs associated with the printing, mailing or other distribution of the Prospectus and/or marketing materials, associated filing fees, NYSE listing fees, and legal and auditing fees associated with the offering.

(3) The Reinvestment Plan Agent's (as defined under "Item 10—Dividend Reinvestment Plan" in Part II) fees for the handling of the reinvestment of dividends will be paid by the Fund. However, you will pay a $0.02 per share fee incurred in connection with open-market purchases, which will be deducted from the value of the dividend. You will also be charged a $2.50 sales fee and pay a $0.15 per share fee if you direct the Reinvestment Plan Agent to sell your common shares held in a dividend reinvestment account. Per share fees include any applicable brokerage commissions the Reinvestment Plan Agent is required to pay.

(4) The Fund currently pays BlackRock Advisors, LLC, its investment adviser (the “Investment Advisor”), a contractual management fee at an annual rate of 0.60% based on an aggregate of (i) the Fund's average daily Net Assets and (ii) the proceeds of any outstanding debt securities or borrowings used for leverage ("average daily Managed Assets"). “Net Assets” means the total assets of the Fund minus the sum of the accrued liabilities. The liquidation preference of any outstanding preferred stock (other than accumulated dividends) is not considered a liability in determining the Fund’s net asset value. The Fund uses leverage, in the form of a credit facility, which as of February 28, 2014 amounted to approximately 29% of the Fund's Managed Assets (approximately 40% of the Fund's net assets). "Managed Assets" means the total assets of the Fund minus the sum of the Fund's accrued

liabilities (other than the aggregate indebtedness constituting financial leverage). The Fund's net assets attributable to common shares are the Fund's Managed Assets minus the value of the Fund's assets attributable to indebtedness constituting financial leverage. Thus, when the Fund uses leverage, its net assets attributable to common shares are less than its Managed Assets and its expenses (including the management fee) stated as a percentage of its net assets attributable to common shares are greater than they would be if stated as a percentage of its Managed Assets. This table reflects the fact that you, as a common shareholder, bear the expenses of the Fund's use of leverage in the form of higher fees as a percentage of the Fund's net assets attributable to common shares than if the Fund did not use leverage.

(5) Reflects leverage, in the form of a credit facility, in an amount equal to approximately 29% of the Fund's Managed Assets (approximately 40% of the Fund's net assets) as of February 28, 2014. The interest expense borne by the Fund will vary over time in accordance with the level of the Fund's use of leverage and variations in market interest rates. Interest expense is required to be treated as an expense of the Fund for accounting purposes.

(6) Based on the period ended February 28, 2014.

(7) Represents total annual expenses including interest expense. The total annual expense excluding interest expense is 1.01 %. The total annual expense after giving effect to fee waivers and expense reimbursements (including interest expense) is 1.40%.

Fee waiver represents the Investment Advisor's voluntarily agreement to waive its investment advisory fees by the amount of investment advisory fees the Fund pays to the Investment Advisor indirectly through its investment in affiliated money market funds. However, the Investment Advisor does not waive its investment advisory fees by the amount of investment advisory fees paid in connection with the Fund's investment in other affiliated investment companies, if any. See Item 20, below.

Expense reimbursement represents one-time reorganization related costs reimbursed by the Investment Advisor. See Item 20, below.

The purpose of the foregoing table and the example below is to help you understand all fees and expenses that you, as a holder of common stock of the Fund, bear directly or indirectly. The foregoing table should not be considered a representation of the Fund's future expenses. Actual future expenses may be greater or less than shown. Except where the context suggests otherwise, whenever this Prospectus contains a reference to fees or expenses paid by "you" or "us" or that "we" will pay fees or expenses, shareholders will indirectly bear such fees or expenses as investors in the Fund.

The following example illustrates the expenses (including the sales load of $ and offering costs of $ that you would pay on a $1,000 investment in common shares, assuming (i) total net annual expenses of 1.40% of net assets attributable to common shares in years 1 through 10, and (ii) a 5% annual return:

	1 Year	3 Years	5 Years	10 Years
Total expenses incurred	$	$	$	$

The example should not be considered a representation of future expenses. The example assumes that the "Other expenses" set forth in the Annual Expenses table are accurate and that all dividends and distributions are reinvested at NAV. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

Capitalization

The Fund may offer and sell up to shares of its common stock, $0.10 par value per share, from time to time through the Dealer as sub-placement agent under this Prospectus. There is no guarantee that there will be any sales of the Fund's common stock pursuant to this Prospectus. The table below assumes that the Fund will sell shares of its common stock at a price of $ per share (the Minimum Price – i.e., NAV plus sales load per share of the Fund's common stock - on , 2014). Actual sales, if any, of the Fund's common stock under this Prospectus may be greater or less than $ per share, depending on the market price of the Fund's common stock at the time of any such sale and/or the Fund's NAV for purposes of calculating the Minimum Price. The Fund and the Distributor will determine whether any sales of the Fund's common stock will be authorized on a particular day; the Fund and the Distributor, however, will not authorize sales of the Fund's common stock if the per share price of the shares is less than the Minimum Price. The Fund and the Distributor may also not authorize sales of the Fund's common stock on a particular day even if the per share price of the shares is equal to or greater than the Minimum Price, or may only authorize a fixed number of shares to be sold on any particular day. The Fund and the Distributor will have full discretion regarding whether sales of shares of the Fund's common stock will be authorized on a particular day and, if so, in what amounts.

The following table sets forth the Fund's capitalization (1) on a historical basis as of February 28, 2014 (unaudited); and (2) on a pro forma as adjusted basis to reflect the assumed sale of shares of common stock at $ per share (the Minimum Price – i.e., NAV plus sales load per share of the Fund's common stock – on), in an offering under this Prospectus, after deducting the assumed commission of $ (representing an estimated commission to the Distributor of 1.00% of the gross proceeds of the sale of Fund common stock, out of which the Distributor will compensate broker-dealers at a rate of up to 0.80% of the gross sales proceeds of the sale of the Fund's common stock sold by that broker-dealer).

		As of February 28, 2014 ( )		Pro Forma ( ) As adjusted
Common shares outstanding, $0.10 par value per share		126,599,668		
Paid-in capital	$	1,815,651,258	$	
Undistributed net investment income	$	(2,711,129)	$	
Accumulated net realized loss	$	(200,187,446)	$	

Net unrealized appreciation (depreciation)	$	87,244,120	$
Net Assets	$	1,699,996,803	$
Net asset value per share	$	13.43	$

2. A summary of this Prospectus is set forth below. This is only a summary of certain information contained in this Prospectus relating to the Fund. This summary may not contain all of the information that you should consider before investing in the Fund's common stock. You should review the more detailed information contained in this Prospectus.

The Fund	BlackRock Corporate High Yield Fund, Inc. is registered under the 1940 Act, as a diversified, closed-end management investment company and has been operational since 2003. The Fund was known as Corporate High Yield Fund VI, Inc. prior to September 14, 2006 and BlackRock Corporate High Yield Fund VI, Inc. prior to March 3, 2014.
The Offering	The Fund is offering up to shares of common stock in transactions that are deemed to be "at the market" as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE. The minimum price on any day at which Fund common stock may be sold will not be less than the current NAV per share plus the per share amount of the commission to be paid to the Distributor. The Fund and the Distributor will determine whether any sales of the Fund's common stock will be authorized on a particular day; the Fund and the Distributor, however, will not authorize sales of the Fund's common stock if the per share price of the shares is less than the Minimum Price. The Fund and the Distributor may also not authorize sales of the Fund's common stock on a particular day even if the per share price of the shares is equal to or greater than the Minimum Price, or may only authorize a fixed number of shares to be sold on any particular day. The Fund and the Distributor will have full discretion regarding whether sales of shares of the Fund's common stock will be authorized on a particular day and, if so, in what amounts. As of , 2014, the last reported sale price for the Fund's common stock on the NYSE was $ per share. The Distributor has entered into the Dealer Agreement with the Dealer with respect to the Fund relating to the common stock offered by this Prospectus. In accordance with the terms of the Dealer Agreement, the Fund may offer and sell its common stock from time to time through the Dealer as sub-placement agent for the offer and sale of its common stock. The Fund will compensate the Distributor with respect to sales of common stock at a commission rate of 1.00% of the gross proceeds of the sale of the Fund's common stock. Out of this commission, the Distributor will compensate broker-dealers at a rate of up to 0.80% of the gross sales proceeds of the sale of the Fund's common stock sold by that broker-dealer. The Fund's common stock has traded both at a premium and a discount to NAV. The Fund cannot predict whether its common stock will trade at a premium or discount to NAV in the future.

The provisions of the 1940 Act generally require that the public offering price of common shares (less any underwriting commissions and discounts) must equal or exceed the NAV per share of a company's common stock (calculated within 48 hours of pricing). The Fund's issuance of common stock may have an adverse effect on prices for the Fund's common shares in the secondary market by increasing the number of common stock available, which may put downward pressure on the market price for the Fund's common stock. Shares of common stock of closed-end investment companies frequently trade at a discount from NAV, which may increase investors' risk of loss.

Investment Objective	The Fund’s primary investment objective is to provide shareholders with current income. The Fund’s secondary investment objective is to provide shareholders with capital appreciation. The 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 Fund (as defined in the 1940 Act). There can be no assurance that the investment objectives of the Fund will be realized.

Investment Strategy	BlackRock Advisors, LLC is the Fund's investment adviser. BlackRock Financial Management, Inc., the Investment Advisor's affiliate, is the Fund's investment sub-adviser (the “Sub-Advisor,” and together with the Investment Advisor, the “Advisors”). Effective July 1, 2014, the Investment Advisor's sub-advisory agreement with the Sub-Advisor will expire and not be renewed. In selecting debt instruments and other securities for the Fund, BlackRock will seek to identify issuers and industries that BlackRock believes are likely to experience stable or improving financial conditions. BlackRock's analysis will include: · credit research on the issuers' financial strength; · assessment of the issuers' ability to meet principal and interest payments; · general industry trends; · the issuers' managerial strength; · analysis of deal structure and covenants; · changing financial conditions; · borrowing requirements or debt maturity schedules; and · the issuers' responsiveness to changes in business conditions and interest rates. BlackRock will consider relative values among issuers based on anticipated cash flow, interest or dividend coverage, asset coverage and earnings prospects. Using these tools, BlackRock will seek to add consistent value and control performance volatility consistent with the Fund's investment objectives and policies. BlackRock believes this strategy should enhance the Fund's ability to achieve its investment objectives. BlackRock's analysis continues on an ongoing basis for any debt instruments or other securities in which the Fund has invested. Although BlackRock uses due care in making such analysis, there can be no assurance that such analysis will reveal factors that may impair the value of the debt instruments.
Investment Policies	The Fund seeks to achieve its objectives by investing primarily in a diversified portfolio of fixed income securities which are rated below investment grade by the 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. See Appendix A—“Ratings of Investments” for additional information concerning rating categories. The Fund may invest directly in fixed income securities or synthetically through the use of derivatives. The Fund may invest in securities of any maturity.

Under normal market conditions, the Fund invests at least 80% of its net assets (including assets acquired from the sale of preferred stock), plus the amount of any borrowings for investment purposes, in high yield securities, including high yield bonds, corporate loans, convertible debt securities and preferred securities. This is a non-fundamental policy and may be changed by the Board of Directors of the Fund provided that stockholders are provided with at least 60 days prior written notice of any change as required by the rules under the 1940 Act.

High yield securities include high yield bonds (commonly referred to as "junk bonds"), corporate loans, convertible debt securities and preferred securities, which are rated below investment grade or, if unrated, are considered by the Investment Advisor to be of comparable quality. The high yield securities in which the Fund invests may also include credit linked notes, structured notes or other instruments evidencing interests in special purpose vehicles or trusts that hold interests in high yield securities.

The Fund may receive warrants or other non-income producing equity securities in connection with its investments in high yield securities, including in unit offerings, in an exchange offer, upon the conversion of a convertible security, or upon the restructuring or bankruptcy of investments owned by the Fund. The Fund may continue to hold such securities until, in the Investment Advisor's judgment in light of current market conditions, it is advantageous to effect a disposition of such securities.

Although the Fund will invest primarily in below investment grade securities, other than with respect to Distressed Securities (described below), it will not invest in securities in the lowest rating categories (Ca or lower by Moody's, CC or lower by Standard & Poor's or CC or lower by Fitch) 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 Fund may invest up to 10% of its total assets in high yield securities 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 Fund or are rated in the lowest rating categories (Ca or lower by Moody's, CC or lower by Standard & Poor's or CC or lower by Fitch) or, if unrated, are considered by the Investment Advisor to be of comparable quality ("Distressed Securities").
The Fund may invest, without limitation, in securities of issuers domiciled outside the United States or that are denominated in various foreign currencies and multinational currency units.

The Fund may invest up to 15% of its total assets in corporate loans extended to borrowers by commercial banks or other financial institutions ("Corporate Loans"). The Corporate Loans in which the Fund may invest may be rated below investment grade (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.

The Fund may invest up to 15% of its total assets in convertible debt securities and up to 15% of its total assets in preferred securities, including preferred securities that may be converted into common stock or other securities of the same or a different issuer, and non-convertible preferred securities. The convertible debt securities and preferred securities in which the Fund may invest may be rated below investment grade by the 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.

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 engage in various portfolio strategies both to seek to increase its return and to hedge its portfolio against movements in interest rates and in the securities markets through the use of derivatives, such as indexed and inverse securities, options, futures, options on futures, interest rate transactions, credit default swaps and short selling. There can be no assurance that the Fund will employ these strategies or that, if employed, they will be effective.

