

BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST
Form N-14 8C
June 23, 2009

As filed with the Securities and Exchange Commission on June 23, 2009

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Investment Company Act File No. 811-10331

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

FORM N-14
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

.. Pre-Effective Amendment No. _____
.. Post-Effective Amendment No. _____
(Check appropriate box or boxes)

BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST

(Exact name of registrant as specified in charter)

100 Bellevue Parkway

Wilmington, Delaware 19809

(Address of Principal Executive Offices)

Telephone Number: (800) 882-0052

(Area Code and Telephone Number)

Donald C. Burke

President and Chief Executive Officer

BlackRock California Municipal Income Trust

800 Scudders Mill Road

Plainsboro, New Jersey 08536

(Name and Address of Agent for Service)

Copies to:

Michael K. Hoffman, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
4 Times Square
New York, NY 10036-6522

Howard B. Surloff, Esq.
BlackRock Advisors, LLC
40 East 52nd Street
New York, NY 10022

Approximate Date of Proposed Offering: As soon as practicable after this Registration Statement is declared effective.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common shares, \$0.001 par value	\$1,000,000.00	\$55.80
Preferred shares, \$0.001 par value	\$1,000,000.00	\$55.80

(1) Estimated solely for the purpose of calculating the filing registration fee, pursuant to Rule 457(o) under the Securities Act of 1933.

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

EXPLANATORY NOTE

This Registration Statement is organized as follows:

1. Letter to Shareholders of:

BlackRock California Municipal Income Trust II;

BlackRock California Investment Quality Municipal Trust Inc.

BlackRock California Insured Municipal Income Trust;

BlackRock California Municipal Bond Trust; and

BlackRock California Municipal Income Trust
(collectively, the Funds).

2. Questions and Answers to Shareholders of the Funds.
3. Notice of Joint Special Meeting of Shareholders of the Funds.
4. Joint Proxy Statement/Prospectus for the Funds.
5. Statement of Additional Information regarding the proposed Reorganizations of the Funds.
6. Part C: Other Information.
7. Exhibits.

BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST II
BLACKROCK CALIFORNIA INVESTMENT QUALITY MUNICIPAL TRUST INC.
BLACKROCK CALIFORNIA INSURED MUNICIPAL INCOME TRUST
BLACKROCK CALIFORNIA MUNICIPAL BOND TRUST
BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST

100 Bellevue Parkway

Wilmington, Delaware 19809

(800) 882-0052

, 2009

Dear Shareholder:

You are cordially invited to attend a joint special shareholder meeting (the **Special Meeting**) of BlackRock California Municipal Income Trust II (**BCL**), BlackRock California Insured Municipal Income Trust (**BCK**), BlackRock California Municipal Bond Trust (**BZA**) and BlackRock California Municipal Income Trust (**BFZ**), each a Delaware statutory trust, and BlackRock California Investment Quality Municipal Trust Inc. (**RAA**), a Maryland corporation, to be held on Tuesday, September 22, 2009. Before the Special Meeting, I would like to provide you with additional background and ask for your vote on important proposals affecting BCL, RAA, BCK, BZA and BFZ.

The proposals you will be asked to consider at the Special Meeting, as described in the enclosed Joint Proxy Statement/Prospectus, are the proposed reorganizations (each, a **Reorganization**) of each of BCL, RAA, BCK and BZA into BFZ, a fund with an investment objective and investment policies that is either the same or substantially similar (but not identical) to those of BCL, RAA, BCK and BZA, and the issuance of additional common and preferred shares of BFZ (the **Issuance**).

The Board of Trustees or the Board of Directors, as applicable, of each fund believes the Reorganizations and the Issuance are in the best interests of each fund and its shareholders and unanimously recommends that you vote **FOR** the proposed Reorganizations and Issuance, as applicable.

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

By touch-tone telephone;

By internet;

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

In person at the Special Meeting.

If you do not vote using one of these methods, you may be called by _____, our proxy solicitor, to vote your common and/or preferred shares over the phone.

As always, we appreciate your support.

Sincerely,

DONALD C. BURKE
President and Chief Executive Officer of
BlackRock California Municipal Income Trust II,
BlackRock California Investment Quality Municipal
Trust Inc.,
BlackRock California Insured Municipal Income Trust,
BlackRock California Municipal Bond Trust and
BlackRock California Municipal Income Trust

Please vote now. Your vote is important.

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

, 2009

IMPORTANT NOTICE
TO SHAREHOLDERS OF
BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST II
BLACKROCK CALIFORNIA INVESTMENT QUALITY MUNICIPAL TRUST INC.
BLACKROCK CALIFORNIA INSURED MUNICIPAL INCOME TRUST
BLACKROCK CALIFORNIA MUNICIPAL BOND TRUST
BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST

QUESTIONS & ANSWERS

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

Q: Why is a shareholder meeting being held?

A: Shareholders of BlackRock California Municipal Income Trust II (BCL), BlackRock California Investment Quality Municipal Trust Inc. (RAA), BlackRock California Insured Municipal Income Trust (BCK) and BlackRock California Municipal Bond Trust (BZA); You are being asked to vote on the reorganization (each, a Reorganization) of each of BCL, RAA, BCK and BZA (each such fund being referred to herein as a Target Fund) into BlackRock California Municipal Income Trust (BFZ) or the Acquiring Fund and, together with the Target Funds, the Funds), a closed-end fund that pursues an investment objective and has investment policies that are either the same or substantially similar (but not identical) to those of each of the Target Funds and has the same investment adviser as the Target Funds.

Shareholders of BlackRock California Municipal Income Trust (BFZ): Common and preferred shareholders voting as a single class are being asked to vote on the issuance of additional common shares of the Acquiring Fund in connection with the Reorganizations and preferred shareholders voting as a separate class are being asked to vote on the issuance of additional preferred shares of the Acquiring Fund in connection with the Reorganizations.

Q: Why is each Reorganization being recommended?

A: The Board of Trustees or the Board of Directors, as applicable (the Boards), of each Fund anticipates that the Reorganizations will benefit the common shareholders of each of the Target Funds and the Acquiring Fund. Because each Fund will vote separately on its respective Reorganization, there are multiple potential combinations of Reorganizations. The Boards of the Funds and the Funds' investment adviser believe that the most likely result of the potential combinations of Reorganizations is the combination of all the Funds.

The Boards believe that the completion of all of the Reorganizations would result in a reduced Baseline Expense Ratio (defined below) for each Fund because certain fixed administrative costs would be spread across the combined fund's larger asset base. The Boards believe that the completion of all of the Reorganizations would result in a Baseline Expense Ratio for the combined fund of 1.24% on a pro forma basis for the 12-month period ended January 31, 2009, representing a reduction in the Baseline Expense Ratio for each Fund ranging from 0.41% for RAA to 0.05% for BCL, each as a percentage of average net assets attributable to common shares. When we use the term Baseline Expenses, we mean a Fund's total annual operating expenses excluding interest expense. When we use the term Baseline Expense Ratio, we mean a Fund's Baseline Expenses expressed as a percentage of its average net assets attributable to its common shares.

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The Boards believe that a comparison among the Funds' Baseline Expenses is the most meaningful comparison for investors in evaluating the Reorganizations. Each Fund uses leverage to seek to enhance its returns to common shareholders. This leverage generally takes two forms: the issuance of preferred shares and investments in tender option bonds. Both forms of leverage benefit common shareholders if the cost of the leverage

is lower than the returns earned by a Fund when it invests the proceeds from the leverage. Under applicable accounting rules, however, only the cost of the leverage associated with investments in tender option bonds is included for purposes of reporting a Fund's total annual operating expenses. Therefore, the level of a Fund's total annual operating expenses that includes interest expense is dependent upon the amount of its leverage in the form of preferred shares versus the amount of its leverage in the form of investments in tender option bonds, even though both types of leverage have similar affects on returns experienced by common shareholders. Furthermore, the amount of each Fund's leverage in the form of preferred shares and in the form of tender option bonds has varied from time to time over the past year, as each Fund has invested in tender option bonds from time to time to redeem preferred shares. For these reasons, the Boards believe that a comparison among the Funds Baseline Expenses provides a better way of measuring the affect of the Reorganizations on the Funds' common shareholders.

If any of the Reorganizations is approved, the Funds' investment adviser will reduce the advisory fee payable by the Acquiring Fund by 2 basis points, from 0.60% of average weekly managed assets (after the expiration of scheduled fee waivers) to 0.58% of average weekly managed assets (after the expiration of scheduled fee waivers), and to extend the Acquiring Fund's contractual fee waiver through December 31, 2012, an additional two years beyond the currently scheduled expiration of the Acquiring Fund's contractual fee waiver in 2010. These reductions in fees will not decrease or modify the nature or level of the services that the Funds' investment adviser will provide to the Acquiring Fund relative to what the Funds' investment adviser currently provides to the Acquiring Fund.

The Boards anticipate that the Reorganizations have the potential to benefit preferred shareholders of the Funds. Preferred shareholders may derive potential benefits from the greater asset base of the combined fund relative to each Fund on a stand-alone basis, which may give the combined fund a greater ability to utilize tender option bonds and/or issue liquidity enhanced adjustable rate securities as a replacement for the combined fund's outstanding preferred shares. However, the combined fund will not be required to redeem any of the combined fund's outstanding preferred shares as a result of the Reorganizations, and the Boards do not anticipate that auctions for the combined fund's preferred shares will begin to clear after the Reorganizations and generally anticipate that auctions for the combined fund's preferred shares will continue to fail. Nevertheless, the Boards anticipate that participating in the Reorganizations will not have any material adverse effect on the Funds' preferred shareholders. None of the expenses of the Reorganizations will be borne by the preferred shareholders of the Funds, and except as described in the Joint Proxy Statement/Prospectus, the terms of the newly issued series of Acquiring Fund preferred shares to be distributed to preferred shareholders of the Target Funds in connection with the Reorganizations will be substantially similar to the terms of the Target Fund preferred shares, as applicable, that such shareholders currently hold, except that, unlike preferred shares of RAA, the preferred shares of the Acquiring Fund will not have appraisal rights. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The combined fund's preferred shareholders will therefore not have the benefit of such a clause. See Additional Information About Preferred Shares of the Funds in the Joint Proxy Statement/Prospectus.

Q: How similar are the Funds?

A: The Funds have the same investment adviser, the same portfolio managers, and either the same or substantially similar (but not identical) non-fundamental investment policies, strategies, risks and restrictions. The investment objective of each of BCL, BZA and the Acquiring Fund is to provide current income exempt from regular U.S. Federal and California income taxes. The investment objective of RAA is to provide high current income which, in the opinion of bond counsel to the issuer, is exempt from regular U.S. Federal and California income tax consistent with preservation of capital. The investment objective of BCK is to provide current income exempt from U.S. Federal income tax, including the U.S. Federal alternative minimum tax and California income tax. Each Fund's investment objective is a fundamental policy and may not be changed without prior shareholder approval.

In addition, each of BFZ, BCL, BZA and RAA, under normal market conditions, invests at least 80% of its total assets in investment grade quality municipal bonds. BCK's investment grade policy diverges from those of the other Funds because BCK generally invests in insured municipal bonds. As a matter of non-fundamental policy, under normal market conditions, BCK invests at least 80% of its total assets in municipal bonds

that are insured as to principal and interest. Insurance may include, without limitation, original issue insurance, secondary insurance or portfolio insurance. Such municipal bond insurance will be from insurers having a claims-paying ability rated at least investment grade.

Q: How will the Reorganizations be effected?

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

Shareholders of the Target Funds: You will become shareholders of the Acquiring Fund. Holders of common shares will receive newly issued common shares of the Acquiring Fund, par value \$0.001 per share (Acquiring Fund Common Shares), the aggregate net asset value (not the market value) of which will equal the aggregate net asset value (not the market value) of the common shares of the particular Target Fund you held immediately prior to the Reorganization, less the costs of the Reorganization (although common shareholders may receive cash for fractional shares). Holders of preferred shares of each Target Fund will receive newly issued preferred shares of the Acquiring Fund, liquidation preference \$25,000 per share (Acquiring Fund Preferred Shares), in exchange for their preferred shares and will become preferred shareholders of the Acquiring Fund. The aggregate liquidation preference of the Acquiring Fund Preferred Shares you receive in the Reorganizations will equal the aggregate liquidation preference of the preferred shares you held immediately prior to the Reorganizations. The auction dates, rate periods and dividend payment dates of your Target Fund preferred shares are the same as the auction dates, rate periods and dividend payment dates of the Acquiring Fund Preferred Shares you will receive in the Reorganization in exchange for your Target Fund preferred shares. However, the Acquiring Fund Preferred Shares issued to RAA preferred shareholders in RAA's Reorganization will not have appraisal rights. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The combined fund's preferred shareholders will therefore not have the benefit of such a clause. See Additional Information About Preferred Shares of the Funds in the Joint Proxy Statement/Prospectus.

Shareholders of RAA: The Acquiring Fund is organized as a Delaware statutory trust and you will thus become shareholders of a Delaware statutory trust rather than a Maryland corporation. A more detailed description of the differences between Delaware statutory trust law and Maryland corporate law is contained in the Joint Proxy Statement/Prospectus under the heading Governing Law.

Shareholders of the Acquiring Fund: You will remain a shareholder of the Acquiring Fund.

Q: At what prices have common shares of the Target Funds and the Acquiring Fund historically traded?

A: Common shares of each Fund have from time to time traded at, above and below their net asset values. There can be no assurance that, after the Reorganizations, common shares of the combined fund will trade at, above or below net asset value. In the Reorganizations, common shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative net asset values, not the market values, of each respective Fund's common shares. The market value of the common shares of the combined fund may be less than the market value of the common shares of your Fund prior to the Reorganization.

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

A: You will pay no sales loads or commissions in connection with the Reorganizations. However, regardless of whether the Reorganizations are completed, the costs associated with the proposed

Reorganizations, including the costs associated with the shareholder meeting, will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate. Such costs are estimated to be \$746,884 in the aggregate, of which \$177,321 is estimated to be attributable to BFZ, \$153,919 is estimated to be attributable to BCL, \$129,203 is estimated to be attributable to RAA, \$145,705 is estimated to be attributable to BCK and \$140,736 is estimated to be attributable to BZA.

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

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

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

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

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

A: An unfavorable vote on a proposed Reorganization by the shareholders of one Target Fund will not affect the implementation of any of the Reorganizations of the other Target Funds, if the other Reorganizations are approved by the shareholders of the other Target Funds and the issuance of additional common and preferred shares of the Acquiring Fund is approved by the shareholders of the Acquiring Fund with respect to the other Target Funds.

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

A: An unfavorable vote by shareholders of the Acquiring Fund on the issuance of either additional common or preferred shares in connection with the Reorganization of one Target Fund will not affect the implementation of the Reorganizations by the other Target Funds, if the issuance of additional common and preferred shares in connection with the other Reorganizations are approved by the shareholders of the Acquiring Fund and the other Reorganizations are approved by the shareholders of the other Target Funds.

Q: Why is the vote of common shareholders and preferred shareholders of the Acquiring Fund being solicited?

A: Although the Acquiring Fund will continue its legal existence and operations after the Reorganizations, the rules of the New York Stock Exchange (on which the Acquiring Fund's common shares are listed) require the Acquiring Fund's common and preferred shareholders, voting together as a single class, to approve the issuance of additional common shares in connection with the Reorganizations. In addition, Acquiring Fund preferred shareholders are entitled to a vote in connection with each Reorganization under the Investment Company Act of 1940 with respect to the Acquiring Fund's issuance of preferred shares.

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

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

Q: How do I vote my proxy?

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

Q: Whom do I contact for further information?

A: You may contact your financial advisor for further information. You may also call _____, the Funds' proxy solicitor, at _____.

BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST II

BLACKROCK CALIFORNIA INVESTMENT QUALITY MUNICIPAL TRUST INC.

BLACKROCK CALIFORNIA INSURED MUNICIPAL INCOME TRUST

BLACKROCK CALIFORNIA MUNICIPAL BOND TRUST

BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST

100 Bellevue Parkway

Wilmington, Delaware 19809

(800) 882-0052

NOTICE OF JOINT SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON TUESDAY, SEPTEMBER 22, 2009

Notice is hereby given that a joint special meeting of shareholders (the Special Meeting) of BlackRock California Municipal Income Trust II (BCL), BlackRock California Investment Quality Municipal Trust Inc. (RAA), BlackRock California Insured Municipal Income Trust (BCK), BlackRock California Municipal Bond Trust (BZA) and BlackRock California Municipal Income Trust (BFZ) will be held at the offices of BlackRock, Inc., 800 Scudders Mill Road, Plainsboro, NJ 08536, on Tuesday, September 22, 2009 at 9:00 am for the following purposes:

1. Reorganizations of the Target Funds

Shareholders of BlackRock California Municipal Income Trust II (BCL):

Proposal 1(A)(i): The common and preferred shareholders of BCL voting together as a single class are being asked to approve an Agreement and Plan of Reorganization among BCL, BFZ and BFZ Merger Subsidiary and the termination of BCL s registration under the Investment Company Act of 1940 (the 1940 Act).

Proposal 1(A)(ii): The preferred shareholders of BCL voting as a separate class are being asked to approve an Agreement and Plan of Reorganization among BCL, BFZ and BFZ Merger Subsidiary and the termination of BCL s registration under the 1940 Act.

Shareholders of BlackRock California Investment Quality Municipal Trust Inc. (RAA):

Proposal 1(B)(i): The common and preferred shareholders of RAA voting together as a single class are being asked to approve an Agreement and Plan of Reorganization among RAA, BFZ and BFZ Merger Subsidiary and the termination of RAA s registration under the 1940 Act.

Proposal 1(B)(ii): The preferred shareholders of RAA voting as a separate class are being asked to approve an Agreement and Plan of Reorganization among RAA, BFZ and BFZ Merger Subsidiary and the termination of RAA s registration under the 1940 Act.

Shareholders of BlackRock California Insured Municipal Income Trust (BCK):

Proposal 1(C)(i): The common and preferred shareholders of BCK voting together as a single class are being asked to approve an Agreement and Plan of Reorganization among BCK, BFZ and BFZ Merger Subsidiary and the termination of BCK s registration under the 1940 Act.

Proposal 1(C)(ii): The preferred shareholders of BCK voting as a separate class are being asked to approve an Agreement and Plan of Reorganization among BCK, BFZ and BFZ Merger Subsidiary and the termination of BCK s registration under the 1940 Act.

Shareholders of BlackRock California Municipal Bond Trust (BZA):

Proposal 1(D)(i): The common and preferred shareholders of BZA voting together as a single class are being asked to approve an Agreement and Plan of Reorganization among BZA, BFZ and BFZ Merger Subsidiary and the termination of BZA's registration under the 1940 Act.

Proposal 1(D)(ii): The preferred shareholders of BZA voting as a separate class are being asked to approve an Agreement and Plan of Reorganization among BZA, BFZ and BFZ Merger Subsidiary and the termination of BZA's registration under the 1940 Act.

2. Issuance of Common and Preferred Shares in the Reorganization of the Acquiring Fund

Shareholders of BlackRock California Municipal Income Trust (BFZ):

Proposal 2(A)(i): The common and preferred shareholders of BFZ voting together as a single class are being asked to approve the issuance of additional common shares of BFZ in connection with an Agreement and Plan of Reorganization among BCL, BFZ and BFZ Merger Subsidiary.

Proposal 2(A)(ii): The preferred shareholders of BFZ voting as a separate class are being asked to approve the issuance of additional preferred shares of BFZ in connection with an Agreement and Plan of Reorganization among BCL, BFZ and BFZ Merger Subsidiary.

Proposals 2(B)(i): The common and preferred shareholders of BFZ voting together as a single class are being asked to approve the issuance of additional common shares of BFZ in connection with an Agreement and Plan of Reorganization among RAA, BFZ and BFZ Merger Subsidiary.

Proposal 2(B)(ii): The preferred shareholders of BFZ voting as a separate class are being asked to approve the issuance of additional preferred shares of BFZ in connection with an Agreement and Plan of Reorganization among RAA, BFZ and BFZ Merger Subsidiary.

Proposals 2(C)(i): The common and preferred shareholders of BFZ voting together as a single class are being asked to approve the issuance of additional common shares of BFZ in connection with an Agreement and Plan of Reorganization among BCK, BFZ and BFZ Merger Subsidiary.

Proposal 2(C)(ii): The preferred shareholders of BFZ voting as a separate class are being asked to approve the issuance of additional preferred shares of BFZ in connection with an Agreement and Plan of Reorganization among BCK, BFZ and BFZ Merger Subsidiary.

Proposals 2(D)(i): The common and preferred shareholders of BFZ voting together as a single class are being asked to approve the issuance of additional common shares of BFZ in connection with an Agreement and Plan of Reorganization among BZA, BFZ and BFZ Merger Subsidiary.

Proposal 2(D)(ii): The preferred shareholders of BFZ voting as a separate class are being asked to approve the issuance of additional preferred shares of BFZ in connection with an Agreement and Plan of Reorganization among BZA, BFZ and BFZ Merger Subsidiary.

Shareholders of record as of the close of business on July 24, 2009 are entitled to vote at the Special Meeting or any adjournment thereof.

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

THE BOARD OF EACH OF BCL, RAA, BCK AND BZA RECOMMENDS THAT YOU CAST YOUR VOTE:

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

THE BOARD OF BFZ RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE ISSUANCE OF ADDITIONAL COMMON SHARES AND PREFERRED SHARES OF YOUR FUND IN CONNECTION WITH EACH AGREEMENT AND PLAN OF REORGANIZATION AS DESCRIBED IN THE JOINT PROXY STATEMENT/PROSPECTUS.

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

For the Boards
of BCL, RAA, BCK, BZA and BFZ,

DONALD C. BURKE
President and Chief Executive Officer

of BCL, RAA, BCK, BZA and BFZ

, 2009

YOUR VOTE IS IMPORTANT.

**PLEASE VOTE PROMPTLY BY SIGNING AND RETURNING THE
ENCLOSED PROXY CARD OR BY RECORDING YOUR VOTING INSTRUCTIONS BY TELEPHONE
OR VIA THE INTERNET, NO MATTER HOW MANY SHARES YOU OWN.**

The information contained in this Joint Proxy Statement/Prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated June 23, 2009

JOINT PROXY STATEMENT/PROSPECTUS

BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST II

BLACKROCK CALIFORNIA INVESTMENT QUALITY MUNICIPAL TRUST INC.

BLACKROCK CALIFORNIA INSURED MUNICIPAL INCOME TRUST

BLACKROCK CALIFORNIA MUNICIPAL BOND TRUST

BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST

100 Bellevue Parkway

Wilmington, Delaware 19809

(800) 882-0052

JOINT SPECIAL MEETING OF SHAREHOLDERS

SEPTEMBER 22, 2009

This Joint Proxy Statement/Prospectus is furnished to you as a shareholder of BlackRock California Municipal Income Trust II (BCL), BlackRock California Investment Quality Municipal Trust Inc. (RAA), BlackRock California Insured Municipal Income Trust (BCK), BlackRock California Municipal Bond Trust (BZA) and/or BlackRock California Municipal Income Trust (BFZ), each a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940 (the 1940 Act). A joint special meeting (the Special Meeting) of shareholders of BCL, RAA, BCK, BZA and BFZ (the Funds) will be held at the offices of BlackRock, Inc. (BlackRock), 800 Scudders Mill Road, Plainsboro, NJ 08536, on Tuesday, September 22, 2009 at 9:00 a.m. to consider the items listed below and discussed in greater detail elsewhere in this Joint Proxy Statement/Prospectus. If you are unable to attend the Special Meeting or any adjournment thereof, the Board of Trustees or the Board of Directors, as applicable (each, a Board) of each Fund requests that you vote your common shares and preferred shares by completing and returning the enclosed proxy card or by recording your voting instructions by telephone or via the Internet. The approximate mailing date of this Joint Proxy Statement/Prospectus and accompanying form of proxy is 2009.

