

BLACKROCK HIGH INCOME SHARES

Form DEF 14A

June 11, 2012

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant

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Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement                  | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
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| <input type="checkbox"/> Definitive Additional Materials              |  |
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**BlackRock Build America Bond Trust**

**BlackRock California Municipal 2018 Term Trust**

**BlackRock California Municipal Income Trust**

**BlackRock Core Bond Trust**

**BlackRock Credit Allocation Income Trust III**

**BlackRock Credit Allocation Income Trust IV**

**BlackRock Defined Opportunity Credit Trust**

**BlackRock EcoSolutions Investment Trust**

**BlackRock Energy and Resources Trust**

**BlackRock Enhanced Equity Dividend Trust**

**BlackRock Floating Rate Income Trust**

**BlackRock Florida Municipal 2020 Term Trust**

**BlackRock Global Opportunities Equity Trust**

**BlackRock Health Sciences Trust**

**BlackRock High Income Shares**

**BlackRock High Yield Trust**

**BlackRock Income Opportunity Trust, Inc.**

**BlackRock Income Trust, Inc.**

**BlackRock International Growth and Income Trust**

**BlackRock Investment Quality Municipal Trust, Inc.**

**BlackRock Limited Duration Income Trust**

**BlackRock Long-Term Municipal Advantage Trust**

**BlackRock Maryland Municipal Bond Trust**

**BlackRock MuniAssets Fund, Inc.**

**BlackRock Municipal 2018 Term Trust**

**BlackRock Municipal 2020 Term Trust**

**BlackRock Municipal Bond Investment Trust**

**BlackRock Municipal Bond Trust**

**BlackRock Municipal Income Investment Quality Trust**

**BlackRock Municipal Income Investment Trust**

**BlackRock Municipal Income Quality Trust**

**BlackRock Municipal Income Trust**

**BlackRock Municipal Income Trust II**

**BlackRock New Jersey Investment Quality Municipal Trust, Inc.**

**BlackRock New Jersey Municipal Bond Trust**

**BlackRock New Jersey Municipal Income Trust**

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**BlackRock New York Investment Quality Municipal Trust, Inc.**

**BlackRock New York Municipal 2018 Term Trust**

**BlackRock New York Municipal Bond Trust**

**BlackRock New York Municipal Income Quality Trust**

**BlackRock New York Municipal Income Trust**

**BlackRock New York Municipal Income Trust II**

**BlackRock Real Asset Equity Trust**

**BlackRock Resources & Commodities Strategy Trust**

**BlackRock S&P Quality Rankings Global Equity Managed Trust**

**BlackRock Strategic Bond Trust**

**BlackRock Utility & Infrastructure Trust**

**BlackRock Virginia Municipal Bond Trust**

**The BlackRock Pennsylvania Strategic Municipal Trust**

**The BlackRock Strategic Municipal Trust**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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June 11, 2012

Dear Shareholder:

A joint annual meeting of the BlackRock Closed-End Funds listed in *Appendix A* to the enclosed joint proxy statement (each, a "Fund") will be held at the offices of BlackRock Advisors, LLC, Park Avenue Plaza, 55 East 58<sup>th</sup> Street, 11<sup>th</sup> Floor, New York, NY 10055, on Friday, July 27, 2012, at 10:00 a.m. (Eastern time), to consider and vote on the proposal discussed in the enclosed joint proxy statement.

The purpose of the meeting is to seek shareholder approval of the three nominees named in the enclosed joint proxy statement to the Boards of Directors or Trustees (each, a "Board," the members of which are referred to as "Board Members") of each Fund. Each Board has unanimously approved the three nominees named in the enclosed joint proxy statement on behalf of its Fund (the "Board Nominees"), subject to approval by the Fund's shareholders. The Boards have reviewed the qualifications and backgrounds of the Board Nominees and believe that they are experienced in overseeing investment companies and are familiar with the Funds and their investment advisers and that their election is in your best interests.

**The Board Members responsible for your Fund recommend that you vote FOR the Board Nominees for your Fund.** In connection with your vote, we urge you to read the full text of the enclosed joint proxy statement.