The Fund is classified as diversified within the meaning of the 1940 Act, which means that it is must satisfy the 5% and 10% requirements described in item (ii) below with respect to 75% of its total assets. The Fund's investments will be limited so as to qualify the Fund as a "regulated investment company" for purposes of Federal tax laws. Requirements for qualification as a "regulated investment company" include limiting its investments so that, at the close of each quarter of the taxable year, (i) not more than 25% of the market value of the Fund's total assets will be invested in (A) the securities of a single issuer (other than U.S. Government securities and securities of other regulated investment companies), (B) the securities of two or more issuers (other than securities of other regulated investment companies) controlled by the Fund and engaged in the same, similar or related trades or businesses, or (C) the securities of one or more qualified publicly traded partnerships, and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets will be invested in the securities of a single issuer and the Fund will not own more than 10% of the outstanding voting securities of a single issuer (other than U.S. Government securities and securities of other regulated investment companies).

Tax-related limitations may be changed by the Board to the extent appropriate in light of changes to applicable tax requirements.

For a discussion of risk factors that may affect the Fund's ability to achieve its investment objectives, see "Risk Factors" under Item 8 in Part II.

Leverage

The Fund currently utilizes leverage for investment purposes in the form of a bank credit facility. As of February 28, 2014, this leverage represented approximately 29% of the Fund's Managed Assets (approximately 40% of the Fund's net assets). At times, the Fund could utilize leverage through borrowings, the issuance of short term debt securities, the issuance of shares of preferred stock or a combination thereof. The Fund has the ability to utilize leverage through borrowings or the issuance of short term debt securities in an amount up to 33 1/3% of the value of its Managed Assets (which includes the amount obtained from such borrowings or debt issuance). The Fund also has the ability to utilize leverage through the issuance of shares of preferred stock in an amount up to 50% of the value of its Managed Assets (which includes the amount obtained from such issuance). The Fund may also leverage through the use of reverse repurchase agreements.

There can be no assurance that the Fund will borrow in order to leverage its assets or, if it does, what percentage of the Fund's assets such borrowings will represent. The Fund does not currently anticipate issuing any preferred stock.

The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.

See "Leverage" under Item 8 in Part II and the discussion of the Fund's capital structure under Item 10 in Part II.

The use of leverage is subject to numerous risks. When leverage is employed, the NAV and market price of the common shares and the yield to holders of common shares will be more volatile than if leverage were not used. For example, a rise in short-term interest rates, which currently are near historically low levels, will cause the Fund's NAV to decline more than if the Fund had not used leverage. A reduction in the Fund's NAV may cause a reduction in the market price of its common shares. The Fund cannot assure you that the use of leverage will result in a higher yield on the common shares. When the Fund uses leverage, the management fee and sub-advisory fees payable to the Advisors will be higher

	than if the Fund did not use leverage because these fees are calculated on the basis of the Fund's Managed Assets, which include the proceeds of leverage. The Fund's leveraging strategy may not be successful. See "Risk Factors—Leverage Risk" under Item 8 in Part II.
Investment Advisor and Sub-Advisor	BlackRock Advisors, LLC is the Fund's investment adviser. BlackRock Financial Management, Inc., the Investment Advisor's affiliate, is the Fund's investment sub-adviser. The Investment Advisor will receive an annual fee, payable monthly, in an amount equal to 0.60% of the average daily value of the Fund's Managed Assets. From the management fees, the Investment Advisor (and not the Fund) has agreed to pay an annual sub-advisory fee to the Sub-Advisor equal to 59% of the monthly management fee received by the Investment Advisor with respect to the assets of the Fund allocated to the Sub-Advisor. Effective July 1, 2014, the Investment Advisor's sub-advisory agreement with the Sub-Advisor will expire and not be renewed.
Distributions	The Fund intends to make regular monthly cash distributions of all or a portion of its net investment income to holders of the Fund's shares of common stock. The Fund intends to pay any capital gains distributions at least annually. A return of capital distribution may involve a return of the shareholder's original investment. Though not currently taxable, such a distribution may lower a shareholder's basis in the Fund, thus potentially subjecting the shareholder to future tax consequences in connection with the sale of Fund shares, even if sold at a loss to the shareholder's original investment. When total distributions exceed total return performance for the period, the difference will reduce the Fund's total assets and NAV and, therefore, could have the effect of increasing the Fund's expense ratio and reducing the amount of assets the Fund has available for long term investment. Shareholders will automatically have all dividends and distributions reinvested in common shares of the Fund in accordance with the Fund's dividend reinvestment plan, unless an election is made to receive cash by contacting the Reinvestment Plan Agent (as defined herein), at (800) 699-1236. See "Dividend Reinvestment Plan" under Item 10 in Part II. The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time and may do so without prior notice to common shareholders. See Item 10.1 in Part I and "Distributions" under

	Item 10 in Part II.
Listing	The Fund's common shares are listed on the NYSE under the symbol "HYT."
Custodian and Transfer Agent	State Street Bank and Trust Company serves as the Fund's custodian, and Computershare Trust Company, N.A. serves as the Fund's transfer agent.
Administrator	State Street Bank and Trust Company serves as the Fund's administrator and fund accountant.
Market Price of Shares	Common shares of closed-end investment companies frequently trade at prices lower than their NAV. The Fund cannot assure you that its common shares will trade at a price higher than or equal to NAV. The Fund's common shares trade in the open market at market prices that are a function of several factors, including dividend levels (which are in turn affected by expenses), NAV, call protection for portfolio securities, portfolio credit quality, liquidity, dividend stability, relative demand for and supply of the common shares in the market, general market and economic conditions and other factors. The Fund's common shares are designed primarily for long-term investors and you should not purchase common shares of the Fund if you intend to sell them shortly after purchase. The issuance of additional common shares pursuant to this Prospectus may also have an adverse effect on prices for the Fund's common shares in the secondary market by

increasing the supply of common shares available for sale.

Special Risk Considerations

An investment in the Fund's common shares involves risk. You should consider carefully the risks identified below, which are described in detail under "Risk Factors" beginning on page II-30 of Part II of this Prospectus.

Principal risks of investing in the Fund include:

· Interest Rate Risk. Interest rate risk is the risk that prices of bonds and other fixed-income securities will increase as interest rates fall and decrease as interest rates rise.

· 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 the 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.

· Prepayment Risk. During periods of declining interest rates, borrowers may exercise their option to prepay principal earlier than scheduled.

· Reinvestment Risk. Reinvestment risk is the risk that income from the 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 Fund may incur costs in seeking to adjust the portfolio average duration or maturity. There can be no assurance 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.

· 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.

· Mortgage Related Securities Risks. The risks associated with MBS include: credit risk associated with the performance of the underlying mortgage properties and of the borrowers owning these properties; risks associated with their structure and execution (including the collateral, the process by which principal and interest payments are allocated and distributed to investors and how credit losses affect the issuing vehicle and the return to investors in such MBS); whether the collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the MBS) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such MBS; risks associated with the servicer of the underlying mortgages; adverse changes in economic conditions and circumstances, which are more likely to have an adverse impact on MBS secured by loans on certain types of commercial properties than on those secured by loans on residential properties; prepayment risk, which can lead to significant fluctuations in the value of the MBS; loss of all or part of the premium, if any, paid; and decline in the market value of the security, whether resulting from changes in interest rates, prepayments on the underlying mortgage collateral or perceptions of the credit risk associated with the underlying mortgage collateral.

· Below Investment Grade Securities Risk. The Fund may invest in securities that are rated, at the time of investment, below investment grade quality (rated Ba/BB or below, or unrated but judged to be of comparable quality by the Advisors), which are commonly referred to as "high yield" or "junk" bonds and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. 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.

· Senior Loans Risk. Senior loans typically hold the most senior position in the capital structure of the issuing entity, are typically secured with specific collateral and typically have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debt holders and stockholders of the borrower. The Fund's investments in senior loans are typically below investment grade and are considered speculative because of the credit risk of their issuer.

Additional risks of investing in the Fund include:

· Offering Risk
· Investment and Market Discount Risk
· Second Lien Loans Risk
· Mezzanine Investment Risk
· Risks of Loan Assignments and Participations
· Bank Loans Risk
· Distressed and Defaulted Securities Risk
· Yield and Ratings Risk
· Unrated Securities Risk
· Debtor-In-Possession (DIP) Financing Risk
· ABS Risk
· CDO Risks
· REITs Risk
· U.S. Government Securities Risk

- Zero Coupon Securities Risk
- PIK Bonds Risks
- Insolvency Considerations with Respect to Issuers of Indebtedness
- Equity Securities Risk
- Warrants Risks
- Rights Risks
- Preferred Securities Risks, including Deferral, Subordination, Limited Voting Rights, Special Redemption Right, risks associated with Trust Preferred Securities and risk associated with New Types of Securities
- Convertible Securities Risk

- Restricted and Illiquid Securities Risk
- Municipal Securities Risk
- Non-U.S. Securities Risk
- Emerging Markets Risk
- Foreign Currency Risk
- Sovereign Government and Supranational Debt Risk
- LIBOR Risk
- Leverage Risk
- Event Risk
- Inverse Floater and Related Securities Risk
- Inflation-Indexed Bonds Risk
- Defensive Investing Risk
- Structured Investments Risks, including Structured Notes Risk, Event-Linked Securities Risk, Equity-Linked Notes Risk and Credit-Linked Securities Risk
- Repurchase Agreements Risk
- Reverse Repurchase Agreements Risk
- Dollar Roll Transactions Risk
- When-Issued, Forward Commitment and Delayed Delivery Transactions Risk
- Strategic Transactions and Derivatives Risks, including Credit Risk, Currency Risk, Leverage Risk, Liquidity Risk, Correlation Risk, Index Risk and Volatility Risk, Counterparty Risk, Swaps Risk, Options Risk, Futures Transactions and Options Risk, General Risk Factors in Hedging Foreign Currency, Foreign Currency Forwards Risk, Currency Futures Risk, Currency Options Risk, Currency Swaps Risk, Over-the-Counter Trading Risk, Clearing Broker and Central Clearing Counterparty Risks, Dodd-Frank Act Risk and Legal and Regulatory Risk
- Securities Lending Risk
- Short Selling Risk
- Inflation Risk
- Deflation Risk
- Risks Associated with Recent Market Events
- EMU and Redenomination Risk
- Market Disruption and Geopolitical Risk
- Regulation and Government Intervention Risk
- Legal, Tax and Regulatory Risks
- 1940 Act Regulation
- Legislation Risk
- Potential Conflicts of Interest of the Advisors and Others
- Decision-Making Authority Risk
- Management Risk
- Market and Selection Risk
- Reliance on the Advisors
- Reliance on Service Providers
- Information Technology Systems
- Misconduct of Employees and of Service Providers

- Portfolio Turnover Risk
- Anti-Takeover Provisions Risk

3. Not applicable.

Item 4. Financial Highlights

1. The following table includes selected data for a common share outstanding throughout the period and other performance information derived from the Fund's financial statements. It should be read in conjunction with the Fund's financial statements and notes thereto, which are . The information for the six months ended February 28, 2014 is unaudited. The information for the remaining periods shown has been audited by , independent registered public accountants, whose report thereon is . See Item 24.

	Six Months Ended February 28, 2014[1] (Unaudited)	Year Ended August 31, 2013[1]	2012[1]	2011	2010	2009	2008	2007
Per Share Operating Performance								
Net asset value, beginning of period	$12.62	$12.32	$11.49	$11.38	$9.68	$11.89	$13.81	$14.12
Net investment income	0.46[2]	1.00[2]	1.04[2]	1.06[2]	1.05[2]	1.05[2]	1.16[2]	1.18
Net realized and unrealized gain (loss)	0.91	0.41	0.83	0.05	1.67	(2.07)	(1.87)	(0.39
Net increase (decrease) from investment operations	1.37	1.41	1.87	1.11	2.72	(1.02)	(0.71)	0.79
Dividends and distributions from:								
Net investment income	(0.56)	(1.11)[3]	(1.04)[3]	(1.00)[3]	(1.02)[3]	(1.19)[3]	(1.21)[3]	(1.10
Net realized gain	-	-	-	-	-	-	-	-
Total dividends and distributions	(0.56)	(1.11)	(1.04)	(1.00)	(1.02)	(1.19)	(1.21)	(1.10
Net asset value, end of period	$13.43	$12.62	$12.32	$11.49	$11.38	$9.68	$11.89	$13.81
Market price, end of period	$12.51	$11.37	$12.96	$11.21	$11.19	$9.47	$10.14	$12.15

Total Investment Return[4]								
Based on net asset value	11.46%[5]	11.90%	17.14%	9.95%	29.26%	(4.03)%	(4.30)%	6.29
Based on market price	15.24%[5]	(4.16)%	26.30%	9.09%	29.92%	10.09%	(7.24)%	5.80
Ratio to Average Net Assets								
Total expenses	1.40%[6,7]	1.54%[8]	1.51%	1.41%	1.34%	2.01%	1.10%	1.12
Total expenses after fees waived and paid indirectly	1.40%[6,7]	1.54%[8]	1.51%	1.41%	1.34%	2.01%	2.24%	3.35
Total expenses after fees waived and paid indirectly and excluding interest expense and income tax	1.01%[6,7]	1.16%[8,9]	1.19%[10]	1.12%	1.09%	1.28%	2.24%	3.35
Net investment income	6.94%[6]	7.83%	8.84%	8.80%	9.52%	12.82%	9.02%	8.03
Supplemental Data								
Net assets, end of period (000)	$1,699,997	$446,847	$435,955	$405,697	$401,760	$341,415	$419,502	$487,2
Borrowings outstanding, end of period (000)	$686,000	$191,000	$181,000	$130,000	$89,000	$58,000	$110,900	$135,9
Average borrowings outstanding, during the period (000)	$485,934	$180,436	$142,342	$115,512	$76,356	$73,784	$113,996	$202,7
Portfolio turnover	28%	77%	61%	87%	85%	60%	45%	51
Asset coverage, end of period per	$3,478	$3,340	$3,409	$4,121	$5,514	$6,886	$4,783	$4,585

$1,000

1 Consolidated Financial Highlights.
2 Based on average shares outstanding.
3 Determined in accordance with federal income tax regulations.
4 Total investment returns based on market price, which can be significantly greater or less than the net asset value, may result in substantially different returns. Where applicable, excludes the effects of any sales charges and assumes the reinvestment of dividends and distributions.
5 Aggregate total investment return.
6 Annualized.
7 Includes reorganization costs. Without these costs, total expenses, total expenses after fees waived and paid indirectly, and total expenses after fees waived and paid indirectly and excluding interest expense would have been 1.38 %, 1.38% and 0.99%, respectively.
8 Includes reorganization costs. Without these costs, total expenses, total expenses after fees waived and paid indirectly, and total expenses after fees waived and paid indirectly and excluding interest expense would have been 1.50%, 1.50% and 1.12%, respectively.
9 For the year ended August 31, 2013, the total expense ratio after fees waived and paid indirectly and excluding interest expense, borrowing costs and income tax was 1.15%.
10 For the year ended August 31, 2012, the total expense ratio after fees waived and paid indirectly and excluding interest expense and borrowing costs was 1.09%.