The purposes of the Special Meeting are:

1. Reorganizations of the Target Funds

Shareholders of BlackRock California Municipal Income Trust II (BCL):

Proposal 1(A)(i): The common and preferred shareholders of BCL voting together as a single class are being asked to approve an Agreement and Plan of Reorganization among BCL, BFZ and BFZ Merger Subsidiary and the termination of BCL's registration under the Investment Company Act of 1940 (the 1940 Act).

Proposal 1(A)(ii): The preferred shareholders of BCL voting as a separate class are being asked to approve an Agreement and Plan of Reorganization among BCL, BFZ and BFZ Merger Subsidiary and the termination of BCL's registration under the 1940 Act.

Shareholders of BlackRock California Investment Quality Municipal Trust Inc. (RAA):

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Proposal 1(B)(i): The common and preferred shareholders of RAA voting together as a single class are being asked to approve an Agreement and Plan of Reorganization among RAA, BFZ and BFZ Merger Subsidiary and the termination of RAA's registration under the 1940 Act.

Proposal 1(B)(ii): The preferred shareholders of RAA voting as a separate class are being asked to approve an Agreement and Plan of Reorganization among RAA, BFZ and BFZ Merger Subsidiary and the termination of RAA's registration under the 1940 Act.

Shareholders of BlackRock California Insured Municipal Income Trust (BCK):

Proposal 1(C)(i): The common and preferred shareholders of BCK voting together as a single class are being asked to approve an Agreement and Plan of Reorganization among BCK, BFZ and BFZ Merger Subsidiary and the termination of BCK's registration under the 1940 Act.

Proposal 1(C)(ii): The preferred shareholders of BCK voting as a separate class are being asked to approve an Agreement and Plan of Reorganization among BCK, BFZ and BFZ Merger Subsidiary and the termination of BCK's registration under the 1940 Act.

Shareholders of BlackRock California Municipal Bond Trust (BZA):

Proposal 1(D)(i): The common and preferred shareholders of BZA voting together as a single class are being asked to approve an Agreement and Plan of Reorganization among BZA, BFZ and BFZ Merger Subsidiary and the termination of BZA's registration under the 1940 Act.

Proposal 1(D)(ii): The preferred shareholders of BZA voting as a separate class are being asked to approve an Agreement and Plan of Reorganization among BZA, BFZ and BFZ Merger Subsidiary and the termination of BZA's registration under the 1940 Act.

2. Issuance of Common and Preferred Shares in the Reorganization of the Acquiring Fund

Shareholders of BlackRock California Municipal Income Trust (BFZ):

Proposal 2(A)(i): The common and preferred shareholders of BFZ voting together as a single class are being asked to approve the issuance of additional common shares of BFZ in connection with an Agreement and Plan of Reorganization among BCL, BFZ and BFZ Merger Subsidiary.

Proposal 2(A)(ii): The preferred shareholders of BFZ voting as a separate class are being asked to approve the issuance of additional preferred shares of BFZ in connection with an Agreement and Plan of Reorganization among BCL, BFZ and BFZ Merger Subsidiary.

Proposals 2(B)(i): The common and preferred shareholders of BFZ voting together as a single class are being asked to approve the issuance of additional common shares of BFZ in connection with an Agreement and Plan of Reorganization among RAA, BFZ and BFZ Merger Subsidiary.

Proposal 2(B)(ii): The preferred shareholders of BFZ voting as a separate class are being asked to approve the issuance of additional preferred shares of BFZ in connection with an Agreement and Plan of Reorganization among RAA, BFZ and BFZ Merger Subsidiary.

Proposals 2(C)(i): The common and preferred shareholders of BFZ voting together as a single class are being asked to approve the issuance of additional common shares of BFZ in connection with an Agreement and Plan of Reorganization among BCK, BFZ and BFZ Merger Subsidiary.

Proposal 2(C)(ii): The preferred shareholders of BFZ voting as a separate class are being asked to approve the issuance of additional preferred shares of BFZ in connection with an Agreement and Plan of Reorganization among BCK, BFZ and BFZ Merger Subsidiary.

Proposals 2(D)(i): The common and preferred shareholders of BFZ voting together as a single class are being asked to approve the issuance of additional common shares of BFZ in connection with an Agreement and Plan of Reorganization among BZA, BFZ and BFZ Merger Subsidiary.

Proposal 2(D)(ii): The preferred shareholders of BFZ voting as a separate class are being asked to approve the issuance of additional preferred shares of BFZ in connection with an Agreement and Plan of Reorganization among BZA, BFZ and BFZ Merger Subsidiary.

Shareholders of record as of the close of business on July 24, 2009 are entitled to vote at the Special Meeting or any adjournment thereof.

BCL, RAA, BCK and BZA are sometimes referred to herein as the Target Funds, and BFZ is sometimes referred to herein as the Acquiring Fund. Each Agreement and Plan of Reorganization is sometimes referred to herein as a Reorganization Agreement. The Reorganization Agreements that Target Fund shareholders are being asked to consider involve transactions that will be referred to in this Joint Proxy Statement/Prospectus individually as a Reorganization. The Fund surviving any or all Reorganizations is referred to herein as the Combined Fund.

The Reorganizations seek to combine five Funds that are either the same or substantially similar (but not identical) to achieve certain economies of scale and other operational efficiencies for the Funds. In the Reorganizations, each Target Fund will merge with and into BFZ Merger Subsidiary (the Merger Subsidiary), a direct, wholly-owned subsidiary of BFZ. Following the Reorganizations, the Merger Subsidiary will dissolve under Delaware law and be liquidated into BFZ. The Target Funds will then terminate their registrations under the 1940 Act. In each Reorganization, the outstanding common shares of each Target Fund will be exchanged for newly-issued common shares of the Acquiring Fund, par value \$0.001 per share (Acquiring Fund Common Shares). The aggregate net asset value of Acquiring Fund Common Shares received by the common shareholders of the Target Fund in each Reorganization will equal the aggregate net asset value of Target Fund common shares held by such shareholders immediately prior to such Reorganization, less the costs of such Reorganization (though common shareholders may receive cash for their fractional common shares). Further, each of the outstanding preferred shares of each Target Fund will, without any action on the part of the holder thereof, be exchanged for one share of preferred stock, liquidation preference \$25,000 per share, of the Acquiring Fund (Acquiring Fund Preferred Shares and together with the Acquiring Fund Common Shares, the Acquiring Fund Shares) having substantially similar terms, including the same auction dates, dividend periods and dividend payment dates, as such series of preferred shares of each Target Fund, except that, unlike preferred shares of RAA, the Acquiring Fund Preferred Shares will not have appraisal rights. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The Combined Fund's preferred shareholders will therefore not have the benefit of such a clause. See Additional Information About Preferred Shares of the Funds.

The following Acquiring Fund Preferred Shares will be issued in exchange for Target Fund preferred shares:

BFZ will issue additional shares of its Series T-7 preferred shares, par value \$0.001 per share and a liquidation preference of \$25,000 per share, to holders of BCL series T-7 preferred shares. The aggregate liquidation preference of Acquiring Fund Preferred Shares, Series T-7, received by BCL series T-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of BCL series T-7 preferred shares outstanding immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series T-7, will be distributed to holders of BCL series T-7 preferred shares, in proportion to, and in exchange for, their holdings immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series T-7, like the BCL series T-7 preferred shares, will generally have a dividend period of seven days, a Tuesday auction date and a Wednesday dividend payment date. Because it is anticipated that the Reorganization will close on a Friday, the initial dividend period (i.e., the dividend period immediately following the closing of the Reorganization) for the Acquiring Fund Preferred Shares, Series T-7, issued in the Reorganization will be shorter than seven days. The dividend rate for this initial dividend period will be the rate set at the most recent auction for outstanding Acquiring Fund Preferred Shares, Series T-7, immediately preceding the closing of the Reorganization, and former holders of BCL series

T-7 preferred shares will begin earning dividends at this rate on the closing date of the Reorganization. Because all the auctions for Acquiring Fund Preferred Shares, Series T-7, and the BCL series T-7 preferred shares have failed since February 2008 and both series of preferred shares earn dividends at the same rate following a failed auction, it is anticipated that the dividend rate payable during this initial dividend period will be the same rate at which dividends were accruing on the BCL series T-7 preferred shares immediately prior to completion of the Reorganization. The Acquiring Fund Preferred Shares, Series T-7, issued in the Reorganization will auction with the currently outstanding Acquiring Fund Preferred Shares, Series T-7, on the Tuesday following the closing date of the Reorganization and the Acquiring Fund will pay dividends to all holders of Acquiring Fund Preferred Shares, Series T-7, on the Wednesday following the Reorganization.

BFZ will issue additional shares of its Series R-7 preferred shares, par value \$0.001 per share and a liquidation preference of \$25,000 per share, to holders of BCL series R-7 preferred shares. The aggregate liquidation preference of Acquiring Fund Preferred Shares, Series R-7, received by BCL series R-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of BCL series R-7 preferred shares outstanding immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series R-7, will be distributed to holders of BCL series R-7 preferred shares, in proportion to, and in exchange for, their holdings immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series R-7, like the BCL series R-7 preferred shares, will generally have a dividend period of seven days, a Thursday auction date and a Friday dividend payment date. Because it is anticipated that the Reorganization will close on a Friday, the initial dividend period (i.e., the dividend period immediately following the closing of the Reorganization) for the Acquiring Fund Preferred Shares, Series R-7, issued in the Reorganization will be seven days. The dividend rate for this initial dividend period will be the rate set at the most recent auction for outstanding Acquiring Fund Preferred Shares, Series R-7, immediately preceding the closing of the Reorganization, and former holders of BCL series R-7 preferred shares will begin earning dividends at this rate on the closing date of the Reorganization. Because all the auctions for Acquiring Fund Preferred Shares, Series R-7, and the BCL series R-7 preferred shares have failed since February 2008 and both series of preferred shares earn dividends at the same rate following a failed auction, it is anticipated that the dividend rate payable during this initial dividend period will be the same rate at which dividends were accruing on the BCL series R-7 preferred shares immediately prior to completion of the Reorganization. The Acquiring Fund Preferred Shares, Series R-7, issued in the Reorganization will auction with the currently outstanding Acquiring Fund Preferred Shares, Series R-7, on the Thursday following the closing date of the Reorganization and the Acquiring Fund will pay dividends to all holders of Acquiring Fund Preferred Shares, Series R-7, on the Friday following the Reorganization.

BFZ will issue shares of its new Series W-7 preferred shares, par value \$0.001 per share and a liquidation preference of \$25,000 per share, to holders of RAA series W-7 preferred shares who do not exercise their appraisal rights. This series of preferred shares will be designated as Series W-7. The aggregate liquidation preference of Acquiring Fund Preferred Shares, Series W-7, received by RAA series W-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of RAA series W-7 preferred shares outstanding immediately prior to the Reorganization and held by shareholders who do not exercise their appraisal rights. The Acquiring Fund Preferred Shares, Series W-7, will be distributed to holders of RAA series W-7 preferred shares, in proportion to, and in exchange for, their holdings immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series W-7, like the RAA series W-7 preferred shares, will generally have a dividend period of seven days, a Wednesday auction date and a Thursday dividend payment date. Because it is anticipated that the Reorganizations will close on a Friday, the initial dividend period (i.e., the dividend period immediately following the closing of the Reorganizations) for the Acquiring Fund Preferred Shares, Series W-7, issued in the Reorganizations will be shorter than seven days. The dividend rate for this initial dividend period will be the rate set at the

most recent auction for RAA series W-7 preferred shares immediately preceding the closing of the Reorganizations, and holders of Acquiring Fund Preferred Shares, Series W-7, will begin earning dividends at this rate on the closing date of the Reorganizations. The Acquiring Fund Preferred Shares, Series W-7, issued in the Reorganizations will auction on the Wednesday following the closing date of the Reorganizations and the Acquiring Fund will pay dividends to holders of Acquiring Fund Preferred Shares, Series W-7, on the Thursday following the Reorganizations.

BFZ will issue shares of its new Series F-7 preferred shares, par value \$0.001 per share and a liquidation preference of \$25,000 per share, to holders of BCK and BZA series F-7 preferred shares. This series of preferred shares will be designated as Series F-7. The aggregate liquidation preference of Acquiring Fund Preferred Shares, Series F-7, received by BCK series F-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of BCK series F-7 preferred shares outstanding immediately prior to the Reorganization. The aggregate liquidation preference of Acquiring Fund Preferred Shares, Series F-7, received by BZA series F-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of BZA series F-7 preferred shares outstanding immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series F-7, will be distributed to holders of BCK and BZA series F-7 preferred shares, in proportion to, and in exchange for, their holdings immediately prior to the Reorganization.

The Acquiring Fund Preferred Shares, Series F-7, like the BCK and BZA series F-7 preferred shares, will generally have a dividend period of seven days, a Friday auction date and a Monday dividend payment date. Because it is anticipated that the Reorganizations will close on a Friday, the initial dividend period (i.e., the dividend period immediately following the closing of the Reorganizations) for the Acquiring Fund Preferred Shares, Series F-7, issued in the Reorganizations will be an eight day period from and including the closing date, to and including the following Friday. The dividend rate for this initial dividend period will be a rate set pursuant to a resolution of the Acquiring Fund's Board prior to the closing date, which will be the rate set at the most recent auction for BCK and BZA series F-7 preferred shares immediately preceding the closing of the Reorganizations, if the rate set for each of those series of preferred shares at such auctions is the same, and holders of Acquiring Fund Preferred Shares, Series F-7, will begin earning dividends at this rate as of the closing date of the Reorganizations. The Boards anticipate that the rate set at the most recent auction for BCK series F-7 preferred shares immediately preceding the closing of the Reorganizations will be the same as the rate set at the most recent auction for BZA series F-7 preferred shares immediately preceding the closing of the Reorganizations because BCK's and BZA's preferred share auctions are currently failing, thus resulting in each rate being set at the maximum rate, which is calculated pursuant to the same formula for both BCK and BZA. However, if the rate set at the most recent auction for BCK series F-7 preferred shares immediately preceding the closing of the Reorganizations differs from the rate set at the most recent auction for BZA series F-7 preferred shares immediately preceding the closing of the Reorganizations, the Board will set a dividend rate for this initial dividend period equal to the higher of the BCK and BZA rates. The Acquiring Fund Preferred Shares, Series F-7, issued in the Reorganizations will begin their auctions on the Friday following the closing date of the Reorganizations and the Acquiring Fund will begin paying dividends to holders of Acquiring Fund Preferred Shares, Series F-7, on the second Monday following the Reorganizations.

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

In connection with each Reorganization, the common and preferred shareholders of the Acquiring Fund, voting together as a single class, are being asked to approve the issuance of additional common shares of the Acquiring Fund, and shareholders of Acquiring Fund preferred shares are being asked to approve the issuance of additional preferred shares of the Acquiring Fund.

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

In the event that shareholders of a Target Fund do not approve its Reorganization, such Target Fund would continue to exist and operate on a stand alone basis. In the event the Acquiring Fund shareholders do not approve the issuance of Acquiring Fund Shares in connection with a Reorganization, then the affected Target Fund would continue to exist and operate on a stand-alone basis. An unfavorable vote by one of the Target Funds or the Acquiring Fund with respect to one of the Reorganizations will not affect the implementation of the Reorganizations by the other Target Funds.

This Joint Proxy Statement/Prospectus sets forth concisely the information that shareholders of each Fund should know before voting on the proposals for their Fund and constitutes an offering of Acquiring Fund Shares. Please read it carefully and retain it for future reference. A Statement of Additional Information, dated _____, 2009, relating to this Joint Proxy Statement/Prospectus (the Statement of Additional Information) has been filed with the Securities and Exchange Commission (the SEC) and is incorporated herein by reference. Copies of each Fund's most recent annual report and semi-annual report can be obtained on a web site maintained by BlackRock at www.blackrock.com. In addition, each Fund will furnish, without charge, a copy of the Statement of Additional Information, its most recent annual report or semi-annual report to any shareholder upon request. Any such request should be directed to BlackRock by calling (800) 882-0052 or by writing to the respective Fund at P.O. Box 9011, Princeton, NJ 08543-9011. The address of the principal executive offices of the Funds is 100 Bellevue Parkway, Wilmington, DE 19809, and the telephone number is (800) 882-0052.

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

The Funds will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called "householding" and it is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please contact the Funds at (800) 441-7762.

The common shares of the Acquiring Fund are listed on the New York Stock Exchange (NYSE) under the ticker symbol BFZ and will continue to be so listed subsequent to the Reorganizations. The common shares of BlackRock California Municipal Income Trust II are listed on the NYSE Amex under the ticker symbol BCL. The common shares of BlackRock California Investment Quality Municipal Trust Inc. are listed on the NYSE Amex under the ticker symbol RAA. The common shares of BlackRock California Insured Municipal Income Trust are listed on the NYSE under the ticker symbol BCK. The common shares of BlackRock California Municipal Bond Trust are listed on the NYSE under the ticker symbol BZA. Reports, proxy statements and other information concerning the Acquiring Fund, BCK or BZA may be inspected at the offices of the NYSE, 20 Broad Street, New York, NY 10005. Reports, proxy statements and other information concerning BCL and RAA may be inspected at the offices of NYSE Amex, 20 Broad Street, New York, NY 10005.

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

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

The date of this Joint Proxy Statement/Prospectus is _____, 2009.

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SUMMARY

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

PROPOSAL 1: REORGANIZATIONS OF THE TARGET FUNDS

The Proposed Reorganizations

The Board of each Fund, including the board members (the **Board Members**) who are not interested persons of each Fund (as defined in the 1940 Act) (the **Independent Board Members**), has unanimously approved each Reorganization Agreement. If the shareholders of a Target Fund approve their Reorganization Agreement and the shareholders of the Acquiring Fund also approve the Reorganization (see **Proposal 2: Issuance of Additional Acquiring Fund Shares**), the Target Fund will merge with and into the Merger Subsidiary. Following the Reorganizations, the Merger Subsidiary will dissolve under Delaware law and be liquidated into BFZ. Each Target Fund will terminate its registration under the 1940 Act after the completion of its Reorganization. Each newly issued share of Acquiring Fund Preferred Shares issued to Target Fund preferred shareholders will have substantially similar terms, including the same auction dates, dividend periods and dividend payment dates, as such series of preferred shares of each such Target Fund, except that current RAA preferred shareholders will not have appraisal rights, as more fully described elsewhere in this Joint Proxy Statement/Prospectus. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The Combined Fund's preferred shareholders will therefore not have the benefit of such a clause. See **Additional Information About Preferred Shares of the Funds**. The aggregate net asset value of Acquiring Fund Common Shares received by a Target Fund's common shareholders in each Reorganization will equal the aggregate net asset value of that Target Fund's common shares held immediately prior to such Reorganization, less the costs of such Reorganization (although common shareholders may receive cash for their fractional common shares). In the Reorganizations, common shareholders of each Target Fund will receive common shares of the Acquiring Fund based on the relative net asset values, not the market values, of each respective Fund's common shares. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of a Target Fund prior to the Reorganization. The aggregate liquidation preference of the Acquiring Fund Preferred Shares received by Target Fund preferred shareholders in each Reorganization will equal the aggregate liquidation preference of the applicable Target Fund preferred shares held immediately prior to the Reorganization, except that preferred shareholders of RAA who exercise their appraisal rights will not receive Acquiring Fund Preferred Shares.

Background and Reasons for the Proposed Reorganizations

The Reorganizations seek to combine five Funds that are either the same or substantially similar (but not identical) to achieve certain economies of scale and other operational efficiencies. Each Target Fund will merge with and into the Merger Subsidiary, which will dissolve under Delaware law and be liquidated into the Acquiring Fund following the Reorganizations. The Board of each Target Fund (each, a **Target Fund Board**), based upon its evaluation of all relevant information, anticipates that the Reorganization would benefit common shareholders of its Target Fund and potentially, preferred shareholders of its Target Fund. The Board of the Acquiring Fund (the **Acquiring Fund Board**), based upon its evaluation of all relevant information, anticipates that the Reorganizations would benefit common shareholders of the Acquiring Fund and, potentially, preferred shareholders of the Acquiring Fund. Because each Fund will vote separately on its respective Reorganization, there are multiple potential combinations of Reorganizations. The Boards have reviewed data presented by BlackRock Advisors, LLC, investment adviser to each of the Funds (the **Investment Advisor**), and believe that the most likely result of the potential combinations of Reorganizations is the combination of all the Funds and that such a result generally would result in a reduced Baseline Expense Ratio (as defined below) for each Fund, as certain fixed administrative costs would be spread across the Combined Fund's larger asset base.

The Board of each Fund believes that the completion of all of the Reorganizations would result in a reduced Baseline Expense Ratio for each Fund because certain fixed administrative costs would be spread across the Combined Fund's larger asset base. The Boards believe that the completion of all of the Reorganizations would result in a Baseline Expense Ratio for the Combined Fund of 1.24% on a pro forma basis for the 12-month period ended January 31, 2009, representing a reduction in the Baseline Expense Ratio for each Fund ranging from 0.41% for RAA to 0.05% for BCL, each as a percentage of average net assets attributable to common shares. When we use the term "Baseline Expenses," we mean a Fund's total annual operating expenses excluding interest expense. When we use the term "Baseline Expense Ratio," we mean a Fund's Baseline Expenses expressed as a percentage of its average net assets attributable to its common shares.

The Boards believe that a comparison among the Funds' Baseline Expenses is the most meaningful comparison for investors in evaluating the Reorganizations. Each Fund uses leverage to seek to enhance its returns to common shareholders. This leverage generally takes two forms: the issuance of preferred shares and investments in tender option bonds ("TOBs"). Both forms of leverage benefit common shareholders if the cost of the leverage is lower than the returns earned by a Fund when it invests the proceeds from the leverage. Under applicable accounting rules, however, only the cost of the leverage associated with investments in TOBs is included for purposes of reporting a Fund's total annual operating expenses. Therefore, the level of a Fund's total annual operating expenses that includes interest expense is dependent upon the amount of its leverage in the form of preferred shares versus the amount of its leverage in the form of investments in TOBs, even though both types of leverage have similar effects on returns experienced by common shareholders. Furthermore, the amount of each Fund's leverage in the form of preferred shares and in the form of TOBs has varied from time to time over the past year, as each Fund has invested in TOBs from time to time to redeem preferred shares. For these reasons, the Boards believe that a comparison among the Funds' Baseline Expenses provides a better way of measuring the effect of the Reorganizations on the Funds' common shareholders.

If any of the Reorganizations is approved, the Investment Advisor will reduce the advisory fee payable by the Acquiring Fund by 2 basis points, from 0.60% of average weekly managed assets (after the expiration of scheduled fee waivers) to 0.58% of average weekly managed assets (after the expiration of scheduled fee waivers), and to extend the Acquiring Fund's contractual fee waiver through December 31, 2012, an additional two years beyond the currently scheduled expiration of the Acquiring Fund's contractual fee waiver in 2010. These reductions in fees will not decrease or modify the nature or level of the services that the Investment Advisor will provide to the Acquiring Fund relative to what the Investment Advisor currently provides to the Acquiring Fund.