**Your vote is important. If you are a record holder of a Fund's shares and plan to attend the meeting in person, in order to gain admission you must show valid photographic identification, such as your driver's license or passport. If you hold your shares of a Fund through a bank, broker or other custodian, and plan to attend the meeting in person, in order to gain admission you must show valid photographic identification, such as your driver's license or passport, and satisfactory proof of ownership of shares in a Fund, such as your voting instruction form (or a copy thereof) or a letter from your bank, broker or other custodian or broker's statement indicating ownership as of the Record Date. If you hold your common or preferred shares in a brokerage account or through a bank or other nominee, you will not be able to vote in person at the annual meeting unless you have previously requested and obtained a legal proxy from your broker, bank or other nominee and present it at the annual meeting. Even if you plan to attend the meeting, please promptly follow the enclosed instructions to submit voting instructions by telephone or via the Internet. Alternatively, you may submit voting instructions by signing and dating each proxy card you receive, and if received by mail, returning it in the accompanying postage-paid return envelope.**

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You have received this joint proxy statement because you were a shareholder of record of at least one of the Funds listed in *Appendix A* on May 31, 2012. Certain other BlackRock Closed-End Funds not listed in *Appendix A* will also hold their annual meetings at the place and on the date stated above, but at a different time. If you were also a shareholder of record on May 31, 2012 of one or more of those other funds, you will receive a separate proxy statement and proxy card(s) relating to those funds. Please be certain to vote by telephone or via the Internet with respect to each Fund in which you are a shareholder of record or sign, date and return each proxy card you receive from us.

If you have any questions about the proposal to be voted on, please call Georgeson Inc., the firm assisting us in the solicitation of proxies, at 1-866-856-2826.

Sincerely,

Janey Ahn

Secretary of the Funds

**BlackRock Closed-End Funds**

40 East 52<sup>nd</sup> Street, New York, NY 10022

(800) 441-7762



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IMPORTANT INFORMATION  
FOR FUND SHAREHOLDERS

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

**Questions and Answers**

**Q: Why am I receiving the joint proxy statement?**

A: Each Fund is required to hold an annual meeting of shareholders for the election of Board Members. This joint proxy statement describes a proposal to approve the nominees to the Board of the Fund(s) in which you own shares and provides you with other information relating to the meeting. The enclosed proxy card(s) indicate the Fund(s) in which you own shares. The table on pages 5-6 of the joint proxy statement identifies the Board Nominees for each Fund.

**Q: How do the Boards of the Funds recommend that I vote?**

A: The Boards have reviewed the qualifications and backgrounds of the Board Nominees and believe that they are experienced in overseeing investment companies and are familiar with the Funds and their investment advisers. The Boards have approved the Board Nominees named in the joint proxy statement, believe their election is in your best interests and unanimously recommend that you vote **FOR** each Board Nominee.

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

A: You can provide voting instructions by telephone, by calling the toll-free number on the proxy card(s) or Notice of Internet Availability of Proxy Materials, or by going to the Internet address provided on the Notice of Internet Availability of Proxy Materials or proxy card(s) and following the instructions. Alternatively, if you received your proxy card(s) by mail, you can vote your shares by signing and dating the proxy card(s) and mailing it (them) in the enclosed postage-paid envelope.

You may also attend the meeting and vote by ballot in person; however, even if you intend to do so, we encourage you to provide voting instructions by one of the methods discussed above.

***If you are a record holder of a Fund's shares and plan to attend the meeting in person, in order to gain admission you must show valid photographic identification, such as your driver's license or passport.***

If you hold your shares of a Fund through a bank, broker or other custodian, and plan to attend the meeting in person, in order to gain admission you must show valid photographic identification, such as your driver's license or passport, and satisfactory proof of ownership of shares in a Fund, such as your voting instruction form (or a copy thereof) or a letter from your bank, broker or other custodian or broker's statement indicating ownership as of the Record Date. If you hold your common or preferred shares in a brokerage account or through a bank or other nominee, you will not be able to vote in person at the annual meeting unless you have previously requested and obtained a legal proxy from your broker, bank or other nominee and present it at the annual meeting.

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

A: Your vote is very important and can make a difference in the governance and management of your Fund(s), no matter how many shares you own. Your vote can help ensure that the Board Nominees will be elected. We encourage all shareholders to participate in the governance of their Fund(s).