2. Not applicable.

3. See Item 4.1., above.

Item 5. Plan of Distribution

1. The Distributor has agreed to underwrite up to shares of the Fund's common stock on a reasonable efforts basis. See Item 5 in Part II for additional information regarding the Distributor.

2. The Fund's common stock will only be sold on such days as shall be agreed to by the Fund and the Distributor. The Fund's common stock will be sold at market prices, which shall be determined with reference to trades on the NYSE, subject to the Minimum Price. See Item 1.1.g., above.

3. The sum of all compensation paid to FINRA members in connection with this public offering of shares of common stock will not exceed 1.00% of the total public offering price of the shares of common stock sold in this offering. See Item 1.1g., above, and Item 5 in Part II.

4. See Item 5 in Part II.

5. Not applicable.

6. See Item 5 in Part II.

7. Not applicable.

8. Not applicable.

9. Not applicable.

10. See Item 5 in Part II.

Item 6. Selling Shareholders

Not applicable.

Item 7. Use of Proceeds

The net proceeds from the issuance of common shares hereunder will be invested in accordance with the Fund's investment objectives and policies as set forth in this Prospectus. It is presently anticipated that the Fund will be able to invest substantially all of the net proceeds in accordance with the Fund's investment objectives and policies within three months from the date on which the proceeds from an offering are received by the Fund. Such investments may be delayed if suitable investments are unavailable at the time or for other reasons, such as market volatility and lack of liquidity in the markets of suitable investments. Pending such investment, it is anticipated that the proceeds will be invested in short-term or long-term securities issued by the U.S. Government and its agencies or instrumentalities or in high quality, short-term money market instruments.

Item 8. Description of the Fund

1. The Fund was organized as a Maryland corporation on March 13, 2003, pursuant to its Articles of Incorporation, as subsequently amended, is governed by the laws of the State of Maryland, and commenced operations on May 30, 2003. The Fund was known as Corporate High Yield Fund VI, Inc. prior to September 14, 2006 and BlackRock Corporate High Yield Fund VI, Inc. prior to March 3, 2014. The Fund is registered under the 1940 Act as a diversified, closed-end management investment company. The Fund's principal office is located at 100 Bellevue Parkway, Wilmington, Delaware 19809, and its telephone number is (800) 882-0052.

2. Investment Objectives and Principal Investment Policies:

Investment Objectives. The Fund's primary investment objective is to provide shareholders with current income. The Fund's secondary investment objective is to provide shareholders with capital appreciation. The 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 Fund (as defined in the 1940 Act). There can be no assurance that the investment objectives of the Fund will be realized.

High Yield Securities. The Fund seeks to achieve its objectives by investing primarily in a diversified portfolio of fixed income securities which are rated below investment grade by the 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. See Appendix A—"Ratings of Investments" for additional information concerning rating categories. The Fund may invest directly in fixed income securities or synthetically through the use of derivatives. The Fund may invest in securities of any maturity.

Under normal market conditions, the Fund invests at least 80% of its net assets (including assets acquired from the sale of preferred stock), plus the amount of any borrowings for investment purposes, in high yield securities, including high yield bonds, corporate loans, convertible debt securities and preferred securities. This is a non-fundamental policy and may be changed by the Board of Directors of the Fund provided that stockholders are provided with at least 60 days prior written notice of any change as required by the rules under the 1940 Act.

High yield securities include high yield bonds (commonly referred to as "junk bonds"), corporate loans, convertible debt securities and preferred securities, which are rated below investment grade or, if unrated, are considered by the Investment Advisor to be of comparable quality. The high yield securities in which the Fund invests may also include credit linked notes, structured notes or other instruments evidencing interests in special purpose vehicles or trusts that hold interests in high yield securities.

The Fund may receive warrants or other non-income producing equity securities in connection with its investments in high yield securities, including in unit offerings, in an exchange offer, upon the conversion of a convertible security, or upon the restructuring or bankruptcy of investments owned by the Fund. The Fund may continue to hold such securities until, in the Investment Advisor's judgment in light of current market conditions, it is advantageous to effect a disposition of such securities.

Although the Fund will invest primarily in below investment grade securities, other than with respect to Distressed Securities (described below), it will not invest in securities in the lowest rating categories (Ca or lower by Moody's, CC or lower by Standard & Poor's or CC or lower by Fitch) 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.

Distressed Securities. The Fund may invest up to 10% of its total assets in high yield securities 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 Fund or are rated in the lowest rating categories (Ca or lower by Moody's, CC or lower by Standard & Poor's or CC or lower by Fitch) or, if unrated, are considered by the Investment Advisor to be of comparable quality ("Distressed Securities").

Non-U.S. Securities. The Fund may invest, without limitation, in securities of issuers domiciled outside the United States or that are denominated in various foreign currencies and multinational currency units.

Corporate Loans. The Fund may invest up to 15% of its total assets in corporate loans extended to borrowers by commercial banks or other financial institutions ("Corporate Loans"). The Corporate Loans in which the Fund may invest may be rated below investment grade (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.

Convertible Securities and Preferred Stock. The Fund may invest up to 15% of its total assets in convertible debt securities and up to 15% of its total assets in preferred securities, including preferred securities that may be converted into common stock or other securities of the same or a different issuer, and non-convertible preferred securities. The convertible debt securities and preferred securities in which the Fund may invest may be rated below investment grade by the 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.

Short Sales. The Fund may make short sales of securities, provided that 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 also may make short sales "against the box." Short sales "against the box" are not subject to the foregoing 10% limitation.

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.

Illiquid Securities. The Fund has no limitation on the amount of its investments that are not readily marketable or are subject to restrictions on resale.

Strategic Transactions. The Fund may engage in various portfolio strategies both to seek to increase its return and to hedge its portfolio against movements in interest rates and in the securities markets through the use of derivatives, such as indexed and inverse securities, options, futures, options on futures, interest rate transactions, credit default swaps and short selling. There can be no assurance that the Fund will employ these strategies or that, if employed, they will be effective.

1940 Act and Tax Diversification Requirements. The Fund is classified as diversified within the meaning of the 1940 Act, which means that it is must satisfy the 5% and 10% requirements described in item (ii) below with respect to 75% of its total assets. The Fund's investments will be limited so as to qualify the Fund as a "regulated investment company" for purposes of Federal tax laws. Requirements for qualification as a "regulated investment company" include limiting its investments so that, at the close of each quarter of the taxable year, (i) not more than 25% of the market value of the Fund's total assets will be invested in (A) the securities of a single issuer (other than U.S. Government securities and securities of other regulated investment companies), (B) the securities of two or more issuers (other than securities of other regulated investment companies) controlled by the Fund and engaged in the same, similar or related trades or businesses, or (C) the securities of one or more qualified publicly traded partnerships, and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets will be invested in the securities of a single issuer and the Fund will not own more than 10% of the outstanding voting securities of a single issuer (other than U.S. Government securities and securities of other regulated investment companies). Tax-related limitations may be changed by the Board to the extent appropriate in light of changes to applicable tax requirements.

Other Investment Policies.

Leverage. The Fund currently utilizes leverage for investment purposes in the form of a bank credit facility. As of February 28, 2014, this leverage represented approximately 29% of the Fund's Managed Assets (which includes the amount obtained from such borrowings or debt issuance) (approximately 40% of the Fund's net assets). The Fund generally will not utilize leverage if it anticipates that the Fund’s leveraged capital structure would result in a lower return to common stockholders than that obtainable if the common stock were to be unleveraged for any significant amount of time. At times, the Fund could utilize leverage through borrowings, including the issuance of short term debt securities, the issuance of shares of preferred stock or a combination thereof. The Fund has the ability to utilize leverage through borrowings or the issuance of short term debt securities in an amount up to 33 1/3% of the value of its Managed Assets (which includes the amount obtained from such borrowings or debt issuance). The Fund also has the ability to utilize leverage through the issuance of shares of preferred stock in an amount up to 50% of the value of its Managed Assets (which includes the amount obtained from such issuance). The Fund may also leverage through the use of reverse repurchase agreements. There can be no assurance that the Fund will borrow in order to leverage its assets or, if it does, what percentage of the Fund's assets such borrowings will represent. The Fund does not currently anticipate issuing any preferred stock.

The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.

Interest Rate Transactions. In order to seek to hedge the value of the Fund's portfolio against interest rate fluctuations or to seek to enhance the Fund's return, 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. The Fund may enter into these transactions to seek to preserve a return or spread on a particular investment or portion of its portfolio, to seek to protect against any increase in the price of securities the Fund anticipates purchasing at a later date, or to seek to enhance its return. The Fund may also invest in interest rate swaps to seek to enhance income or increase the 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).

The Fund may also engage in interest rate transactions in the form of purchasing or selling interest rate caps or floors. The Fund usually will enter into interest rate swaps on a net basis (i.e., the two payment streams are netted out with the Fund receiving or paying, as the case may be, only the net amount of the two payments). The 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 Fund. The Fund will only enter into interest rate swap, cap or floor transactions with counterparties the Investment Advisor believes to be creditworthy at the time they enter into such transactions.

The Fund is not required to pursue these portfolio strategies and may choose not to do so. The Fund cannot guarantee that any strategies it uses will work.

Credit Default Swap Agreements. The Fund may enter into credit default swap agreements for hedging purposes or to seek to enhance its returns. The credit default swap agreement may have as reference obligations one or more securities that are not currently held by the Fund. The protection "buyer" in a credit default contract may be obligated to pay the protection "seller" an upfront or a periodic stream of payments over the term of the contract provided that no credit event on a reference obligation has occurred. If a credit event occurs, the seller generally must pay the buyer the "par value" (full notional value) of the swap in exchange for an equal face amount of deliverable obligations of the reference entity described in the swap, or the seller may be required to deliver the related net cash amount, if the swap is cash settled. The Fund may be either the buyer or seller in the transaction.

The Fund will enter into credit default swap agreements only with counterparties the Investment Advisor believes to be creditworthy at the time they enter into such transactions.

Options on Portfolio Securities.

Call Options. The Fund may purchase call options on any of the types of securities in which it may invest. The Fund also is authorized to write (i.e., sell) covered call options on the securities or instruments in which it may invest and to enter into closing purchase transactions with respect to certain of such options. The Fund also is authorized to write (i.e., sell) uncovered call options on securities or instruments in which it may invest but that are not currently held by such Fund. The Fund also may purchase and sell call options on indices.

Put Options. The Fund is authorized to purchase put options to seek to hedge against a decline in the value of its securities or to seek to enhance its return. The Fund also has authority to write (i.e., sell) put options on the types of securities or instruments that may be held by the Fund, provided that such put options are covered, meaning that such options are secured by designating liquid assets on the Fund's books and records. 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 also authorized to write (i.e., sell) uncovered put options on securities or instruments in which it may invest but that the Fund does not currently have a corresponding short position or has not deposited cash equal to the exercise value of the put option with the broker dealer through which it made the uncovered put option as collateral. In connection with such a transaction, the Fund will designate on its books and records unencumbered liquid assets with a value at least equal to the Fund's exposure, on a marked-to-market basis (as calculated pursuant to requirements of the SEC).

Financial Futures and Options Thereon. The 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 or to seek to enhance the Fund's income. The Fund has authority to purchase and write call and put options on futures contracts. The Fund may engage in options and futures transactions on exchanges and options in the over-the-counter markets ("OTC options").

The Fund will engage in transactions in OTC options only with banks or dealers the Investment Advisor believes to be creditworthy at the time they enter into such transactions.

The 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 and futures.

Effective December 31, 2012, the Commodities Futures Trading Commission (the "CFTC") adopted certain regulatory changes that subject registered investment companies and advisers to registered investment companies to regulation by the CFTC if a fund invests more than a prescribed level of its net assets in CFTC-regulated futures, options and swaps ("CFTC Derivatives"), or if the fund markets itself as providing investment exposure to such instruments. To the extent the Fund uses CFTC Derivatives, it intends to do so below such prescribed levels and will not market itself as a "commodity pool" or a vehicle for trading such instruments. Accordingly, BlackRock Advisors, LLC has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act ("CEA") pursuant to Rule 4.5 under the CEA. BlackRock Advisors, LLC is not, therefore, subject to registration or regulation as a "commodity pool operator" under the CEA in respect of the Fund.

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Other Investment Strategies. The Fund may also invest in securities pursuant to repurchase agreements and purchase and sale contracts, enter into reverse repurchase agreements with respect to its portfolio investments subject to the investment restrictions set forth herein, purchase interests in senior loans and other portfolio securities on a "when-issued" basis and purchase or sell such interests or securities on a "forward commitment" basis, and enter into standby commitment agreements.

The Fund will only enter into repurchase agreements with registered securities dealers or domestic banks that, in the opinion of the Investment Advisor, present minimal credit risk.

When-issued securities and forward commitments may be sold prior to the settlement date, but the Fund will generally enter into when-issued and forward commitments only with the intention of actually receiving or delivering the securities, as the case may be. The Fund may sell or enter into when-issued and forward commitments when the Investment Advisor determines it is appropriate in light of current market conditions.