The Boards anticipate that the Reorganizations have the potential to benefit preferred shareholders of the Funds. Preferred shareholders may derive potential benefits from the greater asset base of the Combined Fund relative to each Fund on a stand-alone basis, which could give the Combined Fund a greater ability to utilize TOBs and/or issue liquidity enhanced adjustable rate securities ("LEARS") as a replacement for the Combined Fund's outstanding preferred shares. However, to date, none of the Funds or any other BlackRock closed-end fund has issued LEARS as a replacement for preferred shares and there is no guarantee that the Combined Fund will issue LEARS or TOBs as a replacement for its preferred shares in the future. In addition, the Combined Fund will not be required to redeem any of the Fund's outstanding preferred shares as a result of the Reorganizations, and the Boards do not anticipate that auctions for the Combined Fund's preferred shares will begin to clear after the Reorganizations and generally anticipate that auctions for the Combined Fund's preferred shares will continue to fail. Nevertheless, the Boards anticipate that participating in the Reorganizations will not have any material adverse effect on the Funds' preferred shareholders. None of the expenses of the Reorganizations will be borne by preferred shareholders of the Funds, and except as described in this Joint Proxy Statement/Prospectus, the terms of the newly issued series of Acquiring Fund Preferred Shares to be distributed to preferred shareholders of the Target Funds in connection with the Reorganizations will be substantially similar to the terms of the Target Fund preferred shares that such shareholders currently hold, except that, unlike preferred shares of RAA, the Acquiring Fund Preferred Shares will not have appraisal rights. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The Combined Fund's preferred shareholders will therefore not have the benefit of such a clause. See "Additional Information About Preferred Shares of the Funds."

In approving the proposed Reorganizations, the Board of each Fund, including the Independent Board Members, determined that participation in the Reorganizations is in the best interests of each Fund and its

shareholders and that the interests of each Fund's shareholders will not be diluted with respect to the net asset value of such Fund as a result of the Reorganization. Before reaching these conclusions, the Board of each Fund, including the Independent Board Members, engaged in a thorough review process relating to the proposed Reorganizations. The Boards of the Funds also received a memorandum outlining, among other things, the legal standards and certain other considerations relevant to the Boards' deliberations. The Boards of the Funds, including all of the Independent Board Members, considered and approved the Reorganizations at meetings held on February 20, 2009, April 14, 2009 and May 28, 2009.

The primary factors considered by the Board of each Fund with regard to the Reorganizations include, but are not limited to, the following:

1. The expectation that, based on the most likely combination of potential Reorganizations, the Combined Fund generally will have a Baseline Expense Ratio that is lower than that of each Fund prior to the Reorganizations.
2. Shareholders will remain invested in a non-diversified, closed-end management investment company that will have substantially greater net assets and the same or substantially similar (but not identical) investment strategies and investment objective.
3. The expectation that the Combined Fund will allow each Fund's common shares to maintain a competitive distribution yield, while offering Target Fund shareholders a comparable investment experience.
4. The expectation that the Combined Fund may achieve certain potential benefits for common shareholders of each Fund from its larger asset base, including but not limited to the benefit of greater diversification and greater shareholder liquidity.
5. The Boards anticipate that the Reorganizations have the potential to benefit preferred shareholders of the Funds. Preferred shareholders may derive potential benefits from the greater asset base of the Combined Fund relative to each Fund on a stand-alone basis, which could give the Combined Fund a greater ability to utilize TOBs and/or issue LEARS as a replacement for the Combined Fund's outstanding preferred shares. However, to date, none of the Funds or any other BlackRock closed-end fund has issued LEARS as a replacement for preferred shares and there is no guarantee that the Combined Fund will issue LEARS or TOBs as a replacement for its preferred shares in the future. In addition, the Combined Fund will not be required to redeem any of the Fund's outstanding preferred shares as a result of the Reorganizations, and the Boards do not anticipate that auctions for the Combined Fund's preferred shares will begin to clear after the Reorganizations and generally anticipate that auctions for the Combined Fund's preferred shares will continue to fail. Nevertheless, the Boards anticipate that participating in the Reorganizations will not have any material adverse effect on the Funds' preferred shareholders. None of the expenses of the Reorganizations will be borne by preferred shareholders of the Funds, and except as described in this Joint Proxy Statement/Prospectus, the terms of the newly issued series of Acquiring Fund Preferred Shares to be distributed to preferred shareholders of the Target Funds in connection with the Reorganizations will be substantially similar to the terms of the Target Fund preferred shares that such shareholders currently hold., except that, unlike preferred shares of RAA, the Acquiring Fund Preferred Shares will not have appraisal rights. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The Combined Fund's preferred shareholders will therefore not have the benefit of such a clause. See Additional Information About Preferred Shares of the Funds.
6. The expectation that the Combined Fund may have certain marketing advantages, such as more research coverage, due to its increased size.
7. Shareholders will recognize no gain or loss for U.S. Federal income tax purposes as a result of the Reorganizations, as each of the Reorganizations is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code (the Code).

8. The identity, investment style and strategies of the portfolio management team that will manage the Combined Fund.

9. The expectation that shareholders of the Funds will receive substantially the same services after the Reorganizations. Considering these and other reasons, the Board of each Target Fund unanimously concluded that completion of the Reorganizations is in the best interests of each Target Fund and its shareholders and that the interests of the shareholders of each Target Fund will not be diluted as a result of the Reorganizations. This determination was made on the basis of each Board Member's business judgment after consideration of all of the factors taken as a whole with respect to each Target Fund and its shareholders, although individual Board Members may have placed different weight and assigned different degrees of materiality to various factors. See Proposal 1: Reorganization of the Target Funds Reasons for the Reorganizations.

If a Reorganization is not approved by a Target Fund's shareholders, such Target Fund will continue to operate for the time being as a stand alone Delaware statutory trust or Maryland corporation, as applicable, and will continue to be advised by the Investment Advisor. An unfavorable vote by one of the Target Funds or the Acquiring Fund with respect to one of the Reorganizations will not affect the implementation of the Reorganizations by the other Funds.

Baseline Expenses Table for Common Shareholders of the Funds as of January 31, 2009

The table below illustrates the anticipated reduction in Baseline Expenses expected as a result of the Reorganizations. The table sets forth (i) the Baseline Expenses paid by each Fund for the 12-month period ended January 31, 2009, (ii) the pro forma Baseline Expenses for the Combined Fund, assuming all of the Reorganizations had taken place on January 31, 2009 and (iii) the pro forma Baseline Expenses for the Combined Fund, assuming only the Reorganization of RAA into BFZ had taken place on January 31, 2009. As shown below, the Reorganization of all of the Target Funds into BFZ or the Reorganization of just RAA into BFZ is expected to result in a lower Baseline Expense Ratio for shareholders of each Fund for the period covered.

Because each of the Reorganizations may occur whether or not the other Reorganizations are approved, several Fund combinations are possible and the pro forma effects on Baseline Expenses for all possible combinations are not illustrated in the expense table below. The scenarios presented below, however, capture the range of possible pro forma outcomes. On a pro forma basis for the 12-month period ended January 31, 2009, the lowest Baseline Expense Ratio would result if all of the Reorganizations were consummated and the highest Baseline Expense Ratio would result if only the Reorganization of RAA into BFZ was completed.

Annual Baseline Expenses (as a percentage of average net assets attributable to common shares)	BCL	RAA	BCK	BZA	BFZ	Pro Forma Combined Fund (All Target Funds into BFZ)*	Pro Forma Combined Fund (RAA into BFZ)*
Baseline Expenses	1.29%	1.65%	1.35%	1.64%	1.32%	1.24%	1.29%
Less Contractual Fee Waiver	0.17%	%	0.21%	0.30%	0.17%	0.17%	0.17%
Net Baseline Expenses	1.12%	1.65%	1.14%	1.34%	1.15%	1.07%	1.12%

* The pro forma Baseline Expenses for the Combined Fund reflects a 2 basis point reduction in BFZ's contractual management fee from 0.60% of average weekly managed assets (after the expiration of scheduled fee waivers) to 0.58% of average weekly managed assets (after the expiration of scheduled fee waivers).

The following example is intended to help you compare the Baseline Expenses associated with investing in the common shares of the Acquiring Fund on a pro forma basis if all the Reorganizations are completed, and if only the Reorganization of RAA into BFZ is completed, with the Baseline Expenses associated with investing in the Target Funds and the Acquiring Fund without the Reorganizations. An investor in common shares would pay the following Baseline Expenses on a \$1,000 investment, assuming (1) the Baseline Expense Ratio for each Fund set forth in the table above and (2) a 5% annual return throughout the period:

	1 Year	3 Years	5 Years	10 Years
BCL (a)	\$ 11	\$ 38	\$ 67	\$ 153
RAA	\$ 17	\$ 53	\$ 91	\$ 198
BCK (a)	\$ 12	\$ 40	\$ 72	\$ 161
BZA (a)	\$ 14	\$ 45	\$ 83	\$ 190
BFZ (a)	\$ 12	\$ 40	\$ 71	\$ 158
Pro Forma Combined Fund (All Target Funds into BFZ) (b)	\$ 11	\$ 37	\$ 66	\$ 149
Pro Forma Combined Fund (RAA into BFZ) (b)	\$ 11	\$ 38	\$ 68	\$ 154

(a) Includes the contractual waiver described in footnote (d) to the fee table on page 24, as applicable.

(b) Includes the contractual waiver described in footnote (e) to the fee table on page 24, as applicable.

Appraisal Rights

Shareholders of each of BCL, BCK and BFA do not have appraisal rights for their common or preferred shares because such Funds are organized as Delaware statutory trusts and the agreement and declaration of trusts of each such Fund, as amended, do not provide for appraisal rights. Under Maryland law, stockholders of an investment company whose shares are traded publicly on a national securities exchange, such as common shares of RAA, are not entitled to demand the fair value of their shares in connection with a Reorganization. However, because the preferred shares of RAA are not traded publicly on a national securities exchange, such preferred shareholders will be entitled under Maryland law to demand and receive payment of the fair value of such preferred shareholder's shares upon the consummation of its Reorganization. If more than a majority of the preferred shareholders of RAA object to the RAA Reorganization, the RAA Reorganization will not be completed and the preferred shareholders would no longer have any appraisal rights. If the RAA Reorganization is completed and some preferred shareholders exercise their appraisal rights in accordance with the procedures set forth in the Maryland General Corporation Law, they would be entitled to receive a cash payment in an amount equal to the fair market value of their preferred shares, which may be less than the liquidation preference of such preferred shares.

If RAA's Reorganization with BFZ is approved, and the maximum number of RAA preferred shareholders who could exercise appraisal rights exercised such appraisal rights (with RAA's Reorganization with BFZ still being approved), there would be 137 shares of Acquiring Fund Preferred Shares, Series W-7, outstanding after the completion of RAA's Reorganization with BFZ.

Preferred Share Redemptions

In order to provide some liquidity, at par value, to the Funds' preferred shareholders after the failure of the auction market in February 2008, the Funds have redeemed a portion of their preferred shares outstanding. The amount of preferred shares redeemed since 2008, as of April 30, 2009, and the amount of preferred shares currently outstanding for each Fund, as of April 30, 2009, is set forth in the following table:

Fund	Originally Issued	Redeemed (as of April 30, 2009)	Remaining	% Redeemed
BFZ	\$ 131,950,000	\$ 31,050,000	\$ 100,900,000	23.5%
BCL	\$ 71,950,000	\$ 12,200,000	\$ 59,750,000	17.0%
RAA	\$ 7,500,000	\$ 675,000	\$ 6,825,000	9.0%
BCK	\$ 46,500,000	\$ 8,950,000	\$ 37,550,000	19.3%
BZA	\$ 29,975,000	\$ 2,000,000	\$ 27,975,000	6.7%

On June 15, 2009 the Boards of the Funds approved further redemptions of issued and outstanding preferred shares of the Funds. The anticipated schedule for, and the anticipated amounts and effect of, these planned redemptions are reflected in the following table:

Fund	Originally Issued	Redeemed (as of April 30, 2009)	Planned Redemptions	Remaining (after Planned Redemptions)	% Redeemed (after Planned Redemptions)
BFZ	\$ 131,950,000	\$ 31,050,000	\$ 29,900,000(a)	\$ 71,000,000	46.2%
BCL	\$ 71,950,000	\$ 12,200,000	\$ 13,200,000(b)	\$ 46,550,000	35.3%
RAA	\$ 7,500,000	\$ 675,000	\$ 900,000(c)	\$ 5,925,000	21.0%
BCK	\$ 46,500,000	\$ 8,950,000	\$ 6,225,000(d)	\$ 31,325,000	32.6%
BZA	\$ 29,975,000	\$ 2,000,000	\$ 5,525,000(e)	\$ 22,450,000	25.1%

- (a) The planned redemptions are scheduled to occur on July 8, 2009 and July 10, 2009, and reflect the planned redemption of 598 of BFZ s issued and outstanding series T-7 preferred shares and 598 of BFZ s issued and outstanding series R-7 preferred shares.
- (b) The planned redemptions are scheduled to occur on July 8, 2009 and July 10, 2009, and reflect the planned redemption of 264 of BCL s issued and outstanding series T-7 preferred shares and 264 of BCL s issued and outstanding series R-7 preferred shares.
- (c) The planned redemption is scheduled to occur on July 9, 2009, and reflects the planned redemption of 36 of RAA s issued and outstanding series W-7 preferred shares.
- (d) The planned redemption is scheduled to occur on July 13, 2009, and reflects the planned redemption of 249 of BCK s issued and outstanding series F-7 preferred shares.
- (e) The planned redemption is scheduled to occur on July 13, 2009, and reflects the planned redemption of 221 of BZA s issued and outstanding series F-7 preferred shares.

Comparison of the Funds

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

Acquiring Fund BFZ	BCL & BZA	Target Funds BCK	RAA
Investment Objective	Investment Objective	Investment Objective	Investment Objective
To provide current income exempt from regular U.S. Federal and California income taxes.	Same as BFZ.	To provide current income exempt from Federal income tax, including the U.S. Federal alternative minimum tax and California income tax.	To provide high current income which, in the opinion of bond counsel to the issuer, is exempt from regular U.S. Federal and California income tax consistent with preservation of capital.

Acquiring Fund BFZ	BCL & BZA	Target Funds BCK	RAA
<p>Investment Grade Policy Under normal market conditions, BFZ will invest at least 80% of its total assets in investment grade quality municipal bonds. Investment grade quality means that such bonds are rated, at the time of investment, within the four highest grades (Baa or BBB or better by Moody's, S&P or Fitch) or are unrated but judged to be of comparable quality by BlackRock.</p>	<p>Investment Grade Policy Same as BFZ.</p>	<p>Investment Grade Policy Under normal circumstances BCK will invest at least 80% of its total assets in municipal bonds that are insured as to principal and interest. Such municipal bond insurance will be from insurers having a claims-paying ability rated at least investment grade.</p>	<p>Investment Grade Policy Under normal circumstances, at least 80% of the RAA's assets will be invested in securities rated investment grade by Moody's (including those rated as low as Baa3, MIG-4 or P-3), S&P (including those rated as low as BBB-, SP-2 or A-3), Fitch (including those rated as low as BBB- or P-3) or other nationally recognized statistical rating organization.</p>
<p>Alternative Minimum Tax May invest in securities subject to the U.S. Federal alternative minimum tax.</p>	<p>Alternative Minimum Tax Same as BFZ.</p>	<p>Alternative Minimum Tax Under normal circumstances, BCK will invest at least 80% of its total assets in municipal bonds that pay interest that is exempt from regular U.S. Federal income tax, including the U.S. Federal alternative minimum tax, and California income tax.</p>	<p>Alternative Minimum Tax Same as BFZ.</p>
<p>High Yield Securities BFZ may invest up to 20% of its total assets in municipal bonds that are rated, at the time of investment, Ba/BB or B by Moody's, S&P or Fitch or that are unrated but judged to be of comparable quality by the Investment Advisor.</p>	<p>High Yield Securities Same as BFZ.</p>	<p>May not invest in securities subject to the U.S. Federal alternative minimum tax.</p> <p>High Yield Securities Same as BFZ.</p>	<p>High Yield Securities Same as BFZ.</p>

Acquiring Fund BFZ	BCL & BZA	Target Funds BCK	RAA
<p>Insurance No policy. BFZ may purchase insured bonds and may purchase insurance for bonds in its portfolio.</p>	<p>Insurance Same as BFZ.</p>	<p>Insurance Generally invests in municipal bonds insured by an entity with claims-paying abilities rated at least investment grade.</p>	<p>Insurance Same as BFZ.</p>
<p>Economic Sector Diversity May invest 25% or more of its total assets in municipal obligations in the same economic sector.</p>	<p>Economic Sector Diversity Same as BFZ.</p>	<p>Economic Sector Diversity Same as BFZ.</p>	<p>Economic Sector Diversity No policy.</p>
<p>Defensive Measures During temporary defensive periods, and in order to keep BFZ's cash fully invested, BFZ may invest up to 100% of its net assets in liquid, short-term investments, including high quality, short-term securities that may be either tax-exempt or taxable.</p>	<p>Defensive Measures Same as BFZ.</p>	<p>Defensive Measures Same as BFZ.</p>	<p>Defensive Measures For purposes of enhancing liquidity and/or preserving capital, on a temporary defensive basis, RAA may invest without limit in securities issued by the U.S. Government or its agencies or instrumentalities, repurchase agreements collateralized by such securities, or certificates of deposit, time deposits or bankers acceptances.</p>
<p>Other Investment</p>	<p>Other Investment</p>	<p>Other Investment</p>	<p>Other Investment</p>
<p>Companies BFZ may invest up to 10% of its total assets in securities of other open- or closed-end investment companies that invest primarily in municipal bonds of the types in which BFZ may invest directly.</p>	<p>Companies Same as BFZ.</p>	<p>Companies Same as BFZ.</p>	<p>Companies No policy.</p>

Acquiring Fund BFZ Tax-Exempt Preferred	BCL & BZA Tax-Exempt Preferred	Target Funds BCK Tax-Exempt Preferred	RAA Tax-Exempt Preferred
Shares	Shares	Shares	Shares
BFZ may invest up to 10% of its total assets in preferred interests of other investment funds that pay dividends that are exempt from regular U.S. Federal income tax.	Same as BFZ.	BCK may invest up to 10% of its total assets in preferred interests of other investment funds that pay dividends that are exempt from Federal income tax, including the U.S. Federal alternative minimum tax, and California income tax.	No policy.
Common Share	Common Share	Common Share	Common Share
Dividends Monthly.	Dividends Same as BFZ.	Dividends Same as BFZ.	Dividends Same as BFZ.
Preferred Shares(a)	Preferred Shares	Preferred Shares(d)	Preferred Shares(e)
T-7: \$50,450,000	For BCL(b):	F-7: \$37,550,000	W-7: \$6,825,000
R-7: \$50,450,000	T-7: \$29,875,000		
	R-7: \$29,875,000		
	For BZA(c):		
	F-7: \$27,975,000		

- (a) On June 15, 2009, the Board of BFZ approved the redemption of 598 of BFZ s issued and outstanding T-7 preferred shares and 598 of BFZ s issued and outstanding R-7 preferred shares, representing a total liquidation preference of \$29,900,000. The planned redemptions for the T-7 and R-7 preferred shares are scheduled to occur on July 8, 2009 and July 10, 2009, respectively. The effect of these planned redemptions is not reflected in the figures above.
- (b) On June 15, 2009, the Board of BCL approved the redemption of 264 of BCL s issued and outstanding T-7 preferred shares and 264 of BCL s issued and outstanding R-7 preferred shares, representing a total liquidation preference of \$13,200,000. The planned redemptions for the T-7 and R-7 preferred shares are scheduled to occur on July 8, 2009 and July 10, 2009, respectively. The effect of these planned redemptions is not reflected in the figures above.
- (c) On June 15, 2009, the Board of BZA approved the redemption of 221 of BZA s issued and outstanding F-7 preferred shares, representing a total liquidation preference of \$5,525,000. The planned redemption for the F-7 preferred shares is scheduled to occur on July 13, 2009. The effect of this planned redemption is not reflected in the figures above.
- (d) On June 15, 2009, the Board of BCK approved the redemption of 249 of BCK s issued and outstanding F-7 preferred shares, representing a total liquidation preference of \$6,225,000. The planned redemption for the F-7 preferred shares is scheduled to occur on July 13, 2009. The effect of this planned redemption is not reflected in the figures above.
- (e) On June 15, 2009, the Board of RAA approved the redemption of 36 of RAA s issued and outstanding W-7 preferred shares, representing a total liquidation preference of \$900,000. The planned redemption for the W-7 preferred shares is scheduled to occur on July 9, 2009. The effect of this planned redemption is not reflected in the figures above.

Further Information Regarding the Reorganizations

The Target Fund Boards have determined that the Reorganizations are in the best interests of each Target Fund and the shareholders of each Target Fund and that the interests of such shareholders will not be diluted as a result of their Funds Reorganizations. Similarly, the Acquiring Fund Board has determined that each

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

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

The Target Fund Boards request that shareholders of each Target Fund approve their Fund's proposed Reorganization at the Special Meeting to be held on Tuesday, September 22, 2009. Shareholder approval of each Reorganization (other than RAA's Reorganization) requires the affirmative vote by Target Fund common shareholders and preferred shareholders, voting as a single class, of a majority of the outstanding voting securities as defined under the 1940 Act (such a majority referred to herein as a 1940 Act Majority), which means the affirmative vote of either (i) 67% or more of the voting securities present at the Special Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of the Fund, whichever is less. A 1940 Act Majority of the preferred shareholders of each Target Fund (other than RAA), voting as a separate class, also is required to approve the Reorganization of their respective Target Fund.

Shareholder approval of RAA's Reorganization requires the affirmative vote of a majority of the outstanding common shares and preferred shares of RAA, voting together as a single class, and the affirmative vote of a majority of the outstanding preferred shares of RAA, voting as a separate class.

Subject to the requisite approval of the shareholders of each Target Fund with regard to each Reorganization, it is expected that the Closing Date will be sometime during the third quarter 2009, but it may be at a different time as described herein.

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

The Target Fund Boards recommend that you vote **FOR** your Target Fund's proposed Reorganization.

PROPOSAL 2: ISSUANCE OF ADDITIONAL ACQUIRING FUND SHARES

In connection with each proposed Reorganization described under Proposal 1: Reorganizations of the Target Funds, the Acquiring Fund will issue Acquiring Fund Common Shares and list them for trading on the NYSE. All other things being equal, the Reorganizations will result in no reduction of the net asset value of the Acquiring Fund Common Shares, other than to reflect the costs of the Reorganizations. Further, the Reorganizations will result in the issuance of Acquiring Fund Preferred Shares in exchange for preferred shares of the Target Funds, with substantially similar terms as the outstanding preferred shares of the Target Funds, except that the Acquiring Fund Preferred Shares issued in exchange for RAA preferred shares will not have appraisal rights. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The Combined Fund's preferred shareholders will therefore not have the benefit of such a clause. See Additional Information About Preferred Shares of the Funds. No gain or loss for U.S. Federal income tax purposes will be recognized by the Acquiring Fund or its shareholders pursuant to the Reorganizations. The Acquiring Fund Board, based upon its evaluation of all relevant information, anticipates that each Reorganization will benefit common

shareholders of the Acquiring Fund and, potentially, preferred shareholders of the Acquiring Fund. In particular, the Acquiring Fund Board reviewed data presented by the Investment Advisor showing that the Acquiring Fund will experience a reduced Baseline Expense Ratio as a result of the most likely combination of the proposed Reorganizations (i.e., if all of the Reorganizations are completed). The Boards noted that even if the least beneficial of all of the possible combinations of the proposed Reorganizations were to occur (i.e., if only RAA was combined with Acquiring Fund) the Baseline Expense Ratio for the Combined Fund is anticipated to be lower than the Baseline Expense Ratio for the Acquiring Fund, except for each Fund's allocable portion of the costs associated with the proposed Reorganizations.