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**Q: Are the Funds paying for the cost of the joint proxy statement?**

A: The costs associated with the joint proxy statement, including the printing, distribution and the proxy solicitation costs, will be borne by the Funds. Additional out-of-pocket costs, such as legal expenses and auditor fees, incurred in connection with the preparation of the joint proxy statement, also will be borne by the Funds. Costs that are borne by the Funds collectively will be allocated among the Funds on the basis of a combination of their respective net assets and number of shareholder accounts, except when direct costs can reasonably be attributed to one or more specific Funds.

The Funds and BlackRock, Inc. have retained Georgeson Inc. ( Georgeson ), 199 Water Street, 26<sup>th</sup> floor, New York, New York, 10038, a proxy solicitation firm, to assist in the distribution of proxy materials and the solicitation and tabulation of proxies. It is anticipated that Georgeson will be paid approximately \$116,000 for such services (including reimbursements of out-of-pocket expenses). In addition, Broadridge Financial Solutions, Inc. ( Broadridge ), 51 Mercedes Way, Edgewood, NY 11717, will assist the Funds in the distribution of proxy materials. It is anticipated that Broadridge will be paid approximately \$704,000 for such services (including reimbursements of out-of-pocket expenses).

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

A: If you need more information, or have any questions about voting, please call Georgeson, the Funds proxy solicitor, at 1-866-856-2826.

**Please vote now. Your vote is important.**

**To avoid the wasteful and unnecessary expense of further solicitation(s), we urge you to indicate your voting instructions on the proxy card(s), and if voting by mail, date and sign it (them) and return it (them) promptly in the postage-paid envelope provided, or record your voting instructions by telephone or via the Internet, no matter how large or small your holdings may be. If your shares are held through a broker, you must provide voting instructions to your broker about how to vote your shares in order for your broker to vote your shares as you instruct at the meeting.**

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June 11, 2012

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JULY 27, 2012**

A joint annual meeting of the shareholders of the BlackRock Closed-End Funds identified below (each, a Fund ) will be held at the offices of BlackRock Advisors, LLC, Park Avenue Plaza, 55 East 52<sup>nd</sup> Street, 11<sup>th</sup> Floor, New York, NY 10055, on Friday, July 27, 2012, at 10:00 a.m. (Eastern time), to consider and vote on the proposal, as more fully described in the accompanying joint proxy statement:

- PROPOSAL 1. To elect to the Board of your Fund(s) the three nominees named in the accompanying joint proxy statement.
- To transact such other business as may properly come before the meeting or any adjournments, postponements or delays thereof.

The purpose of the meeting is to seek shareholder approval of the three nominees named in the accompanying joint proxy statement to the Boards of Directors or Trustees (each, a Board, the members of which are referred to as Board Members ) of each Fund. Each Board has unanimously approved the three nominees on behalf of its Fund (the Board Nominees ), subject to approval by the Fund's shareholders. The Boards have reviewed the qualifications and backgrounds of the Board Nominees and believe that they are experienced in overseeing investment companies and are familiar with the Funds and their investment advisers and that their election is in your best interests.

**Your Board unanimously recommends that you vote FOR the Board Nominees with respect to which you are being asked to vote.**

Shareholders of record of each Fund as of the close of business on May 31, 2012 are entitled to vote at the meeting and at any adjournments, postponements or delays thereof.

If you owned shares in more than one Fund as of May 31, 2012, you may receive more than one proxy card. Certain other BlackRock Closed-End Funds will also hold their annual meetings at the place and on the date stated above, but not at the same time. If you were also a shareholder of record on May 31, 2012 of one or more of those other funds, you will receive a separate proxy statement and proxy card(s) relating to those funds. Please be certain to sign, date and return each proxy card you receive from us.

If you have any questions about the proposal to be voted on, please call Georgeson Inc., the firm assisting us in the solicitation of proxies, at 1-866-856-2826.