Securities Lending. The Fund may lend securities with a value up to 33 1/3% of its total assets or the limit prescribed by applicable law to banks, brokers and other financial institutions. In return, the Fund receives collateral in cash or securities issued or guaranteed by the U.S. Government, which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities.

Temporary Defensive Strategies. Under unusual market or economic conditions or for temporary defensive purposes, the Fund may invest up to 100% of its total assets in securities issued or guaranteed by the U.S. Government or its instrumentalities or agencies, certificates of deposit, bankers' acceptances and other bank obligations, commercial paper rated in the highest category by an established rating agency, or other fixed income securities deemed by the Investment Advisor to be consistent with a defensive posture, or may hold investments in cash.

New Investment Strategies and Instruments. The Fund may in the future employ new or additional investment strategies and hedging instruments if those strategies and instruments are consistent with the Fund's investment objectives and are permissible under applicable regulations governing the Fund.

Investment Process

In selecting debt instruments and other securities for the Fund, BlackRock will seek to identify issuers and industries that BlackRock believes are likely to experience stable or improving financial conditions. BlackRock's analysis will include:

- credit research on the issuers' financial strength;
- assessment of the issuers' ability to meet principal and interest payments;
- general industry trends;
- the issuers' managerial strength;
- analysis of deal structure and covenants;
- changing financial conditions;
- borrowing requirements or debt maturity schedules; and
- the issuers' responsiveness to changes in business conditions and interest rates.

BlackRock will consider relative values among issuers based on anticipated cash flow, interest or dividend coverage, asset coverage and earnings prospects. Using these tools, BlackRock will seek to add consistent value and control performance volatility consistent with the Fund's investment objectives and policies. BlackRock believes this strategy should enhance the Fund's ability to achieve its investment objectives.

BlackRock's analysis continues on an ongoing basis for any debt instruments or other securities in which the Fund has invested. Although BlackRock uses due care in making such analysis, there can be no assurance that such analysis will reveal factors that may impair the value of the debt instruments.

Fundamental Investment Restrictions:

The following investment restrictions are considered fundamental by the Fund, which means that they may not be changed without the approval of the holders of a majority of the Fund's outstanding shares of common stock (which for this purpose and under the 1940 Act means the lesser of (i) 66 2/3% of the shares of common stock represented at a meeting at which more than 50% of the outstanding shares of common stock are represented, or (ii) more than 50% of the outstanding shares of common stock). Under the fundamental investment restrictions, the Fund may not:

1. Make any investment inconsistent with the Fund’s classification as a diversified company under the 1940 Act.

2. Make investments for the purpose of exercising control or management.

3. Purchase or sell real estate, commodities or commodity contracts, except that, to the extent permitted by applicable law, the Fund may invest in securities directly or indirectly secured by real estate or interests therein or issued by entities that invest in real estate or interests therein, and the Fund may purchase and sell financial futures contracts and options thereon.

4. Issue senior securities or borrow money except as permitted by Section 18 of the 1940 Act or as otherwise permitted by applicable law.

5. Underwrite securities of other issuers, except insofar as the Fund may be deemed an underwriter under the Securities Act in selling portfolio securities.

6. Make loans to other persons, except (i) the Fund shall not be deemed to be making a loan to the extent that the Fund purchases Corporate Loans or other debt instruments or enters into repurchase agreements or any similar instruments 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 this Prospectus.

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

Additional investment restrictions adopted by the Fund, which may be changed by the Board of Directors without stockholder approval, provide that the Fund may not:

(a) Purchase securities of other investment companies, except to the extent that such purchases are permitted by applicable law.

(b) 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 mentioned in investment restriction (4) above or except as may be necessary in connection with transactions described under “Item 8: Description of the Fund—Investment Objectives and Principal Investment Policies—Other Investment Strategies” above.

(c) 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).

(d) Change its policy of investing, under normal circumstances, at least 80% of the value of its assets in high yield securities, unless the Fund provides its stockholders with at least 60 days' prior written notice of such change. For these purposes, "assets" means net assets, including assets acquired from the sale of preferred stock, plus the amount of any borrowings for investment purposes.

Percentage and Rating Limitations:

All percentage and ratings limitations on securities in which the Fund may invest apply at the time of making an investment and shall not be considered violated if an investment rating is subsequently downgraded to a rating that would have precluded the Fund's initial investment in such security. In the event that the Fund disposes of a portfolio security subsequent to its being downgraded, the Fund may experience a greater risk of loss than if such security had been sold prior to such downgrade.

All references to securities ratings by Moody's and S&P herein shall, unless otherwise indicated, include all securities within each such rating category (i.e., Ba1, Ba2 and Ba3 in the case of Moody's and BB+, BB and BB– in the case of S&P). For securities with split ratings (i.e., a security receiving two different ratings from two different rating agencies), the Fund will apply the lower of the applicable ratings.

Subsidiary:

The Fund wholly owns BLK HYT (Luxembourg) Investments, S.a.r.l., a private limited liability company under the laws of Luxembourg (the "Subsidiary"). The Subsidiary hold shares of private Canadian companies. Such shares are held in the Subsidiary in order to realize benefits under the Double Tax Avoidance Convention between Canada and Luxembourg. Income earned on the investments held by the Subsidiary may be taxable to the Subsidiary in Luxembourg. The Subsidiary is subject to the same investment policies and restrictions that apply to the Fund. The Investment Advisor does not receive separate compensation from the Subsidiary for providing investment management or administrative services. The Subsidiary does not make investments that Section 17 of the 1940 Act would prohibit the Fund or the Subsidiary from making. State Street Bank and Trust Company serves as the Subsidiary's custodian.

Additional Information:

Additional information regarding the foregoing securities, instruments and investment techniques are included in "Portfolio Contents and Techniques" under Item 8 in Part II.

3.a. The risk factors associated with an investment in the Fund are set forth in "Risk Factors" under Item 8 in Part II. Due to the nature of the Fund's investment program, the Fund is particularly susceptible to the risks of fixed-income securities (such as interest rate risk and credit risk), high-yield and distressed securities, Corporate Loans, asset-backed securities, leveraging, illiquid securities, foreign investing, credit and other derivatives (such as options, credit default swaps and interest rate transactions), currency instruments and counterparty default.

3.b. The Fund currently utilizes leverage for investment purposes in the form of a bank credit facility. As of February 28, 2014, this leverage represented approximately 29% of the Fund's Managed Assets (approximately 40% of the Fund's net assets).

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

The following table is designed to illustrate the effect on the return to a holder of common stock of the leverage obtained by borrowings in the amount of approximately 29% of the Fund's Managed Assets, assuming hypothetical annual returns on the 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 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	(14.40)%	(7.38)%	(0.36)%	6.66%	13.68%

Common share total return is composed of two elements: the common share dividends paid by the Fund (the amount of which is largely determined by the net investment income of the Fund) and gains or losses on the value of the securities the Fund owns. As required by SEC rules, the table assumes that the Fund is more likely to suffer capital losses than to enjoy capital appreciation. For example, to assume a total return of 0% the Fund must assume that the interest it receives on its securities investments is entirely offset by losses in the value of those securities.

Additional information regarding the risks of the Fund's use of leverage is contained under "Item 8: Description of the Fund—Leverage" in Part II.

4. See Item 8.2, above, and Item 8 in Part II.

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

	Market Price		Net Asset Value		Premium/(Discount) to Net Asset Value	
Period Ended	High	Low	High	Low	High	Low
May 31, 2014	$ 12.61	$ 12.13	$ 13.45	$ 13.38	(6.25)%	(9.34)%
February 28, 2014	$ 12.51	$ 11.77	$ 12.43	$ 13.05	0.64%	(9.81)%
November 30, 2013	$ 12.14	$ 11.46	$ 13.05	$ 12.65	(6.97)%	(9.41)%
August 31, 2013	$ 12.79	$ 11.21	$ 12.84	$ 12.60	(0.39)%	(11.03)%
May 31, 2013	$ 13.28	$ 12.57	$ 13.00	$ 13.05	2.15%	(3.68)%
February 28, 2013	$ 13.14	$ 12.32	$ 12.87	$ 12.58	2.10%	(2.07)%
November 30, 2012	$ 13.31	$ 11.80	$ 12.55	$ 12.28	6.06%	(3.91)%
August 31, 2012	$ 13.02	$ 11.97	$ 12.30	$ 11.73	5.85%	2.05%
May 31, 2012	$ 12.67	$ 11.79	$ 12.02	$ 11.83	5.41%	(0.34)%
February 29, 2012	$ 12.58	$ 11.33	$ 12.07	$ 11.26	4.23%	0.62%
November 30, 2011	$ 11.68	$ 10.16	$ 11.53	$ 10.72	1.30%	(5.22)%

As of May 31, 2014, the NAV per common share of the Fund was $13.46 and the market price per common share was $12.29, representing a discount to NAV of 8.69%. Common shares of the Fund have historically traded at both a premium and discount to NAV.

See "Repurchase of Common Shares" under Item 8 in Part II for additional information.

6. Not applicable.

Item 9. Management

1. BlackRock Advisors, LLC acts as the investment adviser for the Fund. Pursuant to an investment management agreement between the Investment Advisor and the Fund (the "Investment Management Agreement"), the Fund pays the Investment Advisor a monthly fee at an annual rate of 0.60% of the Fund's average daily Managed Assets (0.88% of the Fund's net assets, assuming leverage of approximately 29% of the Fund's Managed Assets). Because the management fee is calculated on the basis of Managed Assets, which includes assets attributable to leverage, the fee paid to the Investment Advisor will be higher than if the Fund did not use leverage.

BlackRock Financial Management, Inc. acts as the sub-adviser for the Fund. BlackRock Advisors, LLC has entered into a separate sub-advisory agreement with the Sub-Advisor (the "Sub-Advisory Agreement," and together with the Investment Management Agreement, the "Advisory Agreements") which states that the Investment Advisor agrees to pay the Sub-Advisor for services it provides, a monthly fee equal to 59% of the investment advisory fees paid by the Fund to the Investment Advisor with respect to the assets of the Fund allocated to the Sub-Advisor. Effective July 1, 2014, the Sub-Advisory Agreement will expire and not be renewed.

A discussion regarding the basis for the approval of the Investment Management Agreement and the Sub-Advisory Agreement by the Board is available in the Fund's Annual Report to shareholders for the fiscal year ended August 31, 2013.

The Fund is managed by a team of investment professionals comprised of James E. Keenan, Managing Director at BlackRock, Mitchell Garfin, Managing Director at BlackRock and Derek Schoenhofen, Director at BlackRock. Messrs. Keenan, Garfin and Schoenhofen are the Fund’s co-portfolio managers and are responsible for the day-to-day management of the Fund’s portfolio and the selection of its investments.

Portfolio Manager	Primary Role	Since	Title and Recent Biography
James E. Keenan, CFA	Jointly responsible for the day-to-day management of the Fund's portfolio, which includes setting the Fund's overall investment strategy, overseeing the management of the Fund and/or selection of its investments.	2006	Managing Director of BlackRock, Inc. since 2008 and Head of the Leveraged Finance portfolio team; Director of BlackRock, Inc. from 2006 to 2007.
Mitchell Garfin, CFA	Jointly responsible for the day-to-day management of the Fund's portfolio, which includes setting the Fund's overall investment strategy, overseeing the management of the Fund and/or selection of its investments.	2009	Managing Director of BlackRock since 2009; Director of BlackRock from 2005 to 2008.
Derek Schoenhofen	Jointly responsible for the day-to-day management of the Fund's portfolio, which includes setting the Fund's overall investment strategy, overseeing the management of the Fund and/or selection of its investments.	2009	Director of BlackRock since 2006; Vice President of BlackRock from 2000 to 2005.

Additional information regarding the Board, the Advisors and the portfolio managers, including the portfolio managers' compensation, other accounts managed and ownership of Fund securities, is included under Item 21, below, and under Item 9, Item 18 and Item 21 in Part II.

State Street Bank and Trust Company provides certain administration and accounting services to the Fund pursuant to an Administrative Services Agreement (the "Administration Agreement"). State Street Bank and Trust Company is paid a monthly fee at an annual rate ranging from 0.0075% to 0.015% of the Fund's Managed Assets, along with an annual fixed fee ranging from $0 to $10,000 for the services it provides to the Fund.

Certain legal matters will be passed upon by Miles & Stockbridge P.C., which serves as special Maryland counsel to the Fund.

See "Other Service Providers" under Item 9 in Part II for additional information about State Street Bank and Trust Company, the Fund's other service providers and other matters relevant to the Fund's management.

2. Not applicable.

3. Not applicable.

Item 10. Capital Stock, Long-Term Debt and Other Securities

1. The Fund is authorized to issue 200,000,000 shares of capital stock, par value $0.10 per share, all of which shares currently are classified as common stock. The Fund intends to make regular monthly cash distributions of all or a portion of its net investment income to holders of the Fund's shares of common stock. The Fund reserves the right

to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time and may do so without prior notice to common shareholders. For additional information about the Fund's common stock, see Item 10 in Part II.

The Fund is party to a senior committed secured, 360-day rolling line of credit facility and a separate security agreement (the "SSB Agreement") with State Street Bank and Trust Company ("SSB"). The SSB Agreement allows for a maximum commitment amount of $798,000,000 for the Fund. At February 28, 2014, the Fund had drawn $686,000,000 on the SSB credit facility. For the year ended February 28, 2014, the Fund's weighted daily average interest rate under the SSB Agreement was 0.91%. See "Item 10: Capital Stock, Long-Term Debt and Other Securities—Credit Facility" in Part II for additional information regarding the SSB Agreement.

The Fund does not have any preferred stock outstanding.