If any of the Reorganizations is approved, the Investment Advisor will reduce the advisory fee payable by the Acquiring Fund by 2 basis points, from 0.60% of average weekly managed assets (after the expiration of scheduled fee waivers) to 0.58% of average weekly managed assets (after the expiration of scheduled fee waivers), and to extend the Acquiring Fund's contractual fee waiver through December 31, 2012, an additional two years beyond the currently scheduled expiration of the Acquiring Fund's contractual fee waiver in 2010. These reductions in fees will not decrease or modify the nature or level of the services that the Investment Advisor will provide to the Acquiring Fund relative to what the Investment Advisor currently provides to the Acquiring Fund.

The Acquiring Fund Board requests that shareholders of the Acquiring Fund approve the issuance of additional Acquiring Fund Shares for each Reorganization at the Special Meeting to be held on Tuesday, September 22, 2009. The affirmative vote of shareholders representing at least a majority of the Acquiring Fund common shares and the Acquiring Fund preferred shares present in person or represented by proxy at the Special Meeting and entitled to vote, voting together as a single class, is required to approve the issuance of additional common shares for each Reorganization. The affirmative vote of a 1940 Act Majority of the holders of preferred shares of the Acquiring Fund, voting as a separate class, also is required to approve the issuance of additional preferred shares of the Acquiring Fund in connection with each Reorganization. Subject to the requisite approval of the shareholders of each Fund with regard to the Reorganizations, it is expected that the Closing Date will be sometime during the third quarter 2009.

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

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

RISK FACTORS AND SPECIAL CONSIDERATIONS

Comparison of Risks

Because the Funds have either the same or substantially similar (but not identical) investment objectives and principal investment strategies, the Funds generally are subject to substantially similar investment risks. The Combined Fund will be managed in accordance with the same investment objectives and investment policies, and subject to the same risks, as the Acquiring Fund. Many of the investment risks associated with an investment in the Acquiring Fund are substantially similar to those associated with an investment in the Target Funds. Some risks predominately affect common shares, while others affect preferred shares. Risks that predominately affect common shares include interest rate risk, credit risk, reinvestment risk, state concentration risk, municipal bond markets risk, economic sector risk and non-diversification. Risks that affect preferred shares include liquidity risk, secondary market risk, ratings and asset coverage risk and inflation risk. In addition, as exchange-traded closed-end funds, the Funds are subject to the risk that the Funds' common stock may trade at a discount from the Funds' net asset value. Accordingly, the Funds are primarily designed for long-term investors and should not be considered a vehicle for trading purposes.

There are, however, some differences between the Funds. The salient differences between the Funds are that BCK focuses its investments on insured California municipal bonds and on municipal bonds that pay income that is exempt from the U.S. Federal alternative minimum tax. The other Funds do not focus their investments on insured bonds and may invest in bonds that pay interest subject to the U.S. Federal alternative minimum tax.

Each of the Acquiring Fund, BCL, BZA and RAA under normal market conditions, invests at least 80% of its total assets in investment grade quality municipal bonds. On the other hand, BCK, under normal circumstances, invests at least 80% of its total assets in municipal bonds that are insured as to principal and interest. Such municipal bond insurance would be from insurers having a claims-paying ability rated as least investment grade. The Acquiring Fund does not have such a policy and would be subject to risks associated with a fund that invests mainly in uninsured bonds.

Each Fund, except for BCK, may invest in bonds that pay interest subject to the alternative minimum tax. Thus, the Acquiring Fund may not be a suitable investment for common shareholders of BCK subject to the U.S. Federal alternative minimum tax or who would become subject to such tax by investing in the Acquiring Fund. A more detailed comparison of the investment objectives and investment policies of the Funds may be found in "Comparison of the Funds" below.

The following discussion describes the principal and certain other risks that may affect the Combined Fund.

Risks Related to the Reorganizations

Expenses

While the Funds currently estimate that the Reorganizations will result in reduced aggregate expenses of the Funds by approximately \$207,944 per year if all of the Reorganizations are completed and approximately \$46,065 per year if only RAA approves its Reorganization, the realization of these reduced expenses will not affect holders of the Funds proportionately, and may take longer than expected to be realized or may not be realized at all. After the Reorganizations, the Combined Fund is expected to incur lower Baseline Expenses on a per common share basis than each of the Funds currently incurs. In addition, no matter which Funds complete their Reorganizations, the Combined Fund may incur higher Baseline Expenses for a period due to expenses associated with the Reorganizations prior to experiencing such savings or may never experience such savings if its fixed costs were to increase or the value of its assets were to decrease. Each Board believes that its Fund's common shareholders should realize lower Baseline Expense Ratios after the Reorganizations than they would realize if the Reorganizations did not occur after expenses associated with the Reorganizations have been paid. For the 12-month period ended January 31, 2009, the Baseline Expense Ratios and the total annual gross expense ratios (each as a percentage of average net assets attributable to common shares) (i) for each Fund, (ii) for the Combined Fund, assuming the Reorganizations of all the Funds are completed and (iii) the Combined Fund, assuming only the Reorganization of RAA is completed are as follows (the expenses presented below do not take any applicable fee waivers into account):

BCL	RAA	BCK	BZA	BFZ	Pro Forma Combined Fund (All Target Funds into BFZ)	Pro Forma Combined Fund (only RAA into BFZ)
Baseline Expense Ratio (Total Annual Expense Ratio, Excluding Interest Expense)						
1.29%	1.65%	1.35%	1.64%	1.32%	1.24%	1.29%
Total Annual Expense Ratio (Including Interest Expense)						

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1.48%

1.74%

1.62%

1.73%

1.70%

1.52%

1.65%

* The pro forma Baseline Expenses for the Combined Fund reflects a 2 basis point reduction in BFZ's contractual management fee from 0.60% of average weekly managed assets (after the expiration of scheduled fee waivers) to 0.58% of average weekly managed assets (after the expiration of scheduled fee waivers).

There can be no assurance that future expenses will not increase or that any expense savings will be realized. Moreover, the level of expense savings will vary depending on the combination of the proposed Reorganizations. To the extent that any of the Reorganizations are not completed, but other Reorganizations are completed, any expected savings by the Target Funds and the Acquiring Fund may be reduced. The Boards of the Funds and the Investment Advisor believe that the most likely result of the potential combinations of proposed Reorganizations is the combination of all the Funds.

Each Fund has incurred expenses related to the Reorganizations. The Target Funds and the Acquiring Fund will bear expenses incurred in connection with the Reorganizations, including, but not limited to, costs related to the preparation and distribution of materials distributed to each Fund's Board, expenses incurred in connection with the preparation of the Reorganization Agreements and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to shareholders, SEC and state securities commission filing fees and legal and audit fees in connection with the Reorganizations, legal fees incurred preparing each Fund's Board materials, attending each Fund's Board meetings and preparing the minutes, auditing fees associated with each Fund's financial statements, stock exchange fees, transfer agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganizations, which will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate. Because the Funds have already incurred expenses solely and directly attributable to the Reorganizations and because each Fund (and not the Investment Advisor) is responsible for paying those expenses, if a Fund's respective shareholders do not approve their Fund's respective Reorganization, such Fund will continue to be responsible for the expenses arising from its proposed Reorganization even though its proposed Reorganization will not occur and those expenses may be material. Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganizations.

General Risks of Investing in the Acquiring Fund

Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that bonds, and the Acquiring Fund's net assets, will decline in value because of changes in interest rates. Generally, municipal bonds will decrease in value when interest rates rise and increase in value when interest rates decline. The prices of longer-term bonds fluctuate more than prices of shorter-term bonds as interest rates change. Because the Acquiring Fund invests primarily in long-term bonds, net asset value and market price per share of the common shares will fluctuate more in response to changes in market interest rates than if the Acquiring Fund invested primarily in shorter-term bonds. Further, the use of leverage, such as preferred shares, will tend to increase common share interest rate risk. Moreover, the Acquiring Fund has issued preferred shares, which pay dividends based on short-term interest rates. The Acquiring Fund then used the proceeds from the sale of preferred shares to buy municipal bonds, which pay interest based on long-term rates. Both long-term and short-term interest rates may fluctuate. If short term interest rates rise, the preferred shares dividend rates may rise so that the amount of dividends paid to holders of preferred shares exceeds the income from the portfolio securities purchased with the proceeds from the sale of preferred shares. The likelihood of this occurring may be greater in the current market environment in which auctions for the preferred shares have failed, causing dividend rates on the preferred shares to be set at the maximum rates permitted by the terms of the preferred shares. If long-term rates rise, the value of a Acquiring Fund's investment portfolio will decline, reducing the amount of assets serving as asset coverage for the preferred shares.

Credit Risk

Credit risk is the risk that an issuer of a municipal bond will become unable to meet its obligation to make interest and principal payments. In general, lower rated municipal bonds carry a greater degree of risk that the issuer will lose its ability to make interest and principal payments, which could have a negative impact on a Acquiring Fund's net asset value or dividends. The Acquiring Fund may invest up to 20% of its total assets in municipal bonds that are rated Ba/BB or B by Moody's, S&P or Fitch or that are unrated but judged to be of comparable quality by the Investment Advisor. Bonds rated Ba/BB or B are regarded as having predominately speculative characteristics with respect to the issuer's capacity to pay interest and repay principal, and these bonds are commonly referred to as junk bonds. These securities are subject to a greater risk of default. The prices of these lower grade bonds are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher grade securities. Lower grade securities tend to be less liquid than investment grade securities. The market values of lower grade securities tend to be more volatile than is the case for investment grade securities. The value of high yield, lower quality bonds is affected by the creditworthiness of the issuers of the securities and by general economic and specific industry conditions. Issuers of high yield bonds are not as strong financially as those with higher credit ratings, so their bonds are usually considered speculative investments. 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. Investments in lower grade securities will expose the Acquiring Fund to greater risks than if the Acquiring Fund owned only higher grade securities. The table below summarizes as of April 30, 2009 the approximate amount invested in below investment grade municipal bonds as a percentage of total assets for the Combined Fund (i) if all the Reorganizations are completed and (ii) if only the RAA Reorganization is completed:

Pro Forma Combined Fund (All Target Funds into BFZ)	Pro Forma Combined Fund (RAA into BFZ)
2.66%	3.89%

Economic Sector Risk

Each Fund other than RAA may invest 25% or more of its total assets in municipal obligations in the same economic sector. RAA has no such policy with respect to economic sector diversity. Such municipal obligations include without limitation the following: lease rental obligations of state and local authorities; obligations dependent on annual appropriations by a state's legislature for payment; obligations of state and local housing finance authorities; municipal utilities systems or public housing authorities; obligations of hospitals or life care facilities;

and industrial development or pollution control bonds issued for electrical utility systems, steel companies, paper companies or other purposes. This may make the Acquiring Fund more susceptible to adverse economic, political or regulatory occurrences affecting an economic sector. For example, health care related issuers are susceptible to Medicare, Medicaid and other third party payor reimbursement policies, and national and state health care legislation. As concentration increases, so does the potential for fluctuation in the value of the Acquiring Fund's assets.

Nonpayment Risk

Although substantially all of the municipal securities in which the Funds invest are rated investment grade at the time of investment, municipal securities, like other debt obligations, are subject to the risk of nonpayment. The ability of issuers of municipal securities to make timely payments of interest and principal may be adversely impacted in general economic downturns and as relative governmental cost burdens are allocated and reallocated among Federal, state and local governmental units. Such nonpayment would result in a reduction of income to the Acquiring Fund and could result in a reduction in the value of the municipal security experiencing nonpayment and a potential decrease in the net asset value of the Acquiring Fund.

Call Risk

If interest rates fall, it is possible that issuers of securities with high interest rates will prepay or call their securities before their maturity dates. In this event, the proceeds from the called securities would likely be reinvested by the Acquiring Fund in securities bearing the new, lower interest rates, resulting in a possible decline in the Acquiring Fund's income and distributions to shareholders.

Market Discount Risk

Whether investors will realize gains or losses upon the sale of shares of the Acquiring Fund will depend upon the market price of the shares at the time of original purchase and subsequent sale, which may be less or more than the Acquiring Fund's net asset value per share. Since the market price of the shares will be affected by such factors as the relative demand for and supply of the shares in the market, general market and economic conditions and other factors beyond the control of the Acquiring Fund, the Acquiring Fund cannot predict whether shares of the Acquiring Fund will trade at, below or above net asset value. As the impact from the proposed Reorganizations on the market price of the Acquiring Fund's common shares is unknown, any potential benefits from the Reorganizations may be diminished or eliminated by adverse changes in the Acquiring fund's premium/discount. Shares of closed-end funds often trade at a discount to their net asset values, and the Acquiring Fund's shares may trade at such a discount.

In order to reduce or eliminate a market value discount from net asset value, the Board of the Acquiring Fund may, subject to the terms of its preferred shares, authorize the Acquiring Fund from time to time to repurchase its common shares in the open market or to tender for its common shares at net asset value. The ability of the Acquiring Fund to enter into tender offers and the common share repurchases may be limited by the 1940 Act asset coverage requirements and any additional asset coverage requirements which may be imposed by a rating agency in connection with any rating of the preferred shares. No assurance can be given that the Board of the Acquiring Fund will, in fact, authorize the Acquiring Fund to undertake such repurchases and/or tender offers or that, if undertaken, such actions would result in such Fund's common shares trading at a price which is equal or close to net asset value.

Municipal Bond Market Risk

Investing in the municipal bond market involves certain risks. The amount of public information available about the municipal bonds in the Acquiring Fund's portfolio is generally less than that for corporate equities or bonds, and the investment performance of the Acquiring Fund may therefore be more dependent on the analytical abilities of the Investment Advisor than would be a stock fund or taxable bond fund. The secondary market for municipal bonds, particularly the below investment grade bonds in which the Acquiring Fund may invest, also tends to be less well-developed or liquid than many other securities markets, which may adversely affect the Acquiring Fund's ability to sell its bonds at attractive prices. The ability of municipal issuers to make timely payments of

interest and principal may be diminished in general economic downturns and as governmental cost burdens are reallocated among Federal, state and local governments. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations or on the ability of municipalities to levy taxes. Issuers of municipal bonds might seek protection under the bankruptcy laws. In the event of bankruptcy of such an issuer, the Acquiring Fund could experience delays in collecting principal and interest and the Acquiring Fund may not, in all circumstances, be able to collect all principal and interest to which it is entitled. To enforce their rights in the event of a default in the payment of interest or repayment of principal, or both, the Acquiring Fund may take possession of and manage the assets securing the issuer's obligations on such securities, which may increase the Acquiring Fund's operating expenses. Any income derived from the Acquiring Fund's ownership or operation of such assets may not be tax-exempt.

California Municipal Securities

Because the Acquiring Fund, under normal market conditions, invests substantially all of its assets in investment grade California municipal securities, the Acquiring Fund is more exposed to risks affecting issuers of California municipal securities than is a municipal bond fund that invests more widely. Many different social, environmental and economic factors may affect the financial condition of California and its political subdivisions. The yields of California municipal securities may move differently and adversely compared to the yields of overall debt securities markets. Although the interest received from California municipal securities generally is exempt from U.S. Federal and California income tax, the Acquiring Fund may invest in California municipal securities subject to the U.S. Federal alternative minimum tax. In addition, there could be changes in applicable tax laws or tax treatments that reduce or eliminate the current U.S. Federal income tax exemption on municipal securities or otherwise adversely affect the current U.S. Federal or state tax status of California municipal securities.

Because the Acquiring Fund invests primarily in a portfolio of California municipal securities, the Acquiring Fund is more susceptible to political, economic, regulatory or other factors affecting issuers of California municipal securities than a fund which does not limit its investments to such issuers. These risks include possible legislative, State constitutional or regulatory amendments that may affect the ability of State and local governments or regional governmental authorities to raise money to pay principal and interest on their municipal bonds. Economic, fiscal and budgetary conditions throughout the State may also influence the Acquiring Fund's performance.

The information set forth below and the related information in Risk Factors and Special Consideration Factors Affecting Municipal Securities in California in the Statement of Additional Information is derived from sources that are generally available to investors. The information is intended to give a recent historical description and is not intended to indicate future or continuing trends in the financial or other positions of California. It should be noted that the creditworthiness of obligations issued by local California issuers may be unrelated to the creditworthiness of obligations issued by the State of California, and that there is no obligation on the part of the State to make payment on such local obligations in the event of default.

The current global economic downturn has been particularly severe in California due to its sizable housing market and construction and mortgage industries and structural deficits in the State's General Fund brought on by constitutionally mandated spending requirements matched against highly cyclical revenue sources (predominately based on personal income taxes and sales tax). At the end of March 2009, the state unemployment rate was 11.2%, which was among the highest state unemployment rates in the country and was the highest unemployment rate in California since February 1983. Through March 2009, the California construction industry lost 274,900 jobs, a drop of 29.0% from its peak in February 2006, and the California financial activities sector lost 128,500 jobs, a decrease of 13.6% from its peak in May 2006. From March 2008 through March 2009, nine of California's 11 major industry sectors lost jobs while the only major industry sectors to add jobs were information and educational and health services. In May 2009, the Governor proposed revisions to the state budget (the May Revision) seeking to bridge a shortfall of \$21.3 billion through the end of June 2010 resulting from deteriorating economic conditions and the failure of voters to ratify budgetary measures adopted by the Legislature.

In February 2009, a set of budgetary measures, including amendments to the Budget Act of 2008 (which sets forth the California state budget for the 2008-09 fiscal year), the Budget Act of 2009 (which sets forth the

California state budget for the 2009-10 fiscal year), and related budget legislation, all as adopted by the Legislature and signed by the Governor in late February 2009 (collectively, February 2009 Budget Package), was enacted to implement a budget plan through June 2010 that was structured to resolve the anticipated budget deficits for fiscal years 2008-09 and 2009-10 through expenditure cuts of \$15.7 billion, temporary tax and revenue increases of \$12.5 billion, estimated receipt of Federal stimulus funds of \$8.0 billion, and borrowing of \$5.4 billion. With the passage of the Budget Act of 2009 and improvement in the municipal bond market, the State, towards the end of March 2009, was able to issue \$6.5 billion of State general obligation bonds, which, due to investor demand, exceeded the initial offering amount of \$4.0 billion. However, in the middle of March 2009, less than a month after the passage of the February 2009 Budget Package, the California Legislative Analyst's Office projected an \$8 billion shortfall of the revenue assumptions in the Budget Act of 2009 due to continued deterioration of the State's economic and revenue outlook. Because of State constitutional requirements, some of the adopted budgetary measures required ratification by State voters in a statewide special election. On May 19, 2009, State voters failed to ratify the budgetary measures adopted by the Legislature. The failure to ratify the budgetary propositions resulted in a budget shortfall of \$5.8 billion. Also, since the adoption of the February 2009 Budget Package, various negative revenue and expenditure trends emerged resulting in a decreased revenue estimate for the 2008-09 fiscal year of \$3.5 billion and a decreased revenue estimate for the 2009-10 fiscal year of \$9.0 billion. Various other changes including lower property tax revenue and resulting increases to general fund spending and increased State health and social services spending contributed to an additional \$3.1 billion in revised expenditures. Together, these factors contribute to a projected state budget shortfall of \$21.3 billion by the end of June 2010. To address these negative revenue trends and the failure of State voters to ratify the budgetary measures, the Governor's May Revision proposed a \$21.3 billion package of budgetary solutions consisting of program cuts, new borrowing and tax increases. This increase in the projected deficit will require that the Governor and the Legislature work together to adopt budgetary solutions to bring the recently adopted 2009-10 budget back into balance.

Due to California's difficult fiscal condition and the delayed adoption of the February 2009 Budget Package, S&P downgraded its rating on California's general obligation debt in February 2009 from A+ to A, and in March 2009, Moody's and Fitch followed by lowering their respective ratings on the bonds from A1 to A2 and A+ to A, causing California to have the lowest credit rating of all states in the nation at the time. These ratings reflect the State's credit quality only and do not indicate the creditworthiness of other tax-exempt securities in which the Fund may invest.

The foregoing information constitutes only a brief summary of some of the general factors that may impact certain issuers of municipal bonds and does not purport to be a complete or exhaustive description of all adverse conditions to which the issuers of municipal bonds held by the Fund are subject. This information has not been independently verified by the Acquiring Fund and may not apply to all California municipal securities acquired by the Acquiring Fund. The Acquiring Fund assumes no responsibility for the completeness or accuracy of such information. See Risk Factors and Special Consideration Factors Affecting Municipal Securities in California in the Statement of Additional Information for a further discussion of factors affecting municipal securities in California.

Additionally, many factors, including national economic, social and environmental policies and conditions, which are not within the control of the issuers of the municipal bonds, could affect or could have an adverse impact on the financial condition of the issuers. The Fund is unable to predict whether or to what extent such factors or other factors may affect the issuers of the municipal securities, the market value or marketability of the municipal securities or the ability of the respective issuers of the municipal bonds acquired by the Fund to pay interest on or principal of the municipal securities.

Although revenue obligations of the State of California or its political subdivisions may be payable from a specific project or source, including lease rentals, there can be no assurance that future economic difficulties and the resulting impact on State and local government finances will not adversely affect the market value of the portfolio of the Acquiring Fund or the ability of the respective obligors to make timely payments of principal and interest on such obligations. The value of California municipal instruments may also be affected by general conditions in the money markets or the municipal bond markets, the levels of U.S. Federal income tax rates, the supply of tax-exempt bonds, the credit quality and rating of the issues and perceptions with respect to the level of interest rates. There can be no assurance that there will not be a decline in economic condition or that particular California municipal securities in the portfolio of the Acquiring Fund will not be adversely affected by any changes.

Alternative Minimum Tax Risk

Each Fund, except for BCK, expects that a portion of the interest or income it produces may be includable in alternative minimum taxable income. Exempt interest dividends may also be subject to state and local income taxes. Distributions of any capital gain or other taxable income will be taxable to shareholders. The Acquiring Fund may not be a suitable investment for investors subject to the U.S. Federal alternative minimum tax or who would become subject to such tax by investing in the Acquiring Fund. The suitability of an investment in common shares will depend upon a comparison of the after-tax yield likely to be provided from the Acquiring Fund with that from comparable tax-exempt investments not subject to the U.S. Federal alternative minimum tax, and from comparable fully taxable investments, in light of each such investor's tax position. Special considerations apply to corporate investors.