By Order of the Boards,

Janey Ahn

Secretary of the Funds

**BlackRock Closed-End Funds**

40 East 52<sup>nd</sup> Street, New York, NY 10022

(800) 441-7762

**Table of Contents****BlackRock Closed-End Funds****Holding Annual Meetings of Shareholders on July 27, 2012**

<b>Name of Fund</b>	<b>Ticker</b>
BlackRock Build America Bond Trust	BBN
BlackRock California Municipal 2018 Term Trust	BJZ
BlackRock California Municipal Income Trust	BFZ
BlackRock Core Bond Trust	BHK
BlackRock Credit Allocation Income Trust III	BPP
BlackRock Credit Allocation Income Trust IV	BTZ
BlackRock Defined Opportunity Credit Trust	BHL
BlackRock EcoSolutions Investment Trust	BQR
BlackRock Energy and Resources Trust	BGR
BlackRock Enhanced Equity Dividend Trust	BDJ
BlackRock Floating Rate Income Trust	BGT
BlackRock Florida Municipal 2020 Term Trust	BFO
BlackRock Global Opportunities Equity Trust	BOE
BlackRock Health Sciences Trust	BME
BlackRock High Income Shares	HIS
BlackRock High Yield Trust	BHY
BlackRock Income Opportunity Trust, Inc.	BNA
BlackRock Income Trust, Inc.	BKT
BlackRock International Growth and Income Trust	BGY
BlackRock Investment Quality Municipal Trust, Inc.	BKN
BlackRock Limited Duration Income Trust	BLW
BlackRock Long-Term Municipal Advantage Trust	BTA
BlackRock Maryland Municipal Bond Trust	BZM
BlackRock MuniAssets Fund, Inc.	MUA
BlackRock Municipal 2018 Term Trust	BPK
BlackRock Municipal 2020 Term Trust	BKK
BlackRock Municipal Bond Investment Trust	BIE
BlackRock Municipal Bond Trust	BBK
BlackRock Municipal Income Investment Quality Trust	BAF
BlackRock Municipal Income Investment Trust	BBF
BlackRock Municipal Income Quality Trust	BYM
BlackRock Municipal Income Trust	BFK
BlackRock Municipal Income Trust II	BLE
BlackRock New Jersey Investment Quality Municipal Trust, Inc.	RNJ
BlackRock New Jersey Municipal Bond Trust	BLJ
BlackRock New Jersey Municipal Income Trust	BNJ
BlackRock New York Investment Quality Municipal Trust, Inc.	RNY
BlackRock New York Municipal 2018 Term Trust	BLH
BlackRock New York Municipal Bond Trust	BQH
BlackRock New York Municipal Income Quality Trust	BSE
BlackRock New York Municipal Income Trust	BNY
BlackRock New York Municipal Income Trust II	BFY
BlackRock Real Asset Equity Trust	BCF
BlackRock Resources & Commodities Strategy Trust	BCX
BlackRock S&P Quality Rankings Global Equity Managed Trust	BQY
BlackRock Strategic Bond Trust	BHD
BlackRock Utility & Infrastructure Trust	BUI
BlackRock Virginia Municipal Bond Trust	BHV
The BlackRock Pennsylvania Strategic Municipal Trust	BPS
The BlackRock Strategic Municipal Trust	BSD

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**ANNUAL MEETING OF SHAREHOLDERS**

**July 27, 2012**

**JOINT PROXY STATEMENT**

This joint proxy statement (this Proxy Statement) is furnished in connection with the solicitation of proxies by the Boards of Directors or Trustees (each, a Board, the members of which are referred to as Board Members) of each BlackRock Closed-End Fund listed in *Appendix A* of this Proxy Statement (each, a Fund). The proxies will be voted at the joint annual meeting of shareholders of the Funds and at any and all adjournments, postponements or delays thereof. The meeting will be held at the offices of BlackRock Advisors, LLC (the Advisor), Park Avenue Plaza, 55 East 52<sup>nd</sup> Street, 11<sup>th</sup> Floor, New York, NY 10055, on Friday, July 27, 2012, at 10:00 a.m. (Eastern time). The meeting will be held for the purposes set forth in the accompanying notice.

The Boards of the Funds have determined that the use of this Proxy Statement for the meeting is in the best interests of the Funds and their shareholders in light of the similar matters being considered and voted on by the shareholders of each Fund. Distribution to shareholders of this Proxy Statement and the accompanying materials, or a Notice of Internet Availability of Proxy Materials, will commence on or about June 11, 2012.

Each Fund listed in *Appendix A* to this Proxy Statement is organized as a Massachusetts business trust (each, a Massachusetts Trust), a Maryland corporation (each, a Maryland Corporation) or a Delaware statutory trust (each, a Delaware Trust). The Massachusetts Trusts, Maryland Corporations and Delaware Trusts are closed-end investment companies registered under the Investment Company Act of 1940 (the 1940 Act). A list identifying each Massachusetts Trust, Maryland Corporation and Delaware Trust is set forth in *Appendix A*.