2. See Item 10.1, above, and Item 10 in Part II.

3. See Item 10.1, above, and Item 10 in Part II.

4. See "Tax Matters" under Item 10 in Part II.

5. Outstanding Securities, as of April 30, 2014:

Title of Class	Amount Authorized	Amount Held by Fund for its Account	Amount Outstanding (Exclusive of Amount Held by Fund for its Account)
Common Stock, par value $0.10	200,000,000	0	126,599,668

6. Not applicable.

Item 11. Defaults and Arrears on Senior Securities

Not applicable.

Item 12. Legal Proceedings

Not applicable.

Item 13. Table of Contents of Statement of Additional Information

Not applicable.

Item 14. Cover Page

Not applicable.

Item 15. Table of Contents

Not applicable.

Item 16. General Information and History

Not applicable.

Item 17. Investment Objective and Policies

1.	See Item 8.2 and Item 8.3, above, and Item 8 in Part II.
2.	See Item 8.2 and Item 8.3, above, and Item 8 in Part II.
3.	See Item 8.2 and Item 8.3, above, and Item 8 in Part II.
4.	Not applicable.

Item 18. Management

1. See Item 18 in Part II.

2. See Item 18 in Part II.

3. See Item 18 in Part II.

4. See Item 18 in Part II.

5. During the Fund's fiscal year ended August 31, 2013, the Board and the Board's committees held the following meetings:

Board or Committee	Number of Meetings
Board (regular meetings)	6
Board (special meetings)	2
Audit Committee	14
Governance and Nominating Committee	4
Compliance Committee	4
Performance Oversight Committee	4
Leverage Committee	10
Executive Committee	2

See Item 18 in Part II.

6. See Item 18 in Part II.

7. The Board of the Fund currently consists of 11 individuals, nine of whom are not "interested persons" of the Fund as defined in the 1940 Act (the "Independent Directors"). 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 Fund is included in the Closed-End Complex. The Directors also oversee as Board members the operations of the other closed-end registered investment companies included in the Closed-End Complex.

Information relating to each Director's share ownership in the Fund and in the other funds in the Closed-End Complex that are overseen by the respective Director as of December 31, 2013 is set forth in the chart below:

Name of Director	Dollar Range of Equity Securities and Share Equivalents in the Fund*	Aggregate Dollar Range of Equity Securities and Share Equivalents Overseen by Directors in the Family of Registered Investment Companies**
Independent Directors		

Michael J. Castellano	$10,001 - $50,000	Over $100,000
Richard E. Cavanagh	$1 - $10,000	Over $100,000
Frank J. Fabozzi	Over $100,000	Over $100,000
Kathleen F. Feldstein	$1 - $10,000	Over $100,000
James T. Flynn	None	Over $100,000
Jerrold B. Harris	$1 - $10,000	Over $100,000
R. Glenn Hubbard	$1 - $10,000	Over $100,000
W. Carl Kester	$1 - $10,000	Over $100,000
Karen P. Robards	None	Over $100,000
Interested Directors		
Paul L. Audet	None	Over $100,000
Henry Gabbay	$1 - $10,000	Over $100,000

*Includes share equivalents owned under the deferred compensation plan in the Fund by certain Independent Directors who have participated in the deferred compensation plan of the funds in the Family of Registered Investment Companies.

**The term "Family of Registered Investment Companies" refers to all registered investment companies advised by the Advisors or an affiliate thereof. Includes share equivalents owned under the deferred compensation plan in the funds in the Family of Registered Investment Companies by certain Independent Directors who have participated in the deferred compensation plan of the funds in the Family of Registered Investment Companies.

8. See Item 18 in Part II.

9. See Item 18 in Part II.

10. See Item 18 in Part II.

11. See Item 18 in Part II.

12. See Item 18 in Part II.

13. The following table sets forth the aggregate compensation, including deferred compensation amounts, paid to each Independent Director and Mr. Gabbay (a Director the Fund treats as a "interested person") by the Fund during its most recently completed fiscal year and by the Closed-End Complex for the most recently completed calendar year. See Item 18 in Part II for additional information regarding director compensation.

Name	Aggregate Compensation from the Fund (Most Recently Completed Fiscal Year)	Aggregate Compensation from the Fund and other BlackRock-Advised Funds in the Closed-End Complex(1) (Most Recently Completed Calendar Year)
Independent Directors		
Michael J. Castellano	$13,259	$275,000 (2)
Richard E. Cavanagh	$19,043	$395,000 (3)
Frank J. Fabozzi	$15,428	$320,000 (4)
Kathleen F. Feldstein	$12,053	$250,000 (5)
James T. Flynn	$13,259	$275,000 (6)
Jerrold B. Harris	$12,959	$270,000 (7)
R. Glenn Hubbard	$12,563	$260,000 (8)
W. Carl Kester	$14,464	$300,000 (9)
Karen P. Robards	$18,080	$375,000 (10)
Interested Director		
Henry Gabbay	$10,370	$212,500 (11)

(1) Represents the aggregate compensation earned by such persons from the Closed-End Complex during the calendar year ended December 31, 2013. Of this amount, Mr. Castellano, Mr. Cavanagh, Dr. Fabozzi, Dr. Feldstein, Mr. Flynn, Mr. Harris, Dr. Hubbard, Dr. Kester and Ms. Robards deferred $82,500, $37,000, $14,750, $75,000, $137,500, $135,000, $130,000, $75,000 and $35,000, respectively, pursuant to the Closed-End Complex's deferred compensation plan.

(2) Total amount of deferred compensation payable by the Closed-End Complex to Director is $235,579 as of December 31, 2013.

(3) Total amount of deferred compensation payable by the Closed-End Complex to Director is $688,375 as of December 31, 2013.

(4) Total amount of deferred compensation payable by the Closed-End Complex to Director is $606,433 as of December 31, 2013.

(5) Total amount of deferred compensation payable by the Closed-End Complex to Director is $767,918 as of December 31, 2013.

(6) Total amount of deferred compensation payable by the Closed-End Complex to Director is $1,157,009 as of December 31, 2013.

(7) Total amount of deferred compensation payable by the Closed-End Complex to Director is $1,086,495 as of December 31, 2013.

(8) Total amount of deferred compensation payable by the Closed-End Complex to Director is $1,146,290 as of December 31, 2013.

(9) Total amount of deferred compensation payable by the Closed-End Complex to Director is $631,096 as of December 31, 2013.

(10) Total amount of deferred compensation payable by the Closed-End Complex to Director is $560,854 as of December 31, 2013.

(11) As of December 31, 2013, Mr. Gabbay did not participate in the deferred compensation plan.

14. Not applicable.

15. See Item 18 in Part II.

16. See Item 18 in Part II.

17. See Item 18 in Part II.

Item 19. Control Persons and Principal Holders of Securities

1. Not applicable.

2. Unless otherwise indicated, the information set forth below is as of April 30, 2014. To the Fund's knowledge, no person beneficially owned more than 5% of the Fund's outstanding shares of common stock, except as set forth below.

Investor	Address	Common Shares Held†	Common Shares % Held†
First Trust Portfolios L.P.(1)	120 East Liberty Drive, Suite 400 Wheaton, Illinois 60187	18,346,536	14.49%
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	–	–
Saba Capital Management, L.P.(2)	405 Lexington Avenue, 58th Floor New York, New York 10174	6,525,732	5.16%
Saba Capital Master Fund, Ltd.(2)	Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands	3,785,342	2.99%
Saba Capital Master Fund II, Ltd.(2)	Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands	1,571,748	1.24%
Saba Capital Leveraged Master Fund, Ltd.(2)	Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands	761,819	0.60%
		406,823	0.32%

Saba Capital Partners (Cayman), L.P.(2)	Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands		
Boaz R. Weinstein(2)	405 Lexington Avenue, 58th Floor New York, New York 10174	–	–

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†The information contained in this table is based on Schedule 13D/13G filings made on or before April 30, 2014.

(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) Saba Capital Management, L.P., Saba Capital Master Fund, Ltd., Saba Capital Master Fund II, Ltd., Saba Capital Leveraged Master Fund, Ltd., Saba Capital Partners (Cayman), L.P. and Boaz R. Weinstein filed their Schedule 13G jointly. The holdings reported by Saba Capital Management, L.P. consist of the holdings of Saba Capital Master Fund, Ltd., Saba Capital Master Fund II, Ltd., Saba Capital Leveraged Master Fund, Ltd. and Saba Capital Partners (Cayman), L.P. On its Schedule 13G filing Saba Capital Management, L.P. reported that its interest in the Fund is 5.16%, 2.99% held by Saba Capital Master Fund, Ltd., 1.24% held by Saba Capital Master Fund II, Ltd., 0.60% held by Saba Capital Leveraged Master Fund, Ltd., and 0.32% held by Saba Capital Partners (Cayman), L.P.

3. See Item 19 in Part II.

Item 20. Investment Advisory and Other Services

1. The table below sets forth information about the total advisory fees, net of any applicable fee waiver, paid by the Fund to the Investment Advisor for the last three fiscal years.

Year Ended August 31,		
2013	2012	2011
$4,421,428(1)(2)(3)	$3,896,467(1)(2)	$3,788,055(1)(2)

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(1) The Investment Advisor voluntarily agreed to waive its investment advisory fees by the amount of investment advisory fees the Fund pays to the Investment Advisor indirectly through its investment in affiliated money market funds. However, the Investment Advisor does not waive its investment advisory fees by the amount of investment advisory fees paid in connection with the Fund's investment in other affiliated investment companies, if any. Pursuant to this arrangement, the figures in the table above reflect waivers by the Investment Advisor of its fees in the amounts of $980, $605 and $1,411 for the years ended August 31, 2013, August 31, 2012 and August 31, 2011, respectively.

(2)

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

(3) Prior to November 18, 2013, the Fund's contractual management fee was at an annual rate of 0.70% of the Fund's average daily Managed Assets. In connection with the Fund's reorganizations with BlackRock High Yield Trust, BlackRock Corporate High Yield Fund, Inc., BlackRock Corporate High Yield Fund III, Inc., BlackRock High Income Shares and BlackRock Corporate High Yield Fund V, Inc., effective November 18, 2013, the Investment Advisor reduced its contractual management fee to an annual rate of 0.60% of the Fund's average daily Managed Assets as of November 18, 2013. The increase in the dollar amount of the advisory fee paid by the Fund is a result of the increase in the Fund's Managed Assets following these acquisitions.

The table below sets forth information about the total sub-advisory fees paid by the Investment Advisor to the Sub-Advisor for the last three fiscal years.

Year Ended August 31,		
2013	2012	2011
$2,609,080	$614,889	-

See Item 9.1, above, and Item 9 and Item 20 in Part II for additional information regarding the Investment Advisor and the Sub-Advisor.

2. See Item 9.1, above, and Item 9 and Item 20 in Part II.

3. Not applicable.

4. State Street Bank and Trust Company provides certain administration and accounting services to the Fund pursuant to the Administration Agreement. The table below shows the amounts paid by the Fund to State Street Bank and Trust Company for such services for the last three fiscal years:

Year Ended August 31,		
2013	2012	2011
$84,419	$130,214	$79,820(1)

See Item 9.1, above, and Item 9 in Part II for additional information regarding the Administration Agreement.

5. Not applicable.

6. See Item 9 in Part II.

7. See Item 9 in Part II.

8. Not applicable.

Item 21: Portfolio Managers

1. The following table sets forth information about funds and accounts other than the Fund for which the portfolio managers are primarily responsible for the day-to-day portfolio management as of August 31, 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	Other Pooled Investment	Other Accounts	Other Registered Investment	Other Pooled Investment	Other Accounts

	Companies	Vehicles		Companies	Vehicles	
James E. Keenan	20	22	24	0	7	4
	$17.12 Billion	$10.85 Billion	$6.384 Billion	$0	$1.21 Billion	$578.7 Million
Mitchell Garfin	14	5	24	0	0	4
	$15.75 Billion	$6.98 Billion	$7.89 Billion	$0	$0	$578.7 Million
Derek Schoenhofen	11	8	28	0	1	4
	$13.66 Billion	$8.65 Billion	$7.07 Billion	$0	$423.9 Million	$578.7 Million

Conflicts of Interest: Messrs. Keenan, Garfin, and Schoenhofen may be managing certain hedge fund and/or long only accounts, or may be part of a team managing certain hedge fund and/or long only accounts subject to incentive fees. Messrs. Keenan, Garfin, and Schoenhofen may therefore be entitled to receive a portion of any incentive fees earned on such accounts. See "Portfolio Managers — Potential Material Conflicts of Interest" under Item 21 in Part II.

2. See Item 21 in Part II for a general overview and description of the structure of, and the method used to determine, the compensation of the portfolio managers. 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. The following sets forth how various components of this compensation structure apply specifically to these portfolio managers as of August 31, 2013.

Performance-Based Discretionary Bonus. Among other things, BlackRock's Chief Investment Officers make a subjective determination with respect to each portfolio manager's compensation based on the performance of the funds and other accounts managed by each portfolio manager relative to the various benchmarks. Performance of fixed income funds is measured on a pre-tax and/or after-tax basis over various time periods including 1-, 3- and 5- year periods, as applicable. With respect to Messrs. Keenan, Garfin, and Schoenhofen, such benchmarks for the Fund and other accounts are: a combination of market-based indices (e.g., The Barclays U.S. Corporate High Yield 2% Issuer Cap Index), certain customized indices and certain fund industry peer groups.

Long-Term Incentive Plan Awards. Mr. Keenan has unvested long-term incentive awards.

Deferred Compensation Program. Any portfolio manager who is either a managing director or director at BlackRock with compensation above a specified threshold is eligible to participate in the deferred compensation program.

Incentive Savings Plan. All of the eligible portfolio managers are eligible to participate in these plans.

3. As of August 31, 2013, the portfolio managers beneficially own the following dollar ranges of equity securities in the Fund:

Portfolio Manager	Dollar Range of Equity Securities of the Fund Beneficially Owned
James E. Keenan	None
Mitchell Garfin	None
Derek Schoenhofen	None

Item 22. Brokerage Allocation and Other Practices

1. Information about the brokerage commissions paid by the Fund is set forth in the following table:

For the Fiscal Year Ended	Aggregate Brokerage Commissions
August 31, 2013	$ 112,947
August 31, 2012	$ 137,110
August 31, 2011	$ 183,745

See Item 22 in Part II for additional information about how the Fund effects portfolio transactions.