General Leverage Risk

Although the use of leverage by the Acquiring Fund may create an opportunity for higher total return, it also results in additional risks and can magnify the effect of any losses. If the income and gains earned on municipal bonds to which the Acquiring Fund has exposure through the use of leverage are greater than the payments due on the related short-term floating rate interests, the Acquiring Fund's returns will be greater than if leverage had not been used. Conversely, if the income and gains from those municipal bonds do not cover the payments due in connection with the leverage used, the return will be less than if the economic leverage had not been used. The Investment Advisor nevertheless may determine to continue to use leverage if it expects that the benefits to the Acquiring Fund's shareholders will outweigh the risk of a reduced return. There is no assurance that the Acquiring Fund's leverage strategy will be successful. Leverage involves risks and special considerations that you should consider, including:

the likelihood of greater volatility of net asset value, market price and dividend rate of the shares than a comparable portfolio without leverage; and

the effect of leverage in a declining market, which is likely to cause greater decline in the net asset value of the common shares than if the Acquiring Fund were not leveraged, which may result in greater decline in the market price of the common shares.

While the Acquiring Fund may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that the Acquiring Fund will actually reduce leverage in the future or that any reduction, if undertaken, will benefit the holders of common shares. Changes in the future direction of interest rates are very difficult to predict accurately. If the Acquiring Fund were to reduce leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction in leverage would likely operate to reduce the income and/or total returns to holders of common shares relative to the circumstance where the Acquiring Fund had not reduced leverage. The Acquiring Fund may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and share price if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

As part of its leverage strategy, the Acquiring Fund may invest in leveraged residual certificates issued by TOBs. The residual certificates held by the Acquiring Fund include the right of the Acquiring Fund (1) to cause the holders of a proportional share of the floating rate certificates issued by a TOB trust to tender their certificates at par, and (2) to transfer a corresponding share of the municipal securities from the TOB trust to the Acquiring Fund. Residual certificate municipal tender option bonds are derivative municipal bond securities that have embedded in them the risk of economic leverage. An investment in these securities typically will involve greater risk than a direct investment in a fixed rate municipal bond.

Distributions on the residual certificates will bear an inverse relationship to short-term municipal bond interest rates. Distributions on the residual certificates paid to the Acquiring Fund will be reduced or, in the extreme, eliminated as short-term municipal interest rates rise and will increase when short-term municipal interest rates fall. The amount of such reduction or increase is a function, in part, of the amount of short-term floating rate interests

sold by the issuer of these securities relative to the amount of residual certificates that it sells. The greater the amount of short-term floating rate interests sold relative to the residual certificates, the more volatile the distributions on the residual certificates will be. The value of a residual certificate municipal tender option bond also is generally more volatile than that of a fixed rate municipal bond. In addition, the market for these residual certificates may not be liquid, which increases the volatility of these derivative instruments and means that the Acquiring Fund may not be able to sell them when it desires to do so.

Residual certificate municipal tender option bonds generally will underperform the market for fixed rate municipal bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates decline or remain relatively stable. Should short-term interest rates rise, the Acquiring Fund's investment in residual certificate municipal tender option bonds likely will adversely affect the Acquiring Fund's net asset value per share and income and distributions to shareholders.

If short-term municipal interest rates rise, the holders of short-term floating rate interests in a TOBs trust in which the Acquiring Fund owns the residual certificate may be put to the sponsor of the TOB trust. In order to prevent this from occurring, the Acquiring Fund may elect to terminate a TOBs trust in which it holds a residual interest by purchasing the municipal bonds held in the TOBs trust. In order to purchase such municipal bonds, the Acquiring Fund may liquidate investments, including liquidating investments in adverse market conditions and at a time it would not otherwise elect to sell them. Liquidation at times of low municipal bond prices may result in capital loss and may reduce returns to the holders of common shares.

The Acquiring Fund may invest in the securities of other investment companies. Such securities may also be leveraged and will therefore be subject to the leverage risks described above. This additional leverage may in certain market conditions reduce the net asset value of the Acquiring Fund's common shares and the returns to the holders of common shares.

Volatility Risk

The use of leverage by the Acquiring Fund will cause the net asset value, and possibly the market price, of the Acquiring Fund's common shares to fluctuate more significantly in response to changes in interest rates and other economic indicators. In addition, the Acquiring Fund may invest a portion of its assets in non-investment grade municipal bonds, which may be less liquid and therefore more volatile than investment grade municipal bonds. As a result, the net asset value and market price of the common shares of the Acquiring Fund will be more volatile than those of a closed-end management investment company that is not exposed to leverage or that does not invest any of its assets in non-investment grade municipal bonds.

Non-Diversification

Each Fund is registered as a non-diversified investment company under the 1940 Act. For U.S. Federal income tax purposes, the Acquiring Fund, with respect to up to 50% of its total assets, will be able to invest more than 5% (but not, with respect to securities other than United States government securities and securities of other regulated investment companies, more than 25%) of the value of its total assets in the obligations of any single issuer. To the extent the Acquiring Fund invests a relatively high percentage of its assets in the obligations of a limited number of issuers, the Acquiring Fund may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence.

Anti-Takeover Provisions

The Agreement and Declaration of Trust of the Acquiring Fund includes provisions that could limit the ability of other entities or persons to acquire control of the Acquiring Fund or to change the composition of its Board. Such provisions could limit the ability of common shareholders to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Acquiring Fund.

Recent Developments

Recent instability in the credit markets has made it more difficult for a number of issuers of debt securities to obtain financing or refinancing for their investment or lending activities or operations. There is a risk that such issuers will be unable to successfully complete such financings or refinancings. In particular, because of the current conditions in the credit markets, issuers of debt securities may be subject to increased cost for debt, tightened underwriting standards and reduced liquidity for loans they make, securities they purchase and securities they issue. There is also a risk that developments in sectors of the credit markets in which the Acquiring Fund do not invest may adversely affect the liquidity and the value of securities in sectors of the equity, option and credit markets in which the Acquiring Fund do invest, including securities owned by the Acquiring Fund. The debt and equity capital markets in the United States have been negatively impacted by significant write-offs in the financial services sector relating to subprime mortgages and the re-pricing of credit risk in the broadly syndicated market, among other things. These events, along with the deterioration of the housing market, the failure of major financial institutions and the resulting U.S. Federal government actions, have led to worsening general economic conditions, which have materially and adversely impacted the broader financial and credit markets and have reduced the availability of debt and equity capital for the market as a whole and financial firms in particular. These recent events have been adversely affecting the willingness of some lenders to extend credit, in general, which may make it more difficult for issuers of securities to finance their operations. These developments may increase the volatility of the value of securities owned by the Acquiring Fund. These developments also may make it more difficult for the Acquiring Fund to accurately value its securities or to sell its securities on a timely basis. These developments have adversely affected the broader economy, and may continue to do so, which in turn may adversely affect the ability of issuers of securities owned by the Acquiring Fund to make payments of principal and interest when due, and lead to lower credit ratings and increased defaults. Such developments could, in turn, reduce the value of securities owned by Acquiring Fund and adversely affect the net asset value and market price of the Acquiring Fund's common shares. In addition, the prolonged continuation or further deterioration of current market conditions could adversely impact Acquiring Fund's portfolio.

The United States and other countries currently are in a period of capital markets disruption and instability. The Investment Advisor believes the United States and other countries are also in a period of slowing economic growth or perhaps a recession, and these conditions may continue for a prolonged period of time or worsen in the future. This period may increase the probability that these risks could negatively impact Acquiring Fund's portfolio.

Certain providers of insurance for municipal bonds have recently incurred significant losses as a result of exposure to sub-prime mortgages and other lower credit quality investments that have experienced recent defaults or otherwise suffered extreme credit deterioration. As a result, such losses have reduced the insurers' capital and called into question their continued ability to perform their obligations under such insurance if they are called upon to do so in the future. While an insured municipal bond will typically be deemed to have the rating of its insurer, if the insurer of a municipal security suffers a downgrade in its credit rating or the market discounts the value of the insurance provided by the insurer, the rating of the underlying municipal bond will become more relevant and the value of the municipal bond would more closely, if not entirely, reflect such rating. In such a case, the value of insurance associated with a municipal bond would decline and the insurance may not add any value. The insurance feature of a municipal bond normally provides that it guarantees the full payment of principal and interest when due through the life of an insured obligation, but does not guarantee the market value of the insured obligation or the net asset value of the common shares represented by such insured obligation.

The Acquiring Fund may purchase insured municipal bonds and it may also inherit a substantial position in insured municipal bonds if the BCK Reorganization is consummated because BCK invests at least 80% of its total assets in insured municipal bonds under normal market conditions. The credit quality of the companies that provide credit enhancements or insurance to the municipal bonds owned by the Acquiring Fund may affect the value of such bonds, as described above.

Government Intervention in Financial Markets

The recent instability in the financial markets discussed above has led the U.S. Federal government to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Federal, state, and other

governments, their regulatory agencies, or self regulatory organizations may take actions that affect the regulation of the instruments in which the Acquiring Fund invests, or the issuers of such instruments, in ways that are unforeseeable. Legislation or regulation may also change the way in which the Acquiring Fund itself is regulated. Such legislation or regulation could limit or preclude the Acquiring Fund's ability to achieve its investment objective.

Governments or their agencies may also acquire distressed assets from financial institutions and acquire ownership interests in those institutions. The implications of government ownership and disposition of these assets are unclear, and such a program may have positive or negative effects on the liquidity, valuation and performance of the Acquiring Fund's portfolio holdings. Furthermore, volatile financial markets can expose the Acquiring Fund to greater market and liquidity risk and potential difficulty in valuing portfolio instruments held by the Acquiring Fund. The Investment Advisor will monitor developments and seek to manage each Fund's portfolio in a manner consistent with achieving each Fund's investment objective, but there can be no assurance that it will be successful in doing so.

Special Risks Related to the Acquiring Fund's Preferred Shares

General

There is risk associated with the issuance of the preferred shares to leverage the common shares. The net asset value and market value of the common shares are more volatile because of the preferred shares, and the yield to the holders of common shares tends to fluctuate with changes in the shorter-term dividend rates on the preferred shares. If the dividend rate on the preferred shares approaches the net rate of return on the Acquiring Fund's investment portfolio, the benefit of leverage to the holders of the common shares would be reduced. If the dividend rate on the preferred shares exceeds the net rate of return on the Acquiring Fund's portfolio, the leverage will result in a lower rate of return to the holders of common shares than if the Acquiring Fund had not issued preferred shares. Because the long-term municipal bonds in which the Acquiring Fund invests will typically pay fixed rates of interest while the dividend rate on the preferred shares will be adjusted periodically, this could occur even when both long-term and short-term municipal rates rise. In addition, the Acquiring Fund will pay (and the holders of common shares will bear) any costs and expenses relating to the issuance and ongoing maintenance of the preferred shares. Accordingly, the Acquiring Fund cannot assure you that the issuance of preferred shares will result in a higher yield or return to the holders of the common shares.

Similarly, any decline in the net asset value of the Acquiring Fund's investments will be borne entirely by the holders of common shares. Therefore, if the market value of the Acquiring Fund's portfolio declines, the leverage will result in a greater decrease in net asset value to the holders of common shares than if the Acquiring Fund was not leveraged. This greater net asset value decrease will also tend to cause a greater decline in the market price for the common shares. As a result, the Acquiring Fund might be in danger of failing to maintain asset coverage of 200% (as required by the 1940 Act) or of losing its ratings on the preferred shares or, in an extreme case, the Acquiring Fund's current investment income might not be sufficient to meet the dividend requirements on the preferred shares. In order to counteract such an event, the Acquiring Fund might need to liquidate investments in order to fund a redemption of some or all of the preferred shares. Liquidation at times of low municipal bond prices may result in capital loss and may reduce returns to the holders of common shares.

Due to the failure of auctions for preferred shares, the Acquiring Fund is not likely to be able to replace any preferred shares it redeems with additional auction preferred shares and the Acquiring Fund may not be able to replace the preferred shares with other types of leverage. No assurance can be given that the Acquiring Fund will be able to maintain its leverage levels following the completion of the Reorganizations.

Auction Risk

The dividend rate for the Acquiring Fund's preferred shares is set through an auction process. In the auction, holders of preferred shares may indicate the dividend rate at which they would be willing to hold or sell their preferred shares or purchase additional preferred shares. The auction also seeks to provide liquidity for the sale of preferred shares. An auction fails if there are more preferred shares offered for sale than there are buyers. Owners of preferred shares generally are not able to sell their preferred shares at an auction if the auction fails. Since February of 2008, all of the auctions for the preferred shares of each Fund have failed. As a result, the

preferred share dividend rates have been setting at their respective maximum applicable rates. A failed auction is not an event of default for a Fund but it has a negative impact on the liquidity of the Fund's preferred shares. It is impossible to predict how long this imbalance will last. It is not expected that the Reorganizations will increase the liquidity of preferred shares issued by the Funds or that the Acquiring Fund will be able to hold successful auctions. A successful auction for any Target Fund's or the Acquiring Fund's preferred shares may not occur for some time, if ever, and even if liquidity does resume, preferred shareholders may not have the ability to sell the preferred shares at their liquidation preference. As a result, Acquiring Fund preferred shares, like Target Fund preferred shares should be considered illiquid.

Secondary Market Risk

If you try to sell your preferred shares between auctions you may not be able to sell any or all of your shares or you may not be able to sell them for \$25,000 per share or \$25,000 per share plus accumulated dividends. Broker-dealers that maintain a secondary trading market for preferred shares, if any, are not required to maintain this market, and the Funds are not required to redeem shares if an auction or an attempted secondary market sale fails because of a lack of buyers. Preferred shares are not listed on a stock exchange or the NASDAQ stock market. If you sell your preferred shares outside of the auction process, you may receive less than the price you paid for them.

Ratings and Asset Coverage

While the Acquiring Fund anticipates that Moody's will continue to assign a rating of Aaa to all series of the Acquiring Fund's preferred shares and S&P will continue to assign a rating of AAA to all series of the Acquiring Fund's preferred shares except for the Acquiring Fund Preferred Shares, Series W-7, such ratings do not eliminate or necessarily mitigate the risks of investing in preferred shares. Moody's is the only rating agency rating RAA's series W-7 preferred shares and the Acquiring Fund anticipates that only Moody's will rate the Acquiring Fund Preferred Shares, Series W-7, issued to holders of RAA series W-7 preferred shares in RAA's Reorganization. Moody's or S&P could downgrade the Acquiring Fund's preferred shares, which may make your shares less liquid at an auction or in the secondary market. If Moody's or S&P downgrades the Acquiring Fund's preferred shares, the Acquiring Fund may alter its portfolio or redeem preferred shares in an effort to improve the rating, although there is no assurance that it will be able to do so to the extent necessary to restore the prior rating. The Acquiring Fund may voluntarily redeem its preferred shares under certain circumstances. See Additional Information About Preferred Shares of the Funds Rating Agency Guidelines and Asset Coverage for a description of the asset maintenance tests the Acquiring Fund must meet.

EXPENSE TABLE FOR COMMON SHAREHOLDERS

The table below illustrates the anticipated reduction in expenses expected as a result of the Reorganizations. The table sets forth (i) the annual operating expenses paid by each Fund for the 12-month period ended January 31, 2009, (ii) the pro forma annual operating expenses for the Combined Fund, assuming all of the Reorganizations had taken place on January 31, 2009 and (iii) the pro forma annual operating expenses for the Combined Fund, assuming only the Reorganization of RAA into BFZ had taken place on January 31, 2009. As shown in footnote (g) to the table below, the Reorganization of all of the Target Funds into BFZ or the Reorganization of only RAA into BFZ is expected to result in a lower Baseline Expense Ratio for shareholders of each Fund.

Because each of the Reorganizations may occur whether or not the other Reorganizations are approved, several Fund combinations are possible and the pro forma effects on operating expenses for all possible combinations are not illustrated in the expense table below. The scenarios presented below, however, capture the range of possible pro forma outcomes. On a pro forma basis for the 12-month period ended January 31, 2009, the lowest total annual fund operating expense ratio would result if all of the Reorganizations were consummated, and the highest total annual fund operating expense ratio would result if only the Reorganization of RAA into BFZ was completed.

	BCL	RAA	BCK	BZA	BFZ	Pro Forma Combined Fund (All Target Funds into BFZ) (a)	Pro Forma Combined Fund (RAA into BFZ) (a)
Shareholder Transaction Expenses							
Maximum Sales Load (as a percentage of the offering price) imposed on purchases of common shares (b)	None	None	None	None	None	None	None
Dividend Reinvestment and Cash Purchase Plan Fees	None	None	None	None	None	None	None
Annual Expenses							
(as a percentage of average net assets attributable to common shares)	BCL	RAA	BCK	BZA	BFZ	Pro Forma Combined Fund (All Target Funds into BFZ) (a)	Pro Forma Combined Fund (RAA into BFZ) (a)
Investment Management Fees (c)(d)(e)(f)	0.95%	0.57%	0.92%	1.09%	1.02%	0.98%	0.98%
Other Expenses	0.32%	1.03%	0.36%	0.48%	0.24%	0.21%	0.25%
Interest Expense (g)	0.19%	0.09%	0.27%	0.09%	0.38%	0.28%	0.36%
Acquired Fund Fees and Expenses	0.02%	0.05%	0.07%	0.07%	0.06%	0.05%	0.06%
Total Annual Fund Operating Expenses (g)	1.48%	1.74%	1.62%	1.73%	1.70%	1.52%	1.65%
Less Contractual Fee Waiver	0.17%(d)	%	0.21%(d)	0.30%(d)	0.17%(d)	0.17%(e)	0.17%(e)
Net Annual Fund Operating Expenses (f)(g)	1.31%	1.74%	1.41%	1.43%	1.53%	1.35%	1.48%

(a) Assumes the Reorganizations had taken place on January 31, 2009.

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

- (c) The Investment Advisor's contractual management fee (after the expiration of scheduled fee waivers) for each Trust as a percentage of its average weekly managed assets is indicated in the table below.

					Pro Forma Combined Fund (All Target Funds into BFZ)	Pro Forma Combined Fund (RAA into BFZ)
BCL	RAA	BCK	BZA	BFZ		
0.55%	0.35%	0.55%	0.65%	0.60%	0.58%	0.58%

- (d) The Investment Advisor has contractually agreed to waive its fee as a percentage of average weekly managed assets for specified periods of time as reflected in the following table. Each waiver is scheduled to end during the year 2012 and each Fund's full investment management fee will be payable to the Investment Advisor upon completion of the waiver period.

Through Month* Ending,	BCL	RAA	BCK	BZA	BFZ
2009	0.10%		0.10%	0.20%	0.10%
2010	0.05%		0.05%	0.15%	0.05%
2011	0.05%			0.10%	
2012	0.05%			0.05%	

* Through July 31 for BCL and BFZ, October 31 for BCK and April 30 for BZA.

- (e) In connection with the Reorganizations, the Acquiring Fund's (BFZ's) contractual management fee detailed in footnote (c) above will be reduced by 2 basis points, from 0.60% of average weekly managed assets (after the expiration of scheduled fee waivers) to 0.58% of average weekly managed assets (after the expiration of scheduled fee waivers). In addition to this reduction, the Acquiring Fund's contractual fee waiver will be extended for an additional two years beyond the expiration of the Acquiring Fund's contractual fee waiver, through December 31, 2012. If any of the Reorganizations is approved, the Investment Advisor will waive fees for the Acquiring Fund as follows: (i) 0.10% in 2009, (ii) 0.05% in 2010, (iii) 0.03% in 2011 and (iv) 0.01% in 2012. These reductions in fees will not decrease or modify the nature or level of the services that the Investment Advisor will provide to the Acquiring Fund relative to what the Investment Advisor currently provides to the Acquiring Fund.

- (f) In addition to the contractual waivers described in footnotes (d) and (e) above, the Investment Advisor has voluntarily agreed to waive its fee by the amount of investment management fees each Fund pays to the Investment Advisor indirectly through its investment in affiliated money market funds. Taking into account this voluntary waiver, the Net Annual Fund Operating Expenses (including Acquired Fund Fees and Expenses) are as follows:

					Pro Forma Combined Fund (All Target Funds into BFZ)	Pro Forma Combined Fund (RAA into BFZ)
BCL	RAA	BCK	BZA	BFZ		
1.27%	1.71%	1.38%	1.36%	1.50%	1.33%	1.45%

- (g) This table includes interest expenses associated with the Funds' investments in tender option bonds (also known as inverse floaters). However, such interest expenses are actually paid by special purpose vehicles in which the Funds invest, not the Funds themselves. Each Fund uses leverage to seek to enhance its returns to common shareholders. This leverage generally takes two forms: the issuance of preferred shares and investment in tender option bonds. Both forms of leverage benefit common shareholders if the cost of the leverage is lower than the returns earned by a Fund when it invests the proceeds from the leverage. Under applicable accounting rules, however, only the cost of the leverage associated with investments in tender option bonds is included for purposes of reporting a Fund's total annual operating expenses. Therefore, the level of a Fund's total annual operating expenses that includes interest expense is dependent upon the amount of its leverage in the form of preferred shares versus the amount of its leverage in the form of investments in tender option bonds, even though both types of leverage have similar effects on returns experienced by common shareholders. Furthermore, the amount of each Fund's leverage in the form of preferred shares and in the form of tender option bonds has varied from time to time over the past year, as each Fund has invested in tender option bonds from time to time to redeem preferred shares. For these reasons, the Boards believe that the comparison in the table below among the Funds' total annual operating expenses, excluding this interest expense, provides a better way of measuring the affect of the Reorganizations on the Funds' expenses:

						Pro Forma Combined Fund (All Target Funds into BFZ)	Pro Forma Combined Fund (RAA into BFZ)
Annual Baseline Expenses							
(as a percentage of average net assets attributable to common shares)	BCL	RAA	BCK	BZA	BFZ		
Total Baseline Expenses	1.29%	1.65%	1.35%	1.64%	1.32%	1.24%	1.29%
Less Contractual Fee Waiver	0.17%	%	0.21%	0.30%	0.17%	0.17%	0.17%
Net Baseline Expenses	1.12%	1.65%	1.14%	1.34%	1.15%	1.07%	1.12%

The following example is intended to help you compare the costs of investing in the common shares of the Acquiring Fund pro forma if all the Reorganizations are completed and if only the Reorganization of RAA into BFZ is completed, with the costs of investing in the Target Funds and the Acquiring Fund without the Reorganizations. An investor in common shares would pay the following expenses (including interest expenses as reported in the fee table) on a \$1,000 investment, assuming (1) the operating expense ratio for each Fund (as a percentage of average net assets attributable to common shares) set forth in the expense table on page 23 and (2) a 5% annual return throughout the period:

	1 Year	3 Years	5 Years	10 Years
BCL (a)	\$ 13	\$ 44	\$ 77	\$ 175
RAA	\$ 18	\$ 56	\$ 96	\$ 208
BCK (a)	\$ 14	\$ 49	\$ 86	\$ 192
BZA (a)	\$ 15	\$ 48	\$ 88	\$ 200
BFZ (a)	\$ 16	\$ 52	\$ 91	\$ 202
Pro Forma Combined Fund (All Target Funds into BFZ) (b)	\$ 14	\$ 45	\$ 81	\$ 181
Pro Forma Combined Fund (RAA into BFZ) (b)	\$ 15	\$ 50	\$ 88	\$ 195

(a) Includes the contractual waiver described in footnote (d) to the fee table on page 24, as applicable.

(b) Includes the contractual waiver described in footnote (e) to the fee table on page 24, as applicable.

As discussed elsewhere in this Joint Proxy Statement/Prospectus, the Boards believe that a comparison among the Funds' Baseline Expenses is the most meaningful comparison for investors in evaluating the Reorganizations. The following example is intended to help you compare the Baseline Expenses associated with investing in the common shares of the Acquiring Fund on a pro forma basis if all the Reorganizations are completed, and if only the Reorganization of RAA into BFZ is completed, with the Baseline Expenses associated with investing in the Target Funds and the Acquiring Fund without the Reorganizations. An investor in common shares would pay the following Baseline Expenses on a \$1,000 investment, assuming (1) the Baseline Expense Ratio for each Fund set forth in the table above and (2) a 5% annual return throughout the period:

	1 Year	3 Years	5 Years	10 Years
BCL (a)	\$ 11	\$ 38	\$ 67	\$ 153
RAA	\$ 17	\$ 53	\$ 91	\$ 198
BCK (a)	\$ 12	\$ 40	\$ 72	\$ 161
BZA (a)	\$ 14	\$ 45	\$ 83	\$ 190
BFZ (a)	\$ 12	\$ 40	\$ 71	\$ 158
Pro Forma Combined Fund (All Target Funds into BFZ) (b)	\$ 11	\$ 37	\$ 66	\$ 149
Pro Forma Combined Fund (RAA into BFZ) (b)	\$ 11	\$ 38	\$ 68	\$ 154

(a) Includes the contractual waiver described in footnote (d) to the fee table on page 24, as applicable.

(b) Includes the contractual waiver described in footnote (e) to the fee table on page 24, as applicable.

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

The Target Funds and the Acquiring Fund will bear expenses incurred in connection with the Reorganizations that are not reflected in Other Expenses, including, but not limited to, costs related to the preparation and distribution of materials distributed to each Fund's Board, expenses incurred in connection with the preparation of the Reorganization Agreements and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to shareholders, SEC and state securities commission filing fees and legal and audit fees in connection with the Reorganizations, legal fees incurred preparing each Fund's Board materials, attending each Fund's Board meetings and preparing the minutes, auditing fees associated with each Fund's financial statements, stock exchange fees, transfer agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganizations, which will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate. Such expenses are estimated to be \$746,884 in the aggregate, of which \$177,321 is estimated to be attributable to BFZ, \$153,919 is estimated to be attributable to

BCL, \$129,203 is estimated to be attributable to RAA, \$145,705 is estimated to be attributable to BCK and \$140,736 is estimated to be attributable to BZA. Neither the Funds nor the Investment Advisor will pay any expenses of shareholders arising out of or in connection with the Reorganizations.

REASONS FOR THE REORGANIZATIONS

The factors considered by the Boards with regard to the Reorganizations include, but are not limited to, the following:

1. The expectation that, based on the most likely combination of potential Reorganizations, the Combined Fund will have a Baseline Expense Ratio that is lower than that of each Fund prior to the Reorganizations.

The Board of each Target Fund, based upon its evaluation of all relevant information, anticipates that the Reorganizations would benefit common shareholders of its Target Fund and, potentially, preferred shareholders of each respective Target Fund. The Board of the Acquiring Fund, based upon its evaluation of all relevant information, anticipates that the Reorganizations would benefit common shareholders of the Acquiring Fund and, potentially, preferred shareholders of the Acquiring Fund. Because each Fund will vote separately on its respective Reorganization, there are multiple potential combinations of Reorganizations. The Boards have reviewed data presented by the Investment Advisor, and have determined that the most likely combination of Reorganizations (i.e., if all the Reorganizations are completed) would result in a reduced Baseline Expense Ratio for each Fund, as certain fixed administrative costs would be spread across the Combined Fund's larger asset base. The Boards believe that the completion of all of the Reorganizations would result in a Baseline Expense Ratio for the Combined Fund of 1.24% on a pro forma basis for the 12-month period ended January 31, 2009, representing a reduction in the Baseline Expense Ratio for each Fund ranging from 0.41% for RAA to 0.05% for BCL, each as a percentage of average net assets attributable to common shares.

The Boards believe that a comparison among the Funds' Baseline Expenses is the most meaningful comparison for investors in evaluating the Reorganizations. Each Fund uses leverage to seek to enhance its returns to common shareholders. This leverage generally takes two forms: the issuance of preferred shares and investments in tender option bonds. Both forms of leverage benefit common shareholders if the cost of the leverage is lower than the returns earned by a Fund when it invests the proceeds from the leverage. Under applicable accounting rules, however, only the cost of the leverage associated with investments in tender option bonds is included for purposes of reporting a Fund's total annual operating expenses. Therefore, the level of a Fund's total annual operating expenses that includes interest expense is dependent upon the amount of its leverage in the form of preferred shares versus the amount of its leverage in the form of investments in tender option bonds, even though both types of leverage have similar effects on returns experienced by common shareholders. Furthermore, the amount of each Fund's leverage in the form of preferred shares and in the form of tender option bonds has varied from time to time over the past year, as each Fund has invested in tender option bonds from time to time to redeem preferred shares. For these reasons, the Boards believe that a comparison among the Funds' Baseline Expenses provides a better way of measuring the effect of the Reorganizations on the Funds' common shareholders.

If any of the Reorganizations is approved, the Investment Advisor will reduce the advisory fee payable by the Acquiring Fund by 2 basis points, from 0.60% of average weekly managed assets (after the expiration of scheduled fee waivers) to 0.58% of average weekly managed assets (after the expiration of scheduled fee waivers), and to extend the Acquiring Fund's contractual fee waiver through December 31, 2012, an additional two years beyond the currently scheduled expiration of the Acquiring Fund's contractual fee waiver in 2010. These reductions in fees will not decrease or modify the nature or level of the services that the Investment Advisor will provide to the Acquiring Fund relative to what the Investment Advisor currently provides to the Acquiring Fund.

The BCL Board further recognized that on a pro forma basis for the 12-month period ended January 31, 2009, BCL's Baseline Expense Ratio during the year 2012 is projected to be higher if it participates in any combination of Reorganizations than if it remained on a stand-alone basis. If the Reorganization of BCL into BFZ was the only Reorganization completed, this disparity would be at its greatest. However, for the years 2009 and 2010, and beginning again in 2013 and thereafter, BCL is projected to realize a lower Baseline Expense Ratio on a pro forma basis if it participated in any combination of Reorganizations than if it remained on a stand-alone basis. There would generally be no projected effect on BCL's Baseline Expense Ratio in 2011 resulting from any combination of Reorganizations. The increase in BCL's Baseline Expense Ratio in 2012 relative to what it would be

if BCL remained on a stand-alone basis largely results from a combination of (1) different scheduled declines in the contractual fee waivers of BCL and the Combined Fund between 2009 and 2013 and (2) different base contractual advisory fee rates for BCL and the Combined Fund between 2009 and 2013. Please see notes (c) through (e) to the expense table under Expense Table for Common Shareholders and Management of the Funds The Investment Advisor. Because it is anticipated that BCL will benefit from participating in the Reorganizations over the long-term, the Board of BCL has determined that BCL's participation in the Reorganizations would be in the best interests of BCL's shareholders.

2. Shareholders will remain invested in a non-diversified, closed-end management investment company that will have substantially greater net assets and the same or substantially similar (but not identical) investment strategies and investment objective. Through the Reorganizations, shareholders will be invested in the Combined Fund with the same or substantially similar (but not identical) objective and strategies as the Target Funds and, as a result, the style and risk/return profile of the Combined Fund will remain comparable to those of each Target Fund's shareholders' current investments, subject to the differences described in Proposal 1: Reorganization of the Target Funds Comparison of the Funds.

3. The expectation that the Combined Fund will allow each Fund's shareholders to maintain a competitive distribution yield, while offering Target Fund shareholders a comparable investment experience.

4. The expectation that the Combined Fund may achieve certain potential benefits for common shareholders of each Fund from its larger asset base, including but not limited to the benefit of greater diversification and ability to trade in larger positions. The larger net asset base of the Combined Fund may permit the Combined Fund to achieve certain economies of scale, as certain costs can be spread over a larger asset base, and the larger Combined Fund may achieve greater portfolio diversity and potentially lower portfolio transaction costs. Further, the larger net asset base will provide greater liquidity to the Combined Fund.

5. The expectation that the proposed Reorganizations may benefit the owners of the Funds' preferred shares because of the larger asset base of the Combined Fund. Preferred shareholders may derive potential benefits from the greater asset base of the Combined Fund relative to each Fund on a stand-alone basis, which could give the Combined Fund a greater ability to utilize TOBs and/or issue LEARS as a replacement for the Combined Fund's outstanding preferred shares. However, to date, none of the Funds or any other BlackRock closed-end fund has issued LEARS as a replacement for preferred shares and there is no guarantee that the Combined Fund will issue LEARS or TOBs as a replacement for its preferred shares in the future. In addition, the Combined Fund will not be required to redeem any of the Fund's outstanding preferred shares as a result of the Reorganizations, and the Boards do not anticipate that auctions for the Combined Fund's preferred shares will begin to clear after the Reorganizations and generally anticipate that auctions for the Combined Fund's preferred shares will continue to fail. Nevertheless, the Boards anticipate that participating in the Reorganizations will not have any material adverse effect on the Funds' preferred shareholders. None of the expenses of the Reorganizations will be borne by preferred shareholders of the Funds, and except as described in this Joint Proxy Statement/Prospectus, the terms of the newly issued series of Acquiring Fund Preferred Shares to be distributed to preferred shareholders of the Target Funds in connection with the Reorganizations will be substantially similar to the terms of the Target Fund preferred shares that such shareholders currently hold, except that, unlike preferred shares of RAA, the Acquiring Fund Preferred Shares will not have appraisal rights. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The Combined Fund's preferred shareholders will therefore not have the benefit of such a clause. See Additional Information About Preferred Shares of the Funds.

6. The expectation that the Combined Fund may have certain marketing advantages, such as more research coverage, due to its increased size.

7. Shareholders will recognize no gain or loss for U.S. Federal income tax purposes as a result of the Reorganizations, as each of the Reorganizations is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code.

In the Reorganizations, each Target Fund will merge with and into the Merger Subsidiary. Target Fund common shares or Target Fund preferred shares will be exchanged for Acquiring Fund Common Shares or Acquiring Fund Preferred Shares, respectively, pursuant to each Reorganization. Following the Reorganizations, the Merger Subsidiary will be liquidated into the Acquiring Fund. Except for such holders of RAA preferred shares who demand their appraisal rights, shareholders of each Target Fund and of the Acquiring Fund will recognize no gain or loss for U.S. Federal income tax purposes pursuant to any of the Reorganizations.

8. The identity, investment style and strategies of the portfolio management team that will manage the Combined Fund.

Shareholders will benefit from the continuing experience and expertise of the portfolio management team designated for the Combined Fund and the team's commitment to the investment style and strategies to be used in managing the assets of the Combined Fund. See Management of the Funds.

The portfolio guidelines of the Combined Fund will either be the same or substantially similar (but not identical) to that of the Target Funds, as described in greater detail elsewhere in this Joint Proxy Statement/Prospectus. As a result, it is not anticipated that there will be significant disposition of the holdings in the Target Funds as a result of the proposed Reorganizations. In addition, nothing will require either the Target Funds or the Acquiring Fund to dispose of holdings in the Target Funds' portfolios if, in the reasonable judgment of the Target Fund Boards, Acquiring Fund Board or the Investment Advisor, such disposition would adversely affect the tax-free nature of the Reorganizations for U.S. Federal income tax purposes.

9. The expectation that shareholders of the Funds will receive substantially the same services after the Reorganizations.

The Board of each Fund believes that the Reorganizations would benefit shareholders of the Funds, based on a number of factors, including that shareholders would not be diluted with respect to net asset value; the relative similarity of the investment strategies and policies of the Funds; the larger net asset base of the Combined Fund after the Reorganizations; the capabilities of the management team of the Combined Fund that would manage the Combined Fund; and the possibility of achieving economies of scale going forward. Considering these and other reasons, the Board of each Fund unanimously concluded that completion of the Reorganizations is in the best interests of each Fund and its shareholders and that the interests of the shareholders of each Fund will not be diluted with respect to net asset value as a result of the Reorganizations. This determination was made on the basis of each Board Member's business judgment after consideration of all of the factors taken as a whole with respect to each Fund and its shareholders, although individual Board Members may have placed different weight on various factors and assigned different degrees of materiality to various factors, particularly if all of the Reorganizations are approved, which the Boards believes is the most likely result of all of the potential combinations of proposed reorganizations.

PROPOSAL 1: REORGANIZATIONS OF THE TARGET FUNDS

The Reorganizations seek to combine five Funds that are either the same or substantially similar (but not identical) to achieve certain economies of scale and other operational efficiencies. Each Fund is registered as a non-diversified, closed-end management investment company under the 1940 Act. The investment objective of each of BCL, BZA and the Acquiring Fund is to provide current income exempt from regular U.S. Federal and California income taxes. Similarly, the investment objective of RAA is to provide high current income which, in the opinion of bond counsel to the issuer, is exempt from regular U.S. Federal and California income tax consistent with preservation of capital. The investment objective of BCK is to provide current income exempt from U.S. Federal income tax, including the U.S. Federal alternative minimum tax, and California income tax. The Funds have the same investment adviser. Each Fund invests primarily in municipal bonds that pay interest that is exempt from regular U.S. Federal and California income taxes, except that BCK is limited to investing in insured California municipal bonds that do not pay interest that is subject to the U.S. Federal alternative minimum tax.

In the Reorganizations, each Target Fund will merge with and into the Merger Subsidiary. Following the Reorganizations, the Merger Subsidiary will dissolve under Delaware law and be liquidated into Acquiring Fund. The outstanding common shares of each Target Fund will be exchanged for newly-issued Acquiring Fund Common Shares, par value \$0.001 per share. The aggregate net asset value of Acquiring Fund Common Shares received by Target Fund common shareholders in each Reorganization will equal the aggregate net asset value of Target Fund common shares held immediately prior to such Reorganization, less the costs of such Reorganization (though common shareholders may receive cash for their fractional common shares). Further, each of the outstanding preferred shares of each Target Fund will, without any action on the part of the holder thereof, be exchanged for one share of Acquiring Fund Preferred Shares, liquidation preference \$25,000 per share, having substantially similar terms, including the same auction dates, dividend periods and dividend payment dates, as such series of preferred shares of each Target Fund, except that, unlike preferred shares of RAA, the Acquiring Fund Preferred Shares will not have appraisal rights. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The Combined Funds' preferred shareholders will therefore not have the benefit of such a clause. See Additional Information About Preferred Shares of the Funds.

The following Acquiring Fund Preferred Shares will be issued in exchange for Target Fund preferred shares:

BFZ will issue additional shares of its Series T-7 preferred shares, par value \$0.001 per share and a liquidation preference of \$25,000 per share, to holders of BCL series T-7 preferred shares. The aggregate liquidation preference of Acquiring Fund Preferred Shares, Series T-7, received by BCL series T-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of BCL series T-7 preferred shares outstanding immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series T-7, will be distributed to holders of BCL series T-7 preferred shares, in proportion to, and in exchange for, their holdings immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series T-7, like the BCL series T-7 preferred shares, will generally have a dividend period of seven days, a Tuesday auction date and a Wednesday dividend payment date. Because it is anticipated that the Reorganization will close on a Friday, the initial dividend period (i.e., the dividend period immediately following the closing of the Reorganization) for the Acquiring Fund Preferred Shares, Series T-7, issued in the Reorganization will be shorter than seven days. The dividend rate for this initial dividend period will be the rate set at the most recent auction for outstanding Acquiring Fund Preferred Shares, Series T-7, immediately preceding the closing of the Reorganization, and former holders of BCL series T-7 preferred shares will begin earning dividends at this rate on the closing date of the Reorganization. Because all the auctions for Acquiring Fund Preferred Shares, Series T-7, and the BCL series T-7 preferred shares have failed since February 2008 and both series of preferred shares earn dividends at the same rate following a failed auction, it is anticipated that the dividend rate payable during this initial dividend period will be the same rate at which dividends were accruing on the BCL series T-7 preferred shares immediately prior to completion of the Reorganization. The Acquiring Fund Preferred Shares, Series T-7, issued in

the Reorganization will auction with the currently outstanding Acquiring Fund Preferred Shares, Series T-7, on the Tuesday following the closing date of the Reorganization and the Acquiring Fund will pay dividends to all holders of Acquiring Fund Preferred Shares, Series T-7, on the Wednesday following the Reorganization.

BFZ will issue additional shares of its Series R-7 preferred shares, par value \$0.001 per share and a liquidation preference of \$25,000 per share, to holders of BCL series R-7 preferred shares. The aggregate liquidation preference of Acquiring Fund Preferred Shares, Series R-7, received by BCL series R-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of BCL series R-7 preferred shares outstanding immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series R-7, will be distributed to holders of BCL series R-7 preferred shares, in proportion to, and in exchange for, their holdings immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series R-7, like the BCL series R-7 preferred shares, will generally have a dividend period of seven days, a Thursday auction date and a Friday dividend payment date. Because it is anticipated that the Reorganization will close on a Friday, the initial dividend period (i.e., the dividend period immediately following the closing of the Reorganization) for the Acquiring Fund Preferred Shares, Series R-7, issued in the Reorganization will be seven days. The dividend rate for this initial dividend period will be the rate set at the most recent auction for outstanding Acquiring Fund Preferred Shares, Series R-7, immediately preceding the closing of the Reorganization, and former holders of BCL series R-7 preferred shares will begin earning dividends at this rate on the closing date of the Reorganization. Because all the auctions for Acquiring Fund Preferred Shares, Series R-7, and the BCL series R-7 preferred shares have failed since February 2008 and both series of preferred shares earn dividends at the same rate following a failed auction, it is anticipated that the dividend rate payable during this initial dividend period will be the same rate at which dividends were accruing on the BCL series R-7 preferred shares immediately prior to completion of the Reorganization. The Acquiring Fund Preferred Shares, Series R-7, issued in the Reorganization will auction with the currently outstanding Acquiring Fund Preferred Shares, Series R-7, on the Thursday following the closing date of the Reorganization and the Acquiring Fund will pay dividends to all holders of Acquiring Fund Preferred Shares, Series R-7, on the Friday following the Reorganization.

BFZ will issue shares of its new Series W-7 preferred shares, par value \$0.001 per share and a liquidation preference of \$25,000 per share, to holders of RAA series W-7 preferred shares who do not exercise their appraisal rights. This series of preferred shares will be designated as Series W-7. The aggregate liquidation preference of Acquiring Fund Preferred Shares, Series W-7, received by RAA series W-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of RAA series W-7 preferred shares outstanding immediately prior to the Reorganization and held by shareholders who do not exercise their appraisal rights. The Acquiring Fund Preferred Shares, Series W-7, will be distributed to holders of RAA series W-7 preferred shares, in proportion to, and in exchange for, their holdings immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series W-7, like the RAA series W-7 preferred shares, will generally have a dividend period of seven days, a Wednesday auction date and a Thursday dividend payment date. Because it is anticipated that the Reorganizations will close on a Friday, the initial dividend period (i.e., the dividend period immediately following the closing of the Reorganizations) for the Acquiring Fund Preferred Shares, Series W-7, issued in the Reorganizations will be shorter than seven days. The dividend rate for this initial dividend period will be the rate set at the most recent auction for RAA series W-7 preferred shares immediately preceding the closing of the Reorganizations, and holders of Acquiring Fund Preferred Shares, Series W-7, will begin earning dividends at this rate on the closing date of the Reorganizations. The Acquiring Fund Preferred Shares, Series W-7, issued in the Reorganizations will auction on the Wednesday following the closing date of the Reorganizations and the Acquiring Fund will pay dividends to holders of Acquiring Fund Preferred Shares, Series W-7, on the Thursday following the Reorganizations.

BFZ will issue shares of its new Series F-7 preferred shares, par value \$0.001 per share and a liquidation preference of \$25,000 per share, to holders of BCK and BZA series F-7 preferred shares. This series of preferred shares will be designated as Series F-7. The aggregate liquidation

preference of Acquiring Fund Preferred Shares, Series F-7, received by BCK series F-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of BCK series F-7 preferred shares outstanding immediately prior to the Reorganization. The aggregate liquidation preference of Acquiring Fund Preferred Shares, Series F-7, received by BZA series F-7 preferred shareholders in the Reorganization will equal the aggregate liquidation preference of BZA series F-7 preferred shares outstanding immediately prior to the Reorganization. The Acquiring Fund Preferred Shares, Series F-7, will be distributed to holders of BCK and BZA series F-7 preferred shares, in proportion to, and in exchange for, their holdings immediately prior to the Reorganization.

The Acquiring Fund Preferred Shares, Series F-7, like the BCK and BZA series F-7 preferred shares, will generally have a dividend period of seven days, a Friday auction date and a Monday dividend payment date. Because it is anticipated that the Reorganizations will close on a Friday, the initial dividend period (i.e., the dividend period immediately following the closing of the Reorganizations) for the Acquiring Fund Preferred Shares, Series F-7, issued in the Reorganizations will be an eight-day period from and including the closing date, to and including the following Friday. The dividend rate for this initial dividend period will be a rate set pursuant to a resolution of the Acquiring Fund's Board prior to the closing date, which will be the rate set at the most recent auction for BCK and BZA series F-7 preferred shares immediately preceding the closing of the Reorganizations, if the rate set for each of those series of preferred shares at such auctions is the same, and holders of Acquiring Fund Preferred Shares, Series F-7, will begin earning dividends at this rate as of the closing date of the Reorganizations. The Boards anticipate that the rate set at the most recent auction for BCK series F-7 preferred shares immediately preceding the closing of the Reorganizations will be the same as the rate set at the most recent auction for BZA series F-7 preferred shares immediately preceding the closing of the Reorganizations because BCK's and BZA's preferred share auctions are currently failing, thus resulting in each rate being set at the maximum rate, which is calculated pursuant to the same formula for both BCK and BZA. However, if the rate set at the most recent auction for BCK series F-7 preferred shares immediately preceding the closing of the Reorganizations differs from the rate set at the most recent auction for BZA series F-7 preferred shares immediately preceding the closing of the Reorganizations, the Board will set a dividend rate for this initial dividend period equal to the higher of the BCK and BZA rates. The Acquiring Fund Preferred Shares, Series F-7, issued in the Reorganizations will begin their auctions on the Friday following the closing date of the Reorganizations and the Acquiring Fund will begin paying dividends to holders of Acquiring Fund Preferred Shares, Series F-7, on the second Monday following the Reorganizations.

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

The Board of each Target Fund, based upon its evaluation of all relevant information, anticipates that the Reorganizations would benefit common shareholders of its Target Fund and, potentially, preferred shareholders of its Target Fund. In particular, the Target Fund Boards reviewed data presented by the Investment Advisor showing that each Target Fund will experience a reduced Baseline Expense Ratio as a result of the most likely combination of the proposed Reorganizations (i.e., if all of the Reorganizations are completed), as certain fixed administrative costs would be spread across the Combined Fund's larger asset base. The Boards believe that the completion of all of the Reorganizations would result in a Baseline Expense Ratio for the Combined Fund of 1.24% on a pro forma basis for the 12-month period ended January 31, 2009, representing a reduction in the Baseline Expense Ratio for each Fund ranging from 0.41% for RAA to 0.05% for BCL, each as a percentage of average net assets attributable to common shares.