2. The Advisors may place portfolio transactions, to the extent permitted by law, with brokerage firms affiliated with the Fund 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.

The Fund has not paid any brokerage commissions to affiliated broker-dealers during the three most recent fiscal years.

The Fund paid no security lending agent fees to the security lending agent during the Fund's previous three fiscal years.

3. See Item 22 in Part II.

4. Not applicable.

5. The Fund acquired securities of CIT Group Inc., a regular broker/dealer of the Fund, during the Fund's fiscal year ended August 31, 2013. As of August 31, 2013, the value of the Fund's aggregate holdings of the securities of CIT Group Inc. was $2,706,000.

Item 23. Tax Status

See Item 10.4, above, and "Tax Matters" under Item 10 in Part II.

Item 24. Financial Statements

[To come by amendment]

Item 25. Financial Statements and Exhibits

1. [To come by amendment]

2. Exhibits:

(a)(1) Articles of Incorporation of the Registrant, dated March 13, 2003(1)

(a)(2) Articles of Amendment, dated September 14, 2006(2)

(a)(3) Articles Supplementary, dated September 17, 2010(3)

(a)(4) Articles of Amendment, dated February 28, 2014 – filed herewith

(b) Amended and Restated Bylaws of the Registrant, dated September 17, 2010(4)

(c) Not applicable

(d) Portions of Articles of Incorporation and the Amended and Restated Bylaws of the Registrant defining the Rights of Stockholders(5)

(e) Automatic Dividend Reinvestment Plan – filed herewith

(f) Not applicable

(g)(1) Amended and Restated Investment Management Agreement between the Registrant and BlackRock Advisors, LLC – filed herewith

(g)(2) Sub-Investment Advisory Agreement among the Registrant, BlackRock Advisors, LLC and and BlackRock Financial Management, Inc.(6)

(h)(1) Form of Distribution Agreement between the Registrant and BlackRock Investments, LLC – to be filed by amendment

(h)(2) Form of Sub-Placement Agent Agreement between BlackRock Investments, LLC and UBS Securities LLC – to be filed by amendment

(i) Second Amended and Restated Deferred Compensation Plan – filed herewith

(j) Custodian Agreement between the Registrant and State Street Bank and Trust Company(7)

(k)(1) Transfer Agency and Service Agreement between the Registrant and Computershare Trust Company, N.A. and Computershare Shareholder Services, Inc.(8)

(k)(2)	Administrative Services Agreement between the Registrant and State Street(9)
(k)(3)	Credit Agreement between the Registrant and State Street(10)
(k)(4)	Amendment No. 3 to the Credit Agreement between the Registrant and State Street - filed herewith
(k)(5)	Form of Amendment No. 4 to the Credit Agreement between the Registrant and State Street – to be filed by amendment
(k)(6)	Securities Lending Agreement – filed herewith
(l)	Opinion and Consent of Counsel for the Registrant – to be filed by amendment
(m)	Not applicable
(n)	Consent of independent registered public accounting firm for the Registrant – to be filed by amendment
(o)	Not applicable
(p)	Not applicable
(q)	Not applicable
(r)(1)	Code of Ethics of the Registrant – filed herewith
(r)(2)	Code of Ethics of the Investment Advisor and Sub-Advisor – filed herewith
(s)	Power of Attorney – filed herewith

(1) Incorporated by reference to Exhibit (a) to Registrant's Registration Statement on Form N-2, as filed with the SEC on March 14, 2003.
(2) Incorporated by reference to Exhibit 1(b) to Registrant's Registration Statement on Form N-14, as filed with the SEC on August 22, 2013.
(3) Incorporated by reference to Exhibit 1(c) to Registrant's Registration Statement on Form N-14, as filed with the SEC on August 22, 2013.
(4) Incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K, as filed with the SEC on September 21, 2010.
(5) Incorporated by reference to Exhibit 5(a) to the Registrant's Registration Statement on Form N-14, as filed with the SEC on July 15, 2013.
(6) Incorporated by reference to Exhibit 6(b) to the Registrant's Registration Statement on Form N-14, as filed with the SEC on August 22, 2013.
(7) Incorporated by reference to Exhibit 9 to the Registrant's Registration Statement on Form N-14, as filed with the SEC on August 22, 2013.
(8) Incorporated by reference to Exhibits 17(b) – (f) to the Registrant's Registration Statement on Form N-14, as filed with the SEC on August 22, 2013.
(9) Incorporated by reference to Exhibit 17(g) to the Registrant's Registration Statement on Form N-14, as filed with the SEC on August 22, 2013.
(10) Incorporated by reference to Exhibits 13(a)-(c) to the Registrant's Registration Statement on Form N-14, as filed with the SEC on August 22, 2013.

Item 26. Marketing Arrangements

Not applicable.

Item 27. Other Expenses of Issuance and Distribution

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this registration statement:

Registration fee	$
NYSE listing fee	
Accounting fees and expenses	
Legal fees and expenses	
FINRA fee	
Miscellaneous	
Total	$

Item 28. Persons Controlled by or Under Common Control

See Item 28 in Part II.

Item 29. Number of Holders of Securities

As of April 30, 2014:

Title of Class	Number of Record Holders
Common Stock	728

Item 30. Indemnification

See Item 30 in Part II.

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Item 31. Business and Other Connections of Investment Advisor

See Item 31 in Part II.

Item 32. Location of Accounts and Records

See Item 32 in Part II.

Item 33. Management Services

Not applicable.

Item 34. Undertakings

See Item 34 in Part II.

PART II

ADDITIONAL INFORMATION ABOUT
BLACKROCK CORPORATE HIGH YIELD FUND, INC.

Item 5. Plan of Distribution

The Fund has entered into a Distribution Agreement (the "Distribution Agreement") with BlackRock Investments, LLC, an affiliate of the Fund and the Advisors located at 55 East 52nd Street, New York, NY 10055, to provide for distribution of the Fund's common stock on a reasonable efforts basis through various specified transactions, including at-the-market offerings pursuant to Rule 415 under the Securities Act, subject to various conditions. The Distribution Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. The summary of the Distribution Agreement contained herein is qualified by reference to the Distribution Agreement.

Subject to the terms and conditions of the Distribution Agreement, the Fund may from time to time issue and sell its common stock through the Distributor to certain broker-dealers which have entered into selected sub-placement agent agreements with the Distributor. Currently, the Distributor has entered into a sub-placement agent agreement with UBS Securities LLC, pursuant to which the Dealer will be acting as the Distributor's sub-placement agent with respect to at-the-market offerings of the Fund's common stock. The Dealer Agreement has been filed as an exhibit to the Registration Statement of which this Prospectus forms a part. The summary of the Dealer Agreement contained herein is qualified by reference to the Dealer Agreement.

Under the Dealer Agreement, upon instructions from the Distributor the Dealer will use its reasonable best efforts to sell, as sub-placement agent, shares of Fund common stock under the terms and subject to the conditions set forth in the Dealer Agreement. The Distributor will instruct the Dealer as to the amount of shares of Fund common stock authorized for sale by the Dealer on any particular day that is a trading day for the exchange on which the Fund's common stock is listed and primarily trades. The Distributor will also instruct the Dealer not to sell shares of Fund common stock if the sales cannot be effected at or above a price designed by the Distributor, which price will at least be equal to the Minimum Price and which price, may, in the discretion of the Distributor and the Fund, be above the Minimum Price. The Distributor and the Fund may, in their discretion, determine not to authorize sales of the Fund's common stock on a particular day even if the per share price of the shares is equal to or greater than the Minimum Price. The Fund and the Distributor will have full discretion regarding whether sales of shares of the Fund’s common stock will be authorized on a particular day and, if so, in what amounts. The Fund, the Distributor or the Dealer may suspend a previously authorized offering of the Fund’s common stock upon proper notice and subject to other conditions.

The Dealer will provide written confirmation to the Distributor following the close of trading on a day on which shares of Fund common stock are sold under the Dealer Agreement. Each confirmation will include the number of shares sold, the net proceeds to the Fund and the compensation that the Dealer is owed in connection with the sales. There is no guarantee that there will be any sales of the Fund's common stock pursuant to this Prospectus. Actual sales, if any, of the Fund's common stock may be greater or less than the most recent market price set forth in this Prospectus, depending on the market price of the Fund's common stock at the time of any such sale; provided, however, that sales will not be made at less than the Minimum Price.

Settlements of sales of common stock will occur on the third business day following the date on which any such sales are made.

In connection with the sale of common stock on behalf of the Fund, the Distributor may be deemed to be an underwriter within the meaning of the Securities Act, and the compensation of the Distributor may be deemed to be underwriting commissions or discounts.

The offering of the Fund's common stock pursuant to the Distribution Agreement will terminate upon the earlier of (i) the sale of all shares of common stock subject thereto or (ii) termination of the Distribution Agreement. The Fund and the Distributor each have the right to terminate the Distribution Agreement in its discretion upon advance notice to the other party.

The Dealer, its affiliates and their respective employees hold or may hold in the future, directly or indirectly, investment interests in BlackRock, Inc., the parent company of the Distributor, and funds advised by the Investment Advisor and its affiliates. The interests held by employees of the Dealer or its affiliates are not attributable to, and no investment discretion is held by, the Dealer or its affiliates.

The Fund has agreed to indemnify the Distributor and hold the Distributor harmless against certain liabilities, including certain liabilities under the Securities Act, except for any liability to the Fund or its investors to which the

Distributor would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of its duties or by its reckless disregard of its obligations and duties under its agreement with the Fund.

Additional information regarding the plan of distribution is set forth under Item 5 in Part I.

Item 8. Description of the Fund

Portfolio Contents and Techniques

The Fund may invest in the following instruments and use the following investment techniques, subject to any limitations set forth in Part I. There is no guarantee the Fund will buy all of the types of securities or use all of the investment techniques that are described herein.

Corporate Bonds. Corporate bonds are debt obligations issued by corporations. Corporate bonds may be either secured or unsecured. Collateral used for secured debt includes real property, machinery, equipment, accounts receivable, stocks, bonds or notes. If a bond is unsecured, it is known as a debenture. Bondholders, as creditors, have a prior legal claim over common and preferred stockholders as to both income and assets of the corporation for the principal and interest due them and may have a prior claim over other creditors if liens or mortgages are involved. Interest on corporate bonds may be fixed or floating, or the bonds may be zero coupons. Interest on corporate bonds is typically paid semi-annually and is fully taxable to the bondholder. Corporate bonds contain elements of both interest rate risk and credit risk. The market value of a corporate bond generally may be expected to rise and fall inversely with interest rates and may also be affected by the credit rating of the corporation, the corporation's performance and perceptions of the corporation in the marketplace. Corporate bonds usually yield more than government or agency bonds due to the presence of credit risk.

High Yield Securities. The Fund may invest in securities rated, at the time of investment, below investment grade quality such as those rated Ba or below by Moody's or BB or below by S&P, or securities comparably rated by other rating agencies or in unrated securities determined by the Advisors to be of comparable quality. Such securities, sometimes referred to as "high yield" or "junk" bonds, are predominantly speculative with respect to the capacity to pay interest and repay principal in accordance with the terms of the security and generally involve greater price volatility than securities in higher rating categories. Often the protection of interest and principal payments with respect to such securities may be very moderate and issuers of such securities face major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments.

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 of higher rated securities. Adverse conditions could make it difficult at times for the Fund to sell certain securities or could result in lower prices than those used in calculating the Fund's NAV.

The prices of fixed income securities generally are inversely related to interest rate changes; however, the price volatility caused by fluctuating interest rates of securities also is inversely related to the coupons of such securities. Accordingly, below investment grade securities may be relatively less sensitive to interest rate changes than higher quality securities of comparable maturity because of their higher coupon. The investor receives this higher coupon in return for bearing greater credit risk. The higher credit risk associated with below investment grade securities potentially can have a greater effect on the value of such securities than may be the case with higher quality issues of comparable maturity.

Lower grade securities may be particularly susceptible to economic downturns. It is likely that an economic recession could severely disrupt 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.

The ratings of Moody's, S&P 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 also will independently evaluate these securities and the ability of the issuers of such securities to pay interest and principal. To the extent that the 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 when the Fund invests in rated securities.

Distressed and Defaulted Securities. The Fund may invest in securities of financially distressed and bankrupt issuers, including debt obligations that are in covenant or payment default. Such investments generally trade significantly below par and are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result in only partial recovery of cash payments or an exchange of the defaulted obligation for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Senior Loans. The senior loans in which the Fund invests may consist of direct obligations of a borrower undertaken to finance the growth of the borrower's business, internally or externally, or to finance a capital restructuring. Senior loans may also include debtor in possession financings pursuant to Chapter 11 of the U.S. Bankruptcy Code and obligations of a borrower issued in connection with a restructuring pursuant to Chapter 11 of the U.S. Bankruptcy Code. A significant portion of such senior loans are highly leveraged loans such as leveraged buy-out loans, leveraged recapitalization loans and other types of acquisition loans. Such senior loans may be structured to include both term loans, which are generally fully funded at the time of the Fund's investment, and revolving credit facilities or delayed draw term loans, which would require the Fund to make additional investments in the senior loans as required under the terms of the credit facility. Such senior loans may also include receivables purchase facilities, which are similar to revolving credit facilities secured by a borrower's receivables, senior loans designed to provide "bridge" financing to a borrower pending the sale of identified assets or the arrangement of longer-term loans or the issuance and sale of debt obligations or senior loans of borrowers that have obtained bridge loans from other parties. Senior loans generally are issued in the form of senior syndicated loans, but the Fund also may invest from time to time in privately placed notes, credit linked notes, structured notes or other instruments with credit and pricing terms which are, in the opinion of the Investment Advisor, consistent with investments in senior loan obligations.