The Boards believe that a comparison among the Funds' Baseline Expenses is the most meaningful comparison for investors in evaluating the Reorganizations. Each Fund uses leverage to seek to enhance its returns to common shareholders. This leverage generally takes two forms: the issuance of preferred shares and investments in TOBs. Both forms of leverage benefit common shareholders if the cost of the leverage is lower than the returns earned by a Fund when it invests the proceeds from the leverage. Under applicable accounting rules, however, only the cost of the leverage associated with investments in TOBs is included for purposes of reporting a Fund's total

annual operating expenses. Therefore, the level of a Fund's total annual operating expenses that includes interest expense is dependent upon the amount of its leverage in the form of preferred shares versus the amount of its leverage in the form of investments in TOBs, even though both types of leverage have similar effects on returns experienced by common shareholders. Furthermore, the amount of each Fund's leverage in the form of preferred shares and in the form of TOBs has varied from time to time over the past year, as each Fund has invested in TOBs from time to time to redeem preferred shares. For these reasons, the Boards believe that a comparison among the Funds' Baseline Expenses provides a better way of measuring the effect of the Reorganizations on the Funds' common shareholders.

If any of the Reorganizations is approved, the Investment Advisor will reduce the advisory fee payable by the Acquiring Fund by 2 basis points, from 0.60% of average weekly managed assets (after the expiration of scheduled fee waivers) to 0.58% of average weekly managed assets (after the expiration of scheduled fee waivers), and to extend the Acquiring Fund's contractual fee waiver through December 31, 2012, an additional two years beyond the currently scheduled expiration of the Acquiring Fund's contractual fee waiver in 2010. These reductions in fees will not decrease or modify the nature or level of the services that the Investment Advisor will provide to the Acquiring Fund relative to what the Investment Advisor currently provides to the Acquiring Fund.

The BCL Board further recognized that on a pro forma basis for the 12-month period ended January 31, 2009, BCL's Baseline Expense Ratio during the year 2012 is projected to be higher if it participates in any combination of Reorganizations than if it remained on a stand-alone basis. If the Reorganization of BCL into BFZ was the only Reorganization completed, this disparity would be at its greatest. However, for the years 2009 and 2010, and beginning again in 2013 and thereafter, BCL is projected to realize a lower Baseline Expense Ratio on a pro forma basis if it participated in any combination of Reorganizations than if it remained on a stand-alone basis. There would generally be no projected effect on BCL's Baseline Expense Ratio in 2011 resulting from any combination of Reorganizations. The increase in BCL's Baseline Expense Ratio in 2012 relative to what it would be if BCL remained on a stand-alone basis largely results from a combination of (1) different scheduled declines in the contractual fee waivers of BCL and the Combined Fund between 2009 and 2013 and (2) different base contractual advisory fee rates for BCL and the Combined Fund between 2009 and 2013. Please see notes (c) through (e) to the expense table under Expense Table for Common Shareholders and Management of the Funds The Investment Advisor. Because it is anticipated that BCL will benefit from participating in the Reorganizations over the long-term, the Board of BCL has determined that BCL's participation in the Reorganizations would be in the best interests of BCL's shareholders.

The Boards also anticipate that the Reorganizations have the potential to benefit preferred shareholders of the Funds. Preferred shareholders may derive potential benefits from the greater asset base of the Combined Fund relative to each Fund on a stand-alone basis, which could give the Combined Fund a greater ability to utilize TOBs and/or issue LEARS as a replacement for the Combined Fund's outstanding preferred shares. However, to date, none of the Funds or any other BlackRock closed-end fund has issued LEARS as a replacement for preferred shares and there is no guarantee that the Combined Fund will issue LEARS or TOBs as a replacement for its preferred shares in the future. In addition, the Combined Fund will not be required to redeem any of the Fund's outstanding preferred shares as a result of the Reorganizations, and the Boards do not anticipate that auctions for the Combined Fund's preferred shares will begin to clear after the Reorganizations and generally anticipate that auctions for the Combined Fund's preferred shares will continue to fail. Nevertheless, the Boards anticipate that participating in the Reorganizations will not have any material adverse effect on the Funds' preferred shareholders. None of the expenses of the Reorganizations will be borne by preferred shareholders of the Funds, and except as described in this Joint Proxy Statement/Prospectus, the terms of the newly issued series of Acquiring Fund Preferred Shares to be distributed to preferred shareholders of the Target Funds in connection with the Reorganizations will be substantially similar to the terms of the Target Fund preferred shares that such shareholders currently hold., except that, unlike preferred shares of RAA, the Acquiring Fund Preferred Shares will not have appraisal rights. In addition, the Statement of Preferences of the Acquiring Fund and the Articles Supplementary of RAA do not include force majeure clauses, which are contained in the Statement of Preferences of each of BCL, BCK and BZA. The Combined Fund's preferred shareholders will therefore not have the benefit of such a clause. See Additional Information About Preferred Shares of the Funds.

INVESTMENT OBJECTIVES AND POLICIES OF THE ACQUIRING FUND

The Acquiring Fund's investment objective is to provide current income exempt from regular U.S. Federal and California income taxes. The Acquiring Fund cannot guarantee that it will achieve its investment objective. The Acquiring Fund's investment objective is a fundamental policy and may not be changed without prior shareholder approval. The investment objective and policies of the Acquiring Fund are either the same or substantially similar (but not identical) to those of the Target Funds. For a comparison of the Funds, see Comparison of the Funds. The following discussion describes the current investment policies of the Acquiring Fund, which will become the investment policies of the Combined Fund.

The Acquiring Fund will invest primarily in municipal bonds that pay interest that is exempt from regular U.S. Federal income tax and California income taxes. Under normal market conditions, the Acquiring Fund will invest at least 80% of its total assets in tax-exempt municipal bonds. This policy is fundamental and may be changed only with shareholder approval. Under normal market conditions, the Acquiring Fund expects to be fully invested (at least 95% of its net assets) in such tax-exempt municipal bonds. The table below summarizes as of April 30, 2009 the approximate amount invested in tax-exempt municipal bonds as a percentage of total assets for the Combined Fund (i) if all the Reorganizations are completed and (ii) if only the RAA Reorganization is completed:

Pro Forma	Pro Forma
Combined Fund	Combined Fund
(All Target Funds into BFZ)	(RAA into BFZ)
93.87%	93.35%

Under normal market conditions, the Acquiring Fund will invest at least 80% of its total assets in investment grade quality municipal bonds. Investment grade quality means that such bonds are rated, at the time of investment, within the four highest grades (Baa or BBB or better by Moody's, S&P or Fitch) or are unrated but judged to be of comparable quality by the Investment Advisor. Municipal bonds rated AAA in which the Acquiring Fund may invest may have been so rated on the basis of the existence of insurance guaranteeing the timely payment, when due, of all principal and interest. Municipal bonds rated Baa or BBB are considered investment grade securities; municipal bonds rated Baa are considered medium grade obligations which lack outstanding investment characteristics and have speculative characteristics; while municipal bonds rated BBB are regarded as having adequate capacity to pay principal and interest. Changes in economic conditions or other circumstances are more likely to lead to a weakened capacity for municipal bonds that are rated BBB or Baa (or that have equivalent ratings) to make principal and interest payments than is the case for higher grade municipal bonds. The table below summarizes as of April 30, 2009 the approximate amount invested in investment grade quality municipal bonds as a percentage of total assets for the Combined Fund (i) if all the Reorganizations are completed and (ii) if only the RAA Reorganization is completed:

Pro Forma	Pro Forma
Combined Fund	Combined Fund
(All Target Funds into BFZ)	(RAA into BFZ)
91.21%	89.46%

The Acquiring Fund may invest up to 20% of its total assets in municipal bonds that are rated, at the time of investment, Ba/BB or B by Moody's, S&P or Fitch or that are unrated but judged to be of comparable quality by the Investment Advisor. Bonds of below investment grade quality (Ba/BB or below) are commonly referred to as junk bonds. Issuers of bonds rated below investment grade are regarded as having current capacity to make principal and interest payments but are subject to business, financial or economic conditions which could adversely

affect such payment capacity. Bonds rated below investment grade quality are obligations of issuers that are considered predominantly speculative with respect to the issuer's capacity to pay interest and repay principal according to the terms of the obligation and, therefore, carry greater investment risk, including the possibility of issuer default and bankruptcy and increased market price volatility. Bonds rated below investment grade tend to be less marketable than higher-quality bonds because the market for them is less broad. The market for unrated bonds is even narrower. During periods of thin trading in these markets, the spread between bid and asked prices is likely to increase significantly, and the Acquiring Fund may have greater difficulty selling its portfolio securities. The Acquiring Fund will be more dependent on the Investment Advisor's research and analysis when investing in these securities. The table below summarizes as of April 30, 2009 the approximate amount invested in below investment grade municipal bonds as a percentage of total assets for the Combined Fund (i) if all the Reorganizations are completed and (ii) if only the RAA Reorganization is completed:

Pro Forma Combined Fund (All Target Funds into BFZ)	Pro Forma Combined Fund (RAA into BFZ)
2.66%	3.89%

The foregoing credit quality policies apply only at the time a security is purchased, and the Acquiring Fund is not required to dispose of a security if a rating agency downgrades its assessment of the credit characteristics of a particular issue. In determining whether to retain or sell a security that a rating agency has downgraded, the Investment Advisor may consider such factors as the Investment Advisor's assessment of the credit quality of the issuer of the security, the price at which the security could be sold and the rating, if any, assigned to the security by other rating agencies.

A general description of Moody's, S&P's and Fitch's ratings of municipal bonds is set forth in Appendix D of the Statement of Additional Information. See Risk Factors and Special Considerations California Municipal Securities above for a general description of the economic and credit characteristics of municipal issuers in California. The ratings of Moody's, S&P and Fitch represent their opinions as to the quality of the bonds they rate. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, bonds with the same maturity, coupon and rating may have different yields while obligations of the same maturity and coupon with different ratings may have the same yield.

The Acquiring Fund may also invest in securities of other open- or closed-end investment companies that invest primarily in municipal bonds of the types in which the Acquiring Fund may invest directly and in tax-exempt preferred shares that pay dividends exempt from regular U.S. Federal income tax. Subject to the Acquiring Fund's policy of investing at least 80% of its total assets in municipal bonds exempt from California income tax, the Acquiring Fund may invest in securities that pay interest that is not exempt from California income tax when, in the judgment of the Investment Advisor, the return to the shareholders after payment of applicable California income taxes would be higher than the return available from comparable securities that pay interest that is, or make other distributions that are, exempt from California income tax. See Other Investment Companies and Tax-Exempt Preferred Shares.

The Acquiring Fund will invest in municipal bonds that, in the Investment Advisor's opinion, are underrated or undervalued. Underrated municipal bonds are those whose ratings do not, in the Investment Advisor's opinion, reflect their true creditworthiness. Undervalued municipal bonds are bonds that, in the opinion of the Investment Advisor, are worth more than the value assigned to them in the marketplace. The Investment Advisor may at times believe that bonds associated with a particular municipal market sector (for example, electrical utilities), or issued by a particular municipal issuer, are undervalued. The Investment Advisor may purchase those bonds for the Acquiring Fund's portfolio because they represent a market sector or issuer that the Investment Advisor considers undervalued, even if the value of those particular bonds appears to be consistent with the value of similar bonds. Municipal bonds of particular types (for example, hospital bonds, industrial revenue bonds or bonds issued by a particular municipal issuer) may be undervalued because there is a temporary excess of supply in that market sector, or because of a general decline in the market price of municipal bonds of the market sector for reasons that do not apply to the particular municipal bonds that are considered undervalued. The Acquiring Fund's

investment in underrated or undervalued municipal bonds will be based on the Investment Advisor's belief that their yield is higher than that available on bonds bearing equivalent levels of interest rate risk, credit risk and other forms of risk, and that their prices will ultimately rise, relative to the market, to reflect their true value. Any capital appreciation realized by the Acquiring Fund will generally result in capital gains distributions subject to U.S. Federal capital gains tax.

The Acquiring Fund may purchase municipal bonds that are additionally secured by insurance, bank credit agreements or escrow accounts. The credit quality of companies which provide these credit enhancements will affect the value of those securities. Although the insurance feature reduces certain financial risks, the premiums for insurance and the higher market price paid for insured obligations may reduce the Acquiring Fund's income. Insurance generally will be obtained from insurers with a claims-paying ability rated at least investment grade. Under normal circumstances BCK will invest at least 80% of its total assets in municipal bonds that are insured as to principal and interest. Such municipal bond insurance will be from insurers having a claims-paying ability rated at least investment grade.

The insurance feature does not guarantee the market value of the insured obligations or the net asset value of the common shares. The Acquiring Fund may purchase insured bonds and may purchase insurance for bonds in its portfolio.

During temporary defensive periods, in order to keep the Acquiring Fund's cash fully invested, the Acquiring Fund may invest up to 100% of its net assets in liquid, short-term investments, including high quality, short-term securities that may be either tax-exempt or taxable. The Acquiring Fund may not achieve its investment objective under these circumstances. The Acquiring Fund intends to invest in taxable short-term investments only if suitable tax-exempt short-term investments are not available at reasonable prices and yields.

The Acquiring Fund cannot change its investment objective without the approval of a 1940 Act Majority of the holders of its outstanding common shares and the preferred shares voting together as a single class, and of the holders of a 1940 Act Majority of its outstanding preferred shares voting as a separate class. See [Additional Information About Preferred Shares of the Funds](#) [Voting Rights](#) for additional information with respect to the voting rights of holders of preferred shares.

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

Municipal Bonds

General. Municipal bonds are either general obligation or revenue bonds and typically are issued to finance public projects, such as roads or public buildings, to pay general operating expenses or to refinance outstanding debt. Municipal bonds may also be issued for private activities, such as housing, medical and educational facility construction or for privately owned industrial development and pollution control projects. General obligation bonds are backed by the full faith and credit, or taxing authority, of the issuer and may be repaid from any revenue source. Revenue bonds may be repaid only from the revenues of a specific facility or source. The Acquiring Fund also may purchase municipal bonds that represent lease obligations. These carry special risks because the issuer of the bonds may not be obligated to appropriate money annually to make payments under the lease. In order to reduce this risk, the Acquiring Fund will only purchase municipal bonds representing lease obligations where the Investment Advisor believes the issuer has a strong incentive to continue making appropriations until maturity.

The municipal bonds in which the Acquiring Fund will invest are generally issued by the State of California, political subdivisions of the State of California, and authorities or other intermediaries of the State of California and such political subdivisions and pay interest that, in the opinion of bond counsel to the issuer, or on the basis of another authority believed by the Investment Advisor to be reliable, is exempt from regular U.S. Federal income tax and California income taxes. The Investment Advisor will not conduct its own analysis of the tax status of the interest paid by municipal bonds held by the Acquiring Fund. The Acquiring Fund may also invest in municipal bonds issued by United States Territories (such as Puerto Rico or Guam) that are exempt from regular U.S. Federal income tax and California income taxes. In addition to the types of municipal bonds described in this

Joint Proxy Statement/Prospectus, the Acquiring Fund may invest in other securities that pay interest that is, or make other distributions that are, exempt from regular U.S. Federal income tax and/or state and local personal taxes, regardless of the technical structure of the issuer of the instrument. The Acquiring Fund treats all of such tax-exempt securities as municipal bonds. The yields on municipal bonds are dependent on a variety of factors, including prevailing interest rates and the condition of the general money market and the municipal bond market, the size of a particular offering, the maturity of the obligation and the rating of the issue. The market value of municipal bonds will vary with changes in interest rate levels and as a result of changing evaluations of the ability of bond issuers to meet interest and principal payments.

The Acquiring Fund will invest primarily in municipal bonds with long-term maturities in order to maintain a weighted average maturity of 15 or more years, but the weighted average maturity of obligations held by the Acquiring Fund may be shortened, depending on market conditions.

When-Issued and Forward Commitment Securities

The Acquiring Fund may buy and sell municipal bonds on a when-issued basis and may purchase or sell municipal bonds on a forward commitment basis. When such transactions are negotiated, the price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities takes place at a later date. This type of transaction may involve an element of risk because no interest accrues on the bonds prior to settlement and, because bonds are subject to market fluctuations, the value of the bonds at the time of delivery may be less or more than cost. A separate account of the Acquiring Fund will be established with its custodian consisting of cash, or other liquid high grade debt securities having a market value at all times, at least equal to the amount of the commitment.

Other Investment Companies

The Acquiring Fund may invest up to 10% of its total assets in securities of other open- or closed-end investment companies that invest primarily in municipal bonds of the types in which the Acquiring Fund may invest directly. The Acquiring Fund generally expects to invest in other investment companies either during periods when it has large amounts of uninvested cash or during periods when there is a shortage of attractive, high-yielding municipal bonds available in the market. As a shareholder in an investment company, the Acquiring Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the fund's advisory and other fees and expenses with respect to assets so invested. Holders of shares would therefore be subject to duplicative expenses to the extent the Acquiring Fund invests in other investment companies. The Investment Advisor will take expenses into account when evaluating the investment merits of an investment in an investment company relative to available municipal bond investments. In addition, the securities of other investment companies may also be leveraged and will therefore be subject to leverage risks. The net asset value and market value of leveraged shares will be more volatile and the yield to shareholders will tend to fluctuate more than the yield generated by unleveraged shares. Investment companies may have investment policies that differ from those of the Acquiring Fund. In addition, to the extent the Acquiring Fund invests in other investment companies, the Acquiring Fund will be dependent upon the investment and research abilities of persons other than the Investment Advisor. The Acquiring Fund treats its investments in such open- or closed-end investment companies as investments in municipal bonds.

Tax-Exempt Preferred Shares

The Acquiring Fund may also invest up to 10% of its total assets in preferred interests of other investment companies that pay dividends that are exempt from regular U.S. Federal income tax. A portion of such dividends may be capital gain distributions subject to U.S. Federal capital gains tax. Such investment companies in turn invest in municipal bonds and other assets that generally pay interest or make distributions that are exempt from regular U.S. Federal income tax, such as revenue bonds issued by state or local agencies to fund the development of low-income, multi-family housing. Investments in such tax-exempt preferred shares involve many of the same issues as investing in other open- or closed-end investment companies as discussed above. These investments also have additional risks, including liquidity risk, the absence of regulation governing investment practices, capital structure and leverage, affiliated transactions and other matters, and concentration of investments in particular issuers or industries. Revenue bonds issued by state or local agencies to finance the development of low-income, multi-family

housing involve special risks in addition to those associated with municipal bonds generally, including that the underlying properties may not generate sufficient income to pay expenses and interest costs. Such bonds are generally non-recourse against the property owner, may be junior to the rights of others with an interest in the properties, may pay interest that changes based in part on the financial performance of the property, may be prepayable without penalty and may be used to finance the construction of housing developments which, until completed and rented, do not generate income to pay interest. Increases in interest rates payable on senior obligations may make it more difficult for issuers to meet payment obligations on subordinated bonds. The Acquiring Fund treats investments in tax-exempt preferred shares as investments in municipal bonds.

OTHER INVESTMENT POLICIES

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

Portfolio Investments

The Acquiring Fund will invest primarily in a portfolio of investment grade municipal bonds that are exempt from regular U.S. Federal income tax and California income taxes.

The Acquiring Fund currently invests in municipal bonds with long-term maturities in order to maintain a weighted average maturity of 15 or more years, but the average weighted maturity may be shortened from time to time depending on market conditions. As a result, the Acquiring Fund's portfolio at any given time may include both long-term and intermediate-term municipal bonds.

During temporary defensive periods (e.g., times when, in the Investment Advisor's opinion, temporary imbalances of supply and demand or other temporary dislocations in the tax-exempt bond market adversely affect the price at which long-term or intermediate-term municipal bonds are available), and in order to keep cash on hand fully invested, the Acquiring Fund may invest any percentage of its assets in short-term investments including high quality, short-term securities which may be either tax-exempt or taxable and securities of other open- or closed-end investment companies that invest primarily in municipal bonds of the type in which the Acquiring Fund may invest directly. The Acquiring Fund intends to invest in taxable short-term investments only in the event that suitable tax-exempt temporary investments are not available at reasonable prices and yields. Tax-exempt temporary investments include various obligations issued by state and local governmental issuers, such as tax-exempt notes (bond anticipation notes, tax anticipation notes and revenue anticipation notes or other such municipal bonds maturing in three years or less from the date of issuance) and municipal commercial paper. The Acquiring Fund will invest only in taxable temporary investments which are U.S. government securities or securities rated within the highest grade by Moody's, S&P or Fitch, and which mature within one year from the date of purchase or carry a variable or floating rate of interest. Taxable temporary investments of the Acquiring Fund may include certificates of deposit issued by U.S. banks with assets of at least \$1 billion, commercial paper or corporate notes, bonds or debentures with a remaining maturity of one year or less, or repurchase agreements. See Investment Objective and Policies of the Acquiring Fund Repurchase Agreements in the Statement of Additional Information. To the extent the Acquiring Fund invests in taxable investments, the Acquiring Fund will not at such times be in a position to achieve its investment objective of tax-exempt income.

The foregoing policies as to ratings of portfolio investments will apply only at the time of the purchase of a security, and the Acquiring Fund will not be required to dispose of securities in the event Moody's, S&P or Fitch downgrades its assessment of the credit characteristics of a particular issuer.

Also included within the general category of municipal bonds described in this Joint Proxy Statement/Prospectus are participations in lease obligations or installment purchase contract obligations (hereinafter collectively called Municipal Lease Obligations) of municipal authorities or entities. Although a Municipal Lease Obligation does not constitute a general obligation of the municipality for which the municipality's taxing power is pledged, a Municipal Lease Obligation is ordinarily backed by the municipality's covenant to budget for, appropriate and make the payments due under the Municipal Lease Obligation. However, certain Municipal Lease Obligations contain non-appropriation clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. In the case of a non-appropriation lease, the Acquiring Fund's ability to recover under the lease in the event of non-appropriation

or default will be limited solely to the repossession of the leased property, without recourse to the general credit of the lessee, and the disposition or re-leasing of the property might prove difficult. In order to reduce this risk, the Acquiring Fund will only purchase Municipal Lease Obligations where the Investment Advisor believes the issuer has a strong incentive to continue making appropriations until maturity.

Obligations of issuers of municipal bonds are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Bankruptcy Reform Act of 2005. In addition, the obligations of such issuers may become subject to the laws enacted in the future by Congress, state legislatures or referenda extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations or up on municipalities to levy taxes. There is also the possibility that, as a result of legislation or other conditions, the power or ability of any issuer to pay, when due, the principal of and interest on its municipal bonds may be materially affected.

In addition to the types of municipal bonds described in the prospectus, the Acquiring Fund may invest in other securities that pay interest that is, or make other distributions that are, exempt from regular U.S. Federal income tax or state and local personal taxes, regardless of the technical structure of the issuer of the instrument. The Acquiring Fund treats all such tax-exempt securities as municipal bonds.

Short-Term Taxable Fixed Income Securities

For temporary defensive purposes or to keep cash on hand fully invested, the Acquiring Fund may invest up to 100% of its total assets in cash equivalents and short-term taxable fixed-income securities, although the Acquiring Fund intends to invest in taxable short-term investments only in the event that suitable tax-exempt short-term investments are not available at reasonable prices and yields. Short-term taxable fixed income investments are defined to include, without limitation, the following:

- (1) *U.S. government securities, including bills, notes and bonds differing as to maturity and rates of interest that are either issued or guaranteed by the U.S. Treasury or by U.S. government agencies or instrumentalities.* U.S. government securities include securities issued by (a) the Federal Housing Administration, Farmers Home Administration, Export-Import Bank of the United States, Small Business Administration, and the Government National Mortgage Association, whose securities are supported by the full faith and credit of the United States; (b) the Federal Home Loan Banks, Federal Intermediate Credit Banks, and the Tennessee Valley Authority, whose securities are supported by the right of the agency to borrow from the U.S. Treasury; (c) the Federal National Mortgage Association, whose securities are supported by the discretionary authority of the U.S. government to purchase certain obligations of the agency or instrumentality; and (d) the Student Loan Marketing Association, whose securities are supported only by its credit. While the U.S. government provides financial support to such U.S. government-sponsored agencies or instrumentalities, no assurance can be given that it always will do so since it is not so obligated by law. The U.S. government, its agencies and instrumentalities do not guarantee the market value of their securities. Consequently, the value of such securities may fluctuate.
- (2) *Certificates of deposit issued against funds deposited in a bank or a savings and loan association.* Such certificates are for a definite period of time, earn a specified rate of return, and are normally negotiable. The issuer of a certificate of deposit agrees to pay the amount deposited plus interest to the bearer of the certificate on the date specified thereon. Certificates of deposit purchased by the Acquiring Fund may not be fully insured by the Federal Deposit Insurance Corporation.
- (3) *Repurchase agreements, which involve purchases of debt securities.* At the time the Acquiring Fund purchases securities pursuant to a repurchase agreement, it simultaneously agrees to resell and redeliver such securities to the seller, who also simultaneously agrees to buy back the securities at a fixed price and time. This assures a predetermined yield for the Acquiring Fund during its holding period, since the resale price is always greater than the purchase price and reflects an agreed-upon market rate. Such actions afford an opportunity for the Acquiring Fund to invest temporarily available cash. The Acquiring Fund may enter into repurchase agreements only with respect to obligations of the U.S. government, its agencies or instrumentalities, certificates of deposit, or bankers acceptances in which the Acquiring Fund may invest. Repurchase agreements may be considered loans to the seller,

collateralized by the underlying securities. The risk to the Acquiring Fund is limited to the ability of the seller to pay the agreed-upon sum on the repurchase date; in the event of default, the repurchase agreement provides that the Acquiring Fund is entitled to sell the underlying collateral. If the value of the collateral declines after the agreement is entered into, and if the seller defaults under a repurchase agreement when the value of the underlying collateral is less than the repurchase price, the Acquiring Fund could incur a loss of both principal and interest. The Investment Advisor monitors the value of the collateral at the time the action is entered into and at all times during the term of the repurchase agreement. The Investment Advisor does so in an effort to determine that the value of the collateral always equals or exceeds the agreed-upon repurchase price to be paid to the Acquiring Fund. If the seller were to be subject to a Federal bankruptcy proceeding, the ability of the Acquiring Fund to liquidate the collateral could be delayed or impaired because of certain provisions of the bankruptcy laws.

- (4) *Commercial paper, which consists of short-term unsecured promissory notes, including variable rate master demand notes issued by corporations to finance their current operations.* Master demand notes are direct lending arrangements between the Acquiring Fund and a corporation. There is no secondary market for such notes. However, they are redeemable by the Acquiring Fund at any time. The Investment Advisor will consider the financial condition of the corporation (e.g., earning power, cash flow and other liquidity ratios) and will continuously monitor the corporation's ability to meet all of its financial obligations because the Acquiring Fund's liquidity might be impaired if the corporation were unable to pay principal and interest on demand. Investments in commercial paper will be limited to commercial paper rated in the highest categories by a major rating agency and which mature within one year of the date of purchase or carry a variable or floating rate of interest.

Short-Term Tax-Exempt Fixed Income Securities

Short-term tax-exempt fixed income securities are securities that are exempt from regular U.S. Federal income tax and mature within three years or less from the date of issuance. Short-term tax-exempt fixed income securities are defined to include, without limitation, the following:

Bond Anticipation Notes (BANs) are usually general obligations of state and local governmental issuers which are sold to obtain interim financing for projects that will eventually be funded through the sale of long-term debt obligations or bonds. The ability of an issuer to meet its obligations on its BANs is primarily dependent on the issuer's access to the long-term municipal bond market and the likelihood that the proceeds of such bond sales will be used to pay the principal and interest on the BANs.

Tax Anticipation Notes (TANs) are issued by state and local governments to finance the current operations of such governments. Repayment is generally to be derived from specific future tax revenues. TANs are usually general obligations of the issuer. A weakness in an issuer's capacity to raise taxes due to, among other things, a decline in its tax base or a rise in delinquencies could adversely affect the issuer's ability to meet its obligations on outstanding TANs.

Revenue Anticipation Notes (RANs) are issued by governments or governmental bodies with the expectation that future revenues from a designated source will be used to repay the notes. In general, they also constitute general obligations of the issuer. A decline in the receipt of projected revenues, such as anticipated revenues from another level of government, could adversely affect an issuer's ability to meet its obligations on outstanding RANs. In addition, the possibility that the revenues would, when received, be used to meet other obligations could affect the ability of the issuer to pay the principal and interest on RANs.

Construction Loan Notes are issued to provide construction financing for specific projects. Frequently, these notes are redeemed with funds obtained from the Federal Housing Administration.

Bank Notes are notes issued by local government bodies and agencies as those described above to commercial banks as evidence of borrowings. The purposes for which the notes are issued are varied but they are frequently issued to meet short-term working capital or capital-project needs. These notes may have risks similar to the risks associated with TANs and RANs.

Tax-Exempt Commercial Paper (municipal paper) represents very short-term unsecured, negotiable promissory notes issued by states, municipalities and their agencies. Payment of principal and interest on issues of municipal paper may be made from various sources, to the extent the funds are available therefrom. Maturities on municipal paper generally will be shorter than the maturities of TANs, BANs or RANs. There is a limited secondary market for issues of municipal paper.

Certain municipal bonds may carry variable or floating rates of interest whereby the rate of interest is not fixed but varies with changes in specified market rates or indices, such as a bank prime rate or tax-exempt money market indices. While the various types of notes described above as a group represent the major portion of the tax-exempt note market, other types of notes are available in the marketplace, and the Acquiring Fund may invest in such other types of notes to the extent permitted under its investment objective, policies and limitations. Such notes may be issued for different purposes and may be secured differently from those mentioned above.

Duration Management and Other Management Techniques

The Acquiring Fund may use a variety of other investment management techniques and instruments. The Acquiring Fund may purchase and sell futures contracts, enter into various interest rate transactions and may purchase and sell exchange-listed and over-the-counter put and call options on securities, financial indices and futures contracts (collectively, Additional Investment Management Techniques). These Additional Investment Management Techniques may be used for duration management and other risk management techniques in an attempt to protect against possible changes in the market value of the Acquiring Fund s portfolio resulting from trends in the debt securities markets and changes in interest rates to protect the Acquiring Fund s unrealized gains in the value of its portfolio securities, to facilitate the sale of such securities for investment purposes, to establish a position in the securities markets as a temporary substitute for purchasing particular securities and to enhance income or gain. There is no particular strategy that requires use of one technique rather than another as the decision to use any particular strategy or instrument is a function of market conditions and the composition of the portfolio. The Additional Investment Management Techniques are described below. The ability of the Acquiring Fund to use them successfully will depend on the Investment Advisor s ability to predict pertinent market movements as well as sufficient correlation among the instruments, which cannot be assured. Inasmuch as any obligations of the Acquiring Fund that arise from the use of Additional Investment Management Techniques will be covered by segregated liquid assets or offsetting transactions, the Acquiring Fund and the Investment Advisor believe such obligations do not constitute senior securities and, accordingly, will not treat them as being subject to its borrowing restrictions. Commodity options and futures contracts regulated by the U.S. Commodity Futures Trading Commission (CFTC) have specific margin requirements described below and are not treated as senior securities. The use of certain Additional Investment Management Techniques may give rise to taxable income and have certain other consequences.

Interest Rate Transactions. The Acquiring Fund may enter into interest rate swaps and the purchase or sale of interest rate caps and floors. The Acquiring Fund expects to enter into these transactions primarily to preserve a return or spread on a particular investment or portion of its portfolio as a duration management technique or to protect against any increase in the price of securities the Acquiring Fund anticipates purchasing at a later date. The Acquiring Fund will ordinarily use these transactions as a hedge or for duration or risk management although it is permitted to enter into them to enhance income or gain. The Acquiring Fund will not sell interest rate caps or floors that it does not own. Interest rate swaps involve the exchange by the Acquiring Fund with another party of their respective commitments to pay or receive interest (e.g., an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal). The purchase of an interest rate cap entitles the purchaser, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate cap. The purchase of an interest rate floor entitles the purchaser, to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate floor.

The Acquiring Fund may enter into interest rate swaps, caps and floors on either an asset-based or liability-based basis, and will usually enter into interest rate swaps on a net basis (i.e., the two payment streams are netted out, with the Acquiring Fund receiving or paying, as the case may be, only the net amount of the two payments on the payment dates). The Acquiring Fund will accrue the net amount of the excess, if any, of the Acquiring Fund s obligations over its entitlements with respect to each interest rate swap on a daily basis and will segregate with a

custodian an amount of cash or liquid high grade securities having an aggregate net asset value at all times at least equal to the accrued excess. The Acquiring Fund will not enter into any interest rate swap, cap or floor transaction unless the unsecured senior debt or the claims-paying ability of the other party thereto is rated in the highest rating category of at least one nationally recognized statistical rating organization at the time of entering into such transaction. If there is a default by the other party to such a transaction, the Acquiring Fund will have contractual remedies pursuant to the agreements related to the transaction.

Futures Contracts and Options on Futures Contracts. The Acquiring Fund may also enter into contracts for the purchase or sale for future delivery (futures contracts) of debt securities, aggregates of debt securities or indices or prices thereof, other financial indices and U.S. government debt securities or options on the above. The Acquiring Fund will ordinarily engage in such transactions only for bona fide hedging, risk management (including duration management) and other portfolio management purposes. However, the Acquiring Fund is also permitted to enter into such transactions for non-hedging purposes to enhance income or gain, in accordance with the rules and regulations of the CFTC.

Calls on Securities, Indices and Futures Contracts. The Acquiring Fund may sell or purchase call options (calls) on municipal bonds and indices based upon the prices of futures contracts and debt securities that are traded on U.S. and foreign securities exchanges and in the over-the-counter markets. A call gives the purchaser of the option the right to buy, and obligates the seller to sell, the underlying security, futures contract or index at the exercise price at any time or at a specified time during the option period. All such calls sold by the Acquiring Fund must be covered as long as the call is outstanding (i.e., the Acquiring Fund must own the securities or futures contract subject to the call or other securities acceptable for applicable escrow requirements). A call sold by the Acquiring Fund exposes the Acquiring Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security, index or futures contract and may require the Acquiring Fund to hold a security or futures contract which it might otherwise have sold. The purchase of a call gives the Acquiring Fund the right to buy a security, futures contract or index at a fixed price. Calls on futures on municipal bonds must also be covered by deliverable securities or the futures contract or by liquid high grade debt securities segregated to satisfy the Acquiring Fund's obligations pursuant to such instruments.

Puts on Securities, Indices and Futures Contracts. The Acquiring Fund may purchase put options (puts) that relate to municipal bonds (whether or not it holds such securities in its portfolio), indices or futures contracts. The Acquiring Fund may also sell puts on municipal bonds, indices or futures contracts on such securities if the Acquiring Fund's contingent obligations on such puts are secured by segregated assets consisting of cash or liquid high grade debt securities having a value not less than the exercise price. The Acquiring Fund will not sell puts if, as a result, more than 50% of the Acquiring Fund's assets would be required to cover its potential obligations under its hedging and other investment transactions. In selling puts, there is a risk that the Acquiring Fund may be required to buy the underlying security at a price higher than the current market price.

Municipal Market Data Rate Locks. The Acquiring Fund may purchase and sell Municipal Market Data Rate Locks (MMD Rate Locks). A MMD Rate Lock permits the Acquiring Fund to lock in a specified municipal interest rate for a portion of its portfolio to preserve a return on a particular investment or a portion of its portfolio as a duration management technique or to protect against any increase in the price of securities to be purchased at a later date. The Acquiring Fund will ordinarily use these transactions as a hedge or for duration or risk management although it is permitted to enter into them to enhance income or gain. A MMD Rate Lock is a contract between the Acquiring Fund and a MMD Rate Lock provider pursuant to which the parties agree to make payments to each other on a notional amount, contingent upon whether the Municipal Market Data AAA General Obligation Scale is above or below a specified level on the expiration date of the contract. For example, if the Acquiring Fund buys a MMD Rate Lock and the Municipal Market Data AAA General Obligation Scale is below the specified level on the expiration date, the counterparty to the contract will make a payment to the Acquiring Fund equal to the specified level minus the actual level, multiplied by the notional amount of the contract. If the Municipal Market Data AAA General Obligation Scale is above the specified level on the expiration date, the Acquiring Fund will make a payment to the counterparty equal to the actual level minus the specified level, multiplied by the notional amount of the contract. In entering into MMD Rate Locks, there is a risk that municipal yields will move in the direction opposite of the direction anticipated by the Acquiring Fund. The Acquiring Fund will not enter into MMD Rate Locks if, as a result, more than 50% of its assets would be required to cover its potential obligations under its hedging and other investment transactions.

Appendix E of the Statement of Additional Information contains further information about the characteristics, risks and possible benefits of Additional Investment Management Techniques and the Acquiring Fund's other policies and limitations (which are not fundamental policies) relating to investment in futures contracts and options. The principal risks relating to the use of futures contracts and other Additional Investment Management Techniques are:

- (a) less than perfect correlation between the prices of the instrument and the market value of the securities in the Acquiring Fund's portfolio;
- (b) possible lack of a liquid secondary market for closing out a position in such instruments;
- (c) losses resulting from interest rate or other market movements not anticipated by the Investment Advisor; and
- (d) the obligation to meet additional variation margin or other payment requirements, all of which could result in the Acquiring Fund being in a worse position than if such techniques had not been used.

Certain provisions of the Code may restrict or affect the ability of the Acquiring Fund to engage in Additional Investment Management Techniques.

Short Sales

The Acquiring Fund may make short sales of municipal bonds. A short sale is a transaction in which the Acquiring Fund sells a security it does not own in anticipation that the market price of that security will decline. The Acquiring Fund may make short sales to hedge positions, for duration and risk management, in order to maintain portfolio flexibility or to enhance income or gain.

When the Acquiring Fund makes a short sale, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. The Acquiring Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any payments received on such borrowed securities.

The Acquiring Fund's obligation to replace the borrowed security will be secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other high grade liquid securities. The Acquiring Fund will also be required to segregate similar collateral with its custodian to the extent, if any, necessary so that the aggregate collateral value is at all times at least equal to the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which it borrowed the security regarding payment over of any payments received by the Acquiring Fund on such security, the Acquiring Fund may not receive any payments (including interest) on its collateral deposited with such broker-dealer.

If the price of the security sold short increases between the time of the short sale and the time the Acquiring Fund replaces the borrowed security, the Acquiring Fund will incur a loss; conversely, if the price declines, the Acquiring Fund will realize a gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Although the Acquiring Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited.

The Acquiring Fund will not make a short sale if, after giving effect to such sale, the market value of all securities sold short exceeds 25% of the value of its total assets or the Acquiring Fund's aggregate short sales of a particular class of securities exceeds 25% of the outstanding securities of that class. The Acquiring Fund may also make short sales against the box without respect to such limitations. In this type of short sale, at the time of the sale, the Acquiring Fund owns or has the immediate and unconditional right to acquire at no additional cost the identical security.

In light of the ongoing crisis in the financial and credit markets, the SEC has adopted temporary rules designed to eliminate certain short selling practices seen as improper or abusive and detrimental to the integrity of

the markets. Additionally, during the dramatic decline in the financial markets in September and October of 2008, the SEC issued an emergency order, which expired with the passage of the Emergency Economic Stabilization Act of 2008, prohibiting the short sale of securities of many companies in an attempt to stabilize the financial markets. The SEC has also announced recently that it is proposing amendments to Regulation SHO under the Securities Exchange Act of 1934 to restrict short selling. Although these new regulations are meant to curb abusive practices, stabilize the financial markets and provide the SEC with useful market information, these new regulations, and the potential for further interventions by the SEC and/or other U.S. regulators, may also have the effect of discouraging or impeding otherwise legitimate short selling practices due to the increased economic, regulatory, compliance and disclosure obligations and/or risks that they present.

COMPARISON OF THE FUNDS

Investment Objectives

The Funds have either the same or substantially similar (but not identical) investment objectives. The investment objectives of BCL, BZA and the Acquiring Fund are to provide current income exempt from regular U.S. Federal and California income taxes. The investment objective of RAA is to provide high current income which, in the opinion of bond counsel to the issuer, is exempt from regular U.S. Federal and California income tax consistent with preservation of capital. The investment objective of BCK is to provide current income exempt from U.S. Federal income tax, including the U.S. Federal alternative minimum tax, and California income tax. Each of the Fund's investment objectives is a fundamental policy and may not be changed without prior shareholder approval.

Investment Strategies and Restrictions

The Funds have either the same or substantially similar (but not identical) investment strategies and restrictions. As a fundamental policy, under normal market conditions, each of BFZ, RAA, BCL and BZA invests at least 80% of its total assets in municipal bonds, the interest of which is exempt from regular U.S. Federal income tax and California income tax. As a fundamental policy, under normal market conditions, BCK invests at least 80% of its total assets in municipal bonds, the interest of which is exempt from U.S. Federal income tax, including the U.S. Federal alternative minimum tax, and California income tax.

Each of BFZ, BCL, BZA and RAA, under normal market conditions, invests at least 80% of its total assets in investment grade quality municipal bonds. BCK's investment grade policy diverges from those of the other Funds because BCK generally invests in insured municipal bonds. As a matter of non-fundamental policy, under normal market conditions, BCK invests at least 80% of its total assets in municipal bonds that are insured as to principal and interest. Insurance may include, without limitation, original issue insurance, secondary insurance or portfolio insurance. Such municipal bond insurance will be from insurers having a claims-paying ability rated at least investment grade. BCK has adopted a policy to provide shareholders of BCK at least 60-days prior notice of any change in this non-fundamental investment policy, if the change is not first approved by shareholders, which notice will comply with the 1940 Act, and the rules and regulations thereunder. Under normal circumstances, BCK also is required to invest at least 80% of its total assets in municipal bonds that pay interest that is exempt from U.S. Federal income tax, including the U.S. Federal alternative minimum tax, and California income tax. The other Funds may invest in securities subject to the U.S. Federal alternative minimum tax.

Each Fund may invest up to 20% of its total assets in high yield securities. In addition, each of BFZ, BCL, BCK and BZA may invest 25% or more of its total assets in municipal obligations in the same economic sector, while RAA has no such policy with respect to economic sector. Finally, each of BCL, BZA and BFZ may invest up to 10% of its respective total assets in preferred interests of other investment funds that pay dividends that are exempt from regular U.S. Federal income tax; whereas BCK's policy with respect to tax-exempt preferred shares has the same 10% limitation, but adds that the dividends also must be exempt from the U.S. Federal alternative minimum tax and California income tax. RAA has no such policy with respect to tax-exempt preferred shares.

A further comparison of the investment strategies and significant operating policies used by the Funds is set forth in the table below. The investment strategies and significant operating policies of the Combined Fund will be those of BFZ.

Acquiring Fund BFZ	BCL & BZA	Target Funds BCK	RAA
<p>Investment Objective To provide current income exempt from regular U.S. Federal and California income taxes.</p>	<p>Investment Objective Same as BFZ.</p>	<p>Investment Objective To provide current income exempt from Federal income tax, including the U.S. Federal alternative minimum tax and California income tax.</p>	<p>Investment Objective To provide high current income which, in the opinion of bond counsel to the issuer, is exempt from regular U.S. Federal and California income tax consistent with preservation of capital.</p>
<p>Investment Grade Policy Under normal market conditions, BFZ will invest at least 80% of its total assets in investment grade quality municipal bonds. Investment grade quality means that such bonds are rated, at the time of investment, within the four highest grades (Baa or BBB or better by Moody's, S&P or Fitch) or are unrated but judged to be of comparable quality by BlackRock.</p>	<p>Investment Grade Policy Same as BFZ.</p>	<p>Investment Grade Policy Under normal circumstances BCK will invest at least 80% of its total assets in municipal bonds that are insured as to principal and interest. Such municipal bond insurance will be from insurers having a claims-paying ability rated at least investment grade.</p>	<p>Investment Grade Policy Under normal circumstances, at least 80% of the RAA's assets will be invested in securities rated investment grade by Moody's (including those rated as low as Baa3, MIG-4 or P-3), S&P (including those rated as low as BBB-, SP-2 or A-3), Fitch (including those rated as low as BBB- or P-3) or other nationally recognized statistical rating organization.</p>
<p>Alternative Minimum Tax May invest in securities subject to the U.S. Federal alternative minimum tax.</p>	<p>Alternative Minimum Tax Same as BFZ.</p>	<p>Alternative Minimum Tax Under normal circumstances, BCK will invest as least 80% of its total assets in municipal bonds that pay interest that is exempt from regular U.S. Federal income tax, including the U.S. Federal alternative minimum tax, and California income tax.</p>	<p>Alternative Minimum Tax Same as BFZ.</p>
		<p>May not invest in securities subject to the U.S. Federal alternative minimum tax.</p>	

Acquiring Fund BFZ	BCL & BZA	Target Funds BCK	RAA
<p>High Yield Securities BFZ may invest up to 20% of its total assets in municipal bonds that are rated, at the time of investment, Ba/BB or B by Moody's, S&P or Fitch or that are unrated but judged to be of comparable quality by the Investment Advisor.</p>	<p>High Yield Securities Same as BFZ.</p>	<p>High Yield Securities Same as BFZ.</p>	<p>High Yield Securities Same as BFZ.</p>
<p>Insurance No policy. BFZ may purchase insured bonds and may purchase insurance for bonds in its portfolio.</p>	<p>Insurance Same as BFZ.</p>	<p>Insurance Generally invests in municipal bonds insured by an entity with claims-paying abilities rated at least investment grade.</p>	<p>Insurance Same as BFZ.</p>
<p>Economic Sector Diversity May invest 25% or more of its total assets in municipal obligations in the same economic sector.</p>	<p>Economic Sector Diversity Same as BFZ.</p>	<p>Economic Sector Diversity Same as BFZ.</p>	<p>Economic Sector Diversity No policy.</p>
<p>Defensive Measures During temporary defensive periods, and in order to keep BFZ's cash fully invested, BFZ may invest up to 100% of its net assets in liquid, short-term investments, including high quality, short-term securities that may be either tax-exempt or taxable.</p>	<p>Defensive Measures Same as BFZ.</p>	<p>Defensive Measures Same as BFZ.</p>	<p>Defensive Measures For purposes of enhancing liquidity and/or preserving capital, on a temporary defensive basis, RAA may invest without limit in securities issued by the U.S. Government or its agencies or instrumentalities, repurchase agreements collateralized by such securities, or certificates of deposit, time deposits or bankers' acceptances.</p>

Acquiring Fund BFZ Other Investment	BCL & BZA Other Investment	Target Funds BCK Other Investment	RAA Other Investment
<p>Companies BFZ may invest up to 10% of its total assets in securities of other open- or closed-end investment companies that invest primarily in municipal bonds of the types in which BFZ may invest directly.</p>	<p>Companies Same as BFZ.</p>	<p>Companies Same as BFZ.</p>	<p>Companies No policy.</p>
<p>Tax-Exempt Preferred</p>			
<p>Shares</p>			