The senior loans in which the Fund invests typically have stated maturities ranging from five to nine years, though such stated maturities could vary from this range and the Fund is not subject to any restrictions with respect to the maturity of senior loans held in its portfolio. As a result, as short-term interest rates increase, interest payable to the Fund from its investments in senior loans should increase, and as short-term interest rates decrease, interest payable to the Fund from its investments in senior loans should decrease. Because of prepayments, the Advisors expect the average life of the senior loans in which the Fund invests to be shorter than the stated maturity.

The senior loans in which the Fund invests generally hold a senior position in the capital structure of the borrower. Such loans may include loans that hold the most senior position, loans that hold an equal ranking with other senior debt, or loans that are, in the judgment of the Investment Advisor, in the category of senior debt. A senior position in the borrower's capital structure generally gives the holder of the senior loan a claim on some or all of the borrower's assets that is senior to that of subordinated debt, preferred stock and common stock in the event the borrower defaults or becomes bankrupt. The senior loans in which the Fund invests may be wholly or partially secured by collateral, or may be unsecured. In the event of a default, the ability of an investor to have access to any collateral may be limited by bankruptcy and other insolvency laws. The value of the collateral also may decline subsequent to the Fund's investment in the senior loan. Under certain circumstances, the collateral may be released with the consent of the Agent Bank and Co-Lenders (each as defined below), or pursuant to the terms of the underlying credit agreement with the borrower. There is no assurance that the liquidation of the collateral will satisfy the borrower's obligation in the event of nonpayment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, the 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 the case of highly leveraged senior loans, a borrower is often required to pledge collateral that may include (i) working capital assets, such as accounts receivable and inventory, (ii) tangible fixed assets, such as real property, buildings and equipment, (iii) intangible assets, such as trademarks, copyrights and patent rights and/or (iv) security interests in securities of subsidiaries or affiliates. Collateral also may include guarantees or other credit support by subsidiaries or affiliates. In some cases the only collateral for the senior loan is the stock of the borrower and/or its subsidiaries and affiliates. To the extent a senior loan is secured by stock of the borrower and/or its subsidiaries and affiliates, such stock may lose all of its value in the event of a bankruptcy or insolvency of the borrower. In the case of senior loans to privately held companies, the companies' owners may provide additional credit support in the form of guarantees and/or pledges of other securities that they own.

In the case of project finance loans, the borrower is generally a special purpose entity that pledges undeveloped land and other non-income producing assets as collateral and obtains construction completion guaranties from third parties, such as the project sponsor. Project finance credit facilities typically provide for payment of interest from escrowed funds during a scheduled construction period, and for the pledge of current and fixed assets after the project is constructed and becomes operational. During the construction period, however, the lenders bear the risk that the project will not be constructed in a timely manner, or will exhaust project funds prior to completion. In such an event, the lenders may need to take legal action to enforce the completion guaranties, or may need to lend more money to the project on less favorable financing terms, or may need to liquidate the undeveloped project assets. There can be no assurance in any of such cases that the lenders will recover all of their invested capital.

The rate of interest payable on senior floating rate loans is established as the sum of a base lending rate plus a specified margin. These base lending rates generally are the prime rate ("Prime Rate") of a designated U.S. bank, London Interbank Offered Rate ("LIBOR"), the Certificate of Deposit ("CD") rate or another base lending rate used by commercial lenders. The interest rate on Prime Rate-based senior loans floats daily as the Prime Rate changes, while the interest rate on LIBOR-based and CD-based senior loans is reset periodically, typically every one, two, three or six months. Certain of the senior floating rate loans in which the Fund invests permit the borrower to select an interest rate reset period of up to one year. A portion of the Fund's portfolio may be invested in senior loans with interest rates that are fixed for the term of the loan. Investment in senior loans with longer interest rate reset periods or fixed interest rates may increase fluctuations in the Fund's NAV, and potentially the market price of the Fund's shares of common stock, as a result of changes in interest rates.

The Fund may receive and/or pay certain fees in connection with its lending activities. These fees are in addition to interest payments received and may include facility fees, commitment fees, amendment and waiver fees, commissions and prepayment fees. In certain circumstances, the Fund may receive a prepayment fee on the prepayment of a senior loan by a borrower. In connection with the acquisition of senior loans or other debt securities, the Fund also may acquire warrants and other debt and equity securities of the borrower or issuer or its affiliates. The Fund may also acquire other debt and equity securities of the borrower or issuer in connection with an amendment, waiver, conversion or exchange of a senior loan or in connection with a bankruptcy or workout of the borrower or issuer.

In making an investment in a senior loan, the Investment Advisor will consider factors deemed by it to be appropriate to the analysis of the borrower and the senior loan. The Investment Advisor performs its own independent credit analysis of the borrower in addition to utilizing information prepared and supplied by the Agent Bank, Co-Lender or Participant (each defined below) from whom the Fund purchases its interest in a senior loan. Such factors include, but are not limited to, the legal/protective features associated with the securities (such as their position in the borrower's capital structure and any security through collateral), 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. The Investment Advisor's analysis continues on an ongoing basis for any senior loans in which the Fund has invested. Although the Investment Advisor uses due care in making such analysis, there can be no assurance that such analysis will disclose factors that may impair the value of the senior loan.

Senior loans made in connection with highly leveraged transactions are subject to greater credit risks than other senior loans in which each Fund may invest. These credit risks include a greater possibility of default or bankruptcy of the borrower and the assertion that the pledging of collateral 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.

Many senior loans in which the Fund invests may not be rated by a rating agency, are not registered with the SEC, or any state securities commission, and are not listed on any national securities exchange. Borrowers may have outstanding debt obligations that are rated below investment grade by a rating agency. Many of the senior loans in which the Fund invests will have been assigned below investment grade ratings by independent rating agencies. In the event senior loans are not rated, they are likely to be the equivalent of below investment grade quality. The Advisors do not view ratings as the determinative factor in their investment decisions and rely more upon their credit analysis abilities than upon ratings.

Except with respect to Distressed Securities, the Fund has no policy with regard to minimum ratings for senior loans in which it may invest. See Item 8: Description of the Fund—Portfolio Contents and Techniques—Distressed and Defaulted Securities. The Fund may purchase and retain in its portfolio senior loans where the borrower has experienced, or may be perceived to be likely to experience, credit problems, including involvement in or recent emergence from bankruptcy reorganization proceedings or other forms of debt restructuring. Such investments may provide opportunities for enhanced income as well as capital appreciation, although they also will be subject to greater risk of loss. At times, in connection with the restructuring of a senior loan either outside of bankruptcy court or in the context of bankruptcy court proceedings, the Fund may determine or be required to accept equity securities or junior fixed income securities in exchange for all or a portion of a senior loan.

The secondary market for trading of senior loans continues to develop and mature. One of the effects of a more active and liquid secondary market, however, is that a senior loan may trade at a premium or discount to the principal amount, or par value, of the loan. There are many factors that influence the market value of a senior loan, including technical factors relating to the operation of the loan market, supply and demand conditions, market perceptions about the credit quality or financial condition of the borrower or more general concerns about the industry in which the borrower operates. The Fund participates in this secondary market for senior loans, purchasing and selling loans that may trade at a premium or discount to the par value of the loan. However, no active trading market may exist for some senior loans and some loans may be subject to restrictions on resale. A secondary market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may impair the ability to realize full value and thus cause a material decline in the Fund's NAV. In addition, the Fund may not be able to readily dispose of its senior loans at prices that approximate those at which the Fund could sell such loans 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. During periods of limited supply and liquidity of senior loans, the Fund's yield may be lower.

When interest rates decline, the value of a fund invested in fixed rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a fund invested in fixed rate obligations can be expected to decline. Although changes in prevailing interest rates can be expected to cause some fluctuations in the value of floating rate senior loans (due to the fact that floating rates on senior loans only reset periodically), the value of floating rate senior loans is substantially less sensitive to changes in market interest rates than fixed rate instruments. As a result, to the extent the Fund invests in floating rate senior loans, the Fund's portfolio may be less volatile and less sensitive to changes in market interest rates than if the Fund invested in fixed rate obligations. Similarly, a sudden and significant increase in market interest rates may cause a decline in the value of these investments and in the Fund's NAV. Other factors (including, but not limited to, rating downgrades, credit deterioration, a large downward movement in stock prices, a disparity in supply and demand of certain securities or market conditions that reduce liquidity) can reduce the value of senior loans and other debt obligations, impairing the Fund's NAV.

A borrower must comply with various restrictive covenants contained in any credit agreement between the borrower and the lending syndicate. 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, limits on total debt and restrictions on the borrower's ability to pledge its assets. In addition, the loan agreement may contain a covenant requiring the borrower to prepay the senior 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 a 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 default (i.e., the Agent Bank has the right to call the outstanding senior loan).

Senior loans usually require, in addition to scheduled payments of interest and principal, the prepayment of the senior loan from excess cash flow, as discussed above, and typically permit the borrower to prepay at its election. The degree to which borrowers prepay senior 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. Upon a prepayment, the Fund may receive both a prepayment fee from the prepaying borrower and a facility fee on the purchase of a new senior loan with the proceeds from the prepayment of the former. Such fees may mitigate any adverse impact on the yield on the Fund's portfolio which may arise as a result of prepayments and the reinvestment of such proceeds in senior loans bearing lower interest rates.

A senior loan in which the Fund may invest typically is originated, negotiated and structured by a syndicate of lenders ("Co-Lenders") consisting of commercial banks, thrift institutions, insurance companies, finance companies, investment banking firms, securities brokerage houses or other financial institutions or institutional investors, one or more of which administers the loan on behalf of the syndicate (the "Agent Bank"). Co-Lenders may sell senior loans to third parties ("Participants"). The Fund invests in a senior loan either by participating in the primary distribution as a Co-Lender at the time the loan is originated or by buying an assignment or participation interest in the senior loan in the secondary market from a Co-Lender or a Participant.

The Fund may invest in a senior loan at origination as a Co-Lender or by acquiring an assignment or participation interest in the secondary market from a Co-Lender or Participant. If the Fund purchases an assignment, the Fund typically accepts all of the rights of the assigning lender in a senior loan, including the right to receive payments of principal and interest and other amounts directly from the borrower and to enforce its rights as a lender directly against the borrower and assumes all of the obligations of the assigning lender, including any obligations to make future advances to the borrower. As a result, therefore, the Fund has the status of a Co-Lender. In some cases, the rights and obligations acquired by a purchaser of an assignment may differ from, and may be more limited than, the rights and obligations of the assigning lender. The Fund also may purchase a participation in a portion of the rights of a Co-Lender or Participant in a senior loan by means of a participation agreement. A participation is similar to an assignment in that the Co-Lender or Participant transfers to the Fund all or a portion of an interest in a senior loan. Unlike an assignment, however, a participation does not establish any direct relationship between the Fund and the borrower. In such a case, the Fund is required to rely on the Co-Lender or Participant that sold the participation not only for the enforcement of the Fund's rights against the borrower but also for the receipt and processing of payments due to the Fund under the senior loans.

Because it may be necessary to assert through a Co-Lender or Participant such rights as may exist against the borrower, in the event the borrower fails to pay principal and interest when due, the Fund may be subject to delays, expenses and risks that are greater than those that would be involved if the Fund could enforce its rights directly against the borrower. Moreover, under the terms of a participation, the Fund may be regarded as a creditor of the Co-Lender or Participant that sold the participation (rather than of the borrower), so that the Fund may also be subject to the risk that the Co-Lender or 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 senior loan may be subject to certain defenses that can be asserted by such borrower as a result of improper conduct by the Agent Bank, Co-Lender or Participant.

In a typical senior loan, the Agent Bank administers the terms of the credit 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 lenders which are parties to the credit agreement. The Fund generally relies on the Agent Bank (or the Co-Lender or Participant that sold the Fund a participation interest) to collect its portion of the payments on the senior loan. Furthermore, the Fund generally relies on the Agent Bank to use appropriate creditor remedies against the borrower. Typically, under credit agreements, the Agent Bank is given broad discretion in enforcing the credit agreement, and is obligated to use only the same care it would use in the management of its own property. The borrower compensates the Agent Bank for these services. Such compensation may include special fees paid on structuring and funding the senior 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 credit agreement should remain available to holders of senior loans.

If, however, assets held by the Agent Bank for the benefit of the Fund were determined by an appropriate regulatory authority or court to be subject to the claims of the Agent Bank's general or secured creditors, the Fund might incur certain costs and delays in realizing payment on a senior loan or suffer a loss of principal and/or interest. In situations involving a Co-Lender or Participant that sold the Fund a participation interest, similar risks may arise, as described above.

The Fund may have certain obligations pursuant to a credit agreement, which may include the obligation to make future advances to the borrower in connection with revolving credit facilities in certain circumstances. These commitments may have the effect of requiring the Fund to increase its investment in a borrower at a time it might not be desirable to do so (including at a time when the borrower's financial condition makes it unlikely that such amounts will be repaid). The Fund currently intends to reserve against such contingent obligations by designating sufficient investments in liquid assets on its books and records.

The Fund may obtain exposure to senior loans through the use of derivative instruments, which have recently become increasingly available. The Advisors may utilize these instruments and similar instruments that may be available in the future. The Fund may invest in a derivative instrument known as a Select Aggregate Market Index ("SAMI"), which provides investors with exposure to a reference basket of senior loans. SAMIs are structured as floating rate instruments. SAMIs consist of a basket of credit default swaps whose underlying reference securities are senior secured loans. While investing in SAMIs will increase the universe of floating rate fixed income securities to which the Fund is exposed, such investments entail risks that are not typically associated with investments in other floating rate fixed income securities. The liquidity of the market for SAMIs will be subject to liquidity in the secured loan and credit derivatives markets. Investment in SAMIs involves many of the risks associated with investments in derivative instruments discussed generally herein.

Second Lien Loans. The Fund may invest in second lien or other subordinated or unsecured floating rate and fixed rate loans or debt. Second lien loans have the same characteristics as senior loans except that such loans are second in lien property rather than first. Second lien loans typically have adjustable floating rate interest payments. Accordingly, the risks associated with second lien loans are higher than the risk of loans with first priority over the collateral. In the event of default on a second lien loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for the second priority lien holder, which may result in a loss of investment to the Fund.

Mezzanine Loans. The Fund may invest in mezzanine loans. Structurally, mezzanine loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. However, mezzanine loans rank senior to common and preferred equity in a borrower's capital structure. Mezzanine debt is often used in leveraged buyout and real estate finance transactions. Typically, mezzanine loans have elements of both debt and equity instruments, offering the fixed returns in the form of interest payments associated with senior debt, while providing lenders an opportunity to participate in the capital appreciation of a borrower, if any, through an equity interest. This equity interest typically takes the form of warrants. Due to their higher risk profile and often less restrictive covenants as compared to senior loans, mezzanine loans generally earn a higher return than senior secured loans. The warrants associated with mezzanine loans are typically detachable, which allows lenders to receive repayment of their principal on an agreed amortization schedule while retaining their equity interest in the borrower. Mezzanine loans also may include a "put" feature, which permits the holder to sell its equity interest back to the borrower at a price determined through an agreed-upon formula. Mezzanine investments may be issued with or without registration rights. Similar to other high yield securities, maturities of mezzanine investments are typically seven to ten years, but the expected average life is significantly shorter at three to five years; however, maturities and expected average lives could vary from these ranges and the Fund is not subject to any restrictions with respect to the maturities or expected average lives of mezzanine loans held in its portfolio. Mezzanine investments are usually unsecured and subordinate to other obligations of the issuer.

Debtor-In-Possession Financings. The Fund may invest in "debtor-in-possession" or "DIP" financings newly issued in connection with "special situation" restructuring and refinancing transactions. DIP financings are loans to a debtor-in-possession in a proceeding under the U.S. Bankruptcy Code that has been approved by the bankruptcy court. These financings allow the entity to continue its business operations while reorganizing under Chapter 11 of the U.S. Bankruptcy Code. DIP financings are typically fully secured by a lien on the debtor's otherwise unencumbered assets or secured by a junior lien on the debtor's encumbered assets (so long as the loan is fully secured based on the most recent current valuation or appraisal report of the debtor). DIP financings are often required to close with certainty and in a rapid manner in order to satisfy existing creditors and to enable the issuer to emerge from bankruptcy or to avoid a bankruptcy proceeding.

Mortgage Related Securities. Mortgage-backed securities ("MBS") include structured debt obligations collateralized by pools of commercial ("CMBS") or residential ("RMBS") mortgages. Pools of mortgage loans and mortgage-backed loans, such as mezzanine loans, are assembled as securities for sale to investors by various governmental, government-related and private organizations. MBS include complex instruments such as collateralized mortgage obligations ("CMOs"), stripped MBS, mortgage pass-through securities and interests in Real Estate Mortgage Investment Conduits ("REMICs"). The MBS in which the Fund may invest include those with fixed, floating or variable interest rates, those with interest rates that change based on multiples of changes in a specified reference interest rate or index of interest rates and those with interest rates that change inversely to changes in interest rates, as well as those that do not bear interest. The Fund may invest in RMBS and CMBS issued by governmental entities and private issuers, including subordinated MBS and residual interests. The Fund may invest in sub-prime mortgages or MBS that are backed by sub-prime mortgages.

In general, losses on a mortgaged property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B-Note, if any, then by the "first loss" subordinated security holder (generally, the "B-Piece" buyer) and then by the holder of a higher rated security. The Fund may invest in any class of security included in a securitization. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B-Notes, and any classes of securities junior to those in which the Fund invests, the Fund will not be able to recover all of its investment in the MBS it purchases. MBS in which the Fund invests may not contain reserve funds, letters of credit, mezzanine loans and/or junior classes of securities. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual issuer developments.

Mortgage Pass-Through Securities. Mortgage pass-through securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, these securities provide a monthly payment which consists of both interest and principal payments. In effect, these payments are a "pass through" of the monthly payments made by the individual borrowers on their residential or commercial mortgage loans, net of any fees paid to the issuer or guarantor of such securities. Additional payments are caused by repayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs that may be incurred. Some mortgage related securities (such as securities issued by the Government National Mortgage Association ("GNMA")) are described as "modified pass-through." These securities entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, at the scheduled payment dates regardless of whether or not the mortgagor actually makes the payment.

RMBS. RMBS are securities the payments on which depend primarily on the cash flow from residential mortgage loans made to borrowers that are secured, on a first priority basis or second priority basis, subject to permitted liens, easements and other encumbrances, by residential real estate (one- to four-family properties), the proceeds of which are used to purchase real estate and purchase or construct dwellings thereon or to refinance indebtedness previously used for such purposes. Non-agency residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The ability of a borrower to repay a loan secured by residential property is dependent upon the income or assets of the borrower. A number of factors, including a general economic downturn, acts of God, terrorism, social unrest and civil disturbances, may impair a borrower's ability to repay its loans.

Agency RMBS. The principal U.S. Governmental guarantor of mortgage related securities is GNMA, which is a wholly owned U.S. Government corporation. GNMA is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA (such as savings and loan institutions, commercial banks and mortgage bankers) and backed by pools of mortgages insured by the Federal Housing Administration (the "FHA") or guaranteed by the Department of Veterans Affairs (the "VA"). MBS issued by GNMA include GNMA Mortgage Pass-Through Certificates (also known as "Ginnie Maes") which are guaranteed as to the timely payment of principal and interest by GNMA and such guarantees are backed by the full faith and credit of the

United States. GNMA certificates also are supported by the authority of GNMA to borrow funds from the U.S. Treasury to make payments under its guarantee.

Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. Government) include the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). FNMA is a government-sponsored corporation the common stock of which is owned entirely by private stockholders. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. Pass-through securities issued by FNMA (also known as "Fannie Maes") are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC was created by Congress in 1970 for the purpose of increasing the availability of mortgage credit for residential housing. It is a government-sponsored corporation that issues FHLMC Guaranteed Mortgage Pass-Through Certificates (also known as "Freddie Macs" or "PCs"), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

In 2008, the Federal Housing Finance Agency ("FHFA") placed FNMA and FHLMC into conservatorship. FNMA and FHLMC are continuing to operate as going concerns while in conservatorship and each remains liable for all of its obligations, including its guaranty obligations, associated with its MBS.

As the conservator, FHFA succeeded to all rights, titles, powers and privileges of FNMA and FHLMC and of any stockholder, officer or director of FNMA and FHLMC with respect to FNMA and FHLMC and the assets of FNMA and FHLMC. In connection with the conservatorship, the U.S. Treasury entered into a Senior Preferred Stock Purchase Agreement with each of FNMA and FHLMC pursuant to which the U.S. Treasury would purchase up to an aggregate of $100 billion of each of FNMA and FHLMC to maintain a positive net worth in each enterprise. This agreement contains various covenants that severely limit each enterprise's operations. In exchange for entering into these agreements, the U.S. Treasury received $1 billion of each enterprise's senior preferred stock and warrants to purchase 79.9% of each enterprise's common stock. In February 2009, the U.S. Treasury doubled the size of its commitment to each enterprise under the Senior Preferred Stock Program to $200 billion. The U.S. Treasury's obligations under the Senior Preferred Stock Program are for an indefinite period of time for a maximum amount of $200 billion per enterprise. In December 2009, the U.S. Treasury announced further amendments to the Senior Preferred Stock Purchase Agreements which included additional financial support to certain governmentally supported entities, including the Federal Home Loan Banks ("FHLBs"), FNMA and FHLMC. It is difficult, if not impossible, to predict the future political, regulatory or economic changes that could impact FNMA, FHLMC and the FHLBs, and the values of their related securities or obligations. There is no assurance that the obligations of such entities will be satisfied in full, or that such obligations will not decrease in value or default.

Under the Federal Housing Finance Regulatory Reform Act of 2008 (the "Reform Act"), which was included as part of the Housing and Economic Recovery Act of 2008, FHFA, as conservator or receiver, has the power to repudiate any contract entered into by FNMA or FHLMC prior to FHFA's appointment as conservator or receiver, as applicable, if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of FNMA's or FHLMC's affairs. The Reform Act requires FHFA to exercise its right to repudiate any contract within a reasonable period of time after its appointment as conservator or receiver. FHFA, in its capacity as conservator, has indicated that it has no intention to repudiate the guaranty obligations of FNMA or FHLMC because FHFA views repudiation as incompatible with the goals of the conservatorship. However, in the event that FHFA, as conservator or if it is later appointed as receiver for FNMA or FHLMC, were to repudiate any such guaranty obligation, the conservatorship or receivership estate, as applicable, would be liable for actual direct compensatory damages in accordance with the provisions of the Reform Act. Any such liability could be satisfied only to the extent of FNMA's or FHLMC's assets available therefor. In the event of repudiation, the payments of interest to holders of FNMA or FHLMC MBS would be reduced if payments on the mortgage loans represented in the mortgage loan groups related to such MBS are not made by the borrowers or advanced by the servicer. Any actual direct compensatory damages for repudiating these guaranty obligations may not be sufficient to offset any shortfalls experienced by such mortgage-backed security holders. Further, in its capacity as conservator or receiver, FHFA has the right to transfer or sell any asset or liability of FNMA or FHLMC without any approval, assignment or consent. Although FHFA has stated that it has no present intention to do so, if FHFA, as conservator or receiver, were to transfer any such guaranty obligation to another party, holders of FNMA or FHLMC MBS would have to rely on that party for satisfaction of the guaranty obligation and would be exposed to the credit risk of that party. In addition, certain rights provided to holders of MBS issued by FNMA and FHLMC under the operative documents related to such securities may not be enforced against FHFA, or enforcement of such rights may be delayed, during the conservatorship or any future receivership. The operative documents for FNMA and FHLMC MBS may provide (or with respect to securities issued prior to the date of the appointment of the conservator may have provided) that upon the occurrence of an event of default on the part of FNMA or FHLMC, in its capacity as guarantor, which includes the appointment of a conservator or receiver, holders of such MBS have the right to replace FNMA or FHLMC as trustee if the requisite percentage of MBS holders consent. The Reform Act prevents mortgage-backed security holders from enforcing such rights if the event of default arises solely because a conservator or receiver has been appointed.

A 2011 report to Congress from the Treasury Department and the Department of Housing and Urban Development set forth a plan to reform America's housing finance market, which would reduce the role of and eventually eliminate FNMA and FHLMC. Notably, the plan did not propose similar significant changes to GNMA, which guarantees payments on mortgage related securities backed by federally insured or guaranteed loans. The report also identified three proposals for Congress and the administration to consider for the long-term structure of the housing finance markets after the elimination of FNMA and FHLMC, including implementing: (i) a privatized system of housing finance that limits government insurance to very limited groups of creditworthy low- and moderate-income borrowers; (ii) a privatized system with a government backstop mechanism that would allow the government to insure a larger share of the housing finance market during a future housing crisis; and (iii) a privatized system where the government would offer reinsurance to holders of certain highly rated mortgage related securities insured by private insurers and would pay out under the reinsurance arrangements only if the private mortgage insurers were insolvent.

Non-Agency RMBS. These RMBS are issued by commercial banks, savings and loan institutions, mortgage bankers, private mortgage insurance companies and other non-governmental issuers. Timely payment of principal and interest on RMBS backed by pools created by non-governmental issuers often is supported partially by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance. The insurance and guarantees are issued by government entities, private insurers and the mortgage poolers. There can be no assurance that the private insurers or mortgage poolers can meet their obligations under the policies, so that if the issuers default on their obligations, the holders of the security could sustain a loss. No insurance or guarantee covers the Fund or the price of the Fund's shares. RMBS issued by non-governmental issuers generally offer a higher rate of interest than government agency and government-related securities because there are no direct or indirect government guarantees of payment.

CMBS. CMBS generally are multi-class debt or pass-through certificates secured or backed by mortgage loans on commercial properties. CMBS generally are structured to provide protection to the senior class investors against potential losses on the underlying mortgage loans. This protection generally is provided by having the holders of subordinated classes of securities ("Subordinated CMBS") take the first loss if there are defaults on the underlying commercial mortgage loans. Other protection, which may benefit all of the classes or particular classes, may include issuer guarantees, reserve funds, additional Subordinated CMBS, cross-collateralization and over-collateralization.

The Fund may invest in Subordinated CMBS, which are subordinated in some manner as to the payment of principal and/or interest to the holders of more senior CMBS arising out of the same pool of mortgages and which are often referred to as "B-Pieces." The holders of Subordinated CMBS typically are compensated with a higher stated yield than are the holders of more senior CMBS. On the other hand, Subordinated CMBS typically subject the holder to greater risk than senior CMBS and tend to be rated in a lower rating category (frequently a substantially lower rating category) than the senior CMBS issued in respect of the same mortgage pool. Subordinated CMBS generally are likely to be more sensitive to changes in prepayment and interest rates and the market for such securities may be less liquid than is the case for traditional income securities and senior CMBS.

CMOs. A CMO is a multi-class bond backed by a pool of mortgage pass-through certificates or mortgage loans. CMOs may be collateralized by (i) GNMA, FNMA or FHLMC pass-through certificates, (ii) unsecuritized mortgage loans insured by the FHA or guaranteed by the VA, (iii) unsecuritized conventional mortgages, (iv) other MBS or (v) any combination thereof. Each class of a CMO, often referred to as a "tranche," is issued at a specific coupon rate and has a stated maturity or final distribution date. Principal prepayments on collateral underlying a CMO may cause it to be retired substantially earlier than its stated maturity or final distribution date. The principal and interest on the underlying mortgages may be allocated among the several classes of a series of a CMO in many ways. One or more tranches of a CMO may have coupon rates which reset periodically at a specified increment over an index, such as LI