Shareholders of record of a Fund as of the close of business on May 31, 2012 (the Record Date) are entitled to notice of and to vote at that Fund's meeting. Shareholders of the Funds are entitled to one vote for each share held, with no shares having cumulative voting rights. Holders of the auction market preferred stock, auction market preferred shares, auction preferred stock, auction preferred shares, auction rate preferred shares of beneficial interest, municipal auction rate cumulative preferred shares or auction rate municipal preferred shares (collectively, AMPS) of each of the Funds identified in *Appendix A* as having AMPS outstanding (collectively, the AMPS Funds), holders of variable rate muni term preferred shares (collectively, the VMTP Shares) of each of the Funds identified in *Appendix A* as having VMTP Shares outstanding (collectively, the VMTP Funds) and holders of variable rate demand preferred shares (collectively, VRDP Shares and collectively with the AMPS and VMTP Shares, Preferred Shares) of each of the Funds identified in *Appendix A* as having VRDP Shares outstanding (collectively, the VRDP Funds and collectively with the AMPS Funds and VMTP Funds, the Preferred Funds) will have equal voting rights with the shares of common stock or common shares of beneficial interest (collectively, the Common Shares) of the Preferred Funds and will vote together with the holders of Common Shares as a single class on each nominee to the Board of the Preferred Fund in which they own Preferred Shares, except that holders of Preferred Shares are entitled to vote separately as a class to elect two Board Members for each Preferred Fund in which they own Preferred



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Shares. The Board Members representing holders of Preferred Shares are Class I and Class II Board Members and only the Class II Board Members are standing for election this year. The quorum and voting requirements for each Fund are described in the section below entitled "Vote Required and Manner of Voting Proxies."

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The number of shares outstanding of each Fund as of the close of business on the Record Date and the managed assets of each Fund on the Record Date are shown in *Appendix A*. Except as set forth in *Appendix H*, to the knowledge of each Fund, as of May 24, 2012, no person was the beneficial owner of more than five percent of a class of a Fund's outstanding shares.

The Fund in which you owned shares on the Record Date is named on the proxy card or Notice of Internet Availability of Proxy Materials. If you owned shares in more than one Fund on the Record Date, you may receive more than one proxy card. Even if you plan to attend the meeting, please sign, date and return EACH proxy card you receive or, if you provide voting instructions by telephone or via the Internet, please vote on the proposal affecting EACH Fund you own. If you vote by telephone or via the Internet, you will be asked to enter a unique code that has been assigned to you, which is printed on your proxy card(s) or Notice of Internet Availability of Proxy Materials, as applicable. This code is designed to confirm your identity, provide access into the voting website and confirm that your voting instructions are properly recorded.

All properly executed proxies received prior to the meeting will be voted at the meeting. On any matter coming before the meeting as to which a shareholder has specified a choice on that shareholder's proxy, the shares will be voted accordingly. If a proxy card is properly executed and returned and no choice is specified with respect to the proposal, the shares will be voted **FOR** the proposal. Shareholders who execute proxies or provide voting instructions by telephone or via the Internet may revoke them with respect to the proposal at any time before a vote is taken on the proposal by filing with the applicable Fund a written notice of revocation (addressed to the Secretary of the Fund at the principal executive offices of the Fund at the New York address below), by delivering a duly executed proxy bearing a later date or by attending the meeting and voting in person by ballot, in all cases prior to the exercise of the authority granted in the proxy card. Merely attending the meeting, however, will not revoke any previously executed proxy. If you hold shares through a bank or other intermediary, please consult your bank or intermediary regarding your ability to revoke voting instructions after such instructions have been provided.

Certain other BlackRock Closed-End Funds not listed in *Appendix A* will also hold their annual meetings at the place and date stated above, but not at the same time. If you were also a shareholder of record on the Record Date of one or more of those other funds, you will receive a separate proxy statement and proxy card(s) relating to those funds.

**If you are a record holder of a Fund's shares and plan to attend the meeting in person, in order to gain admission you must show valid photographic identification, such as your driver's license or passport. If you hold your shares of a Fund through a bank, broker or other custodian, and plan to attend the meeting in person, in order to gain admission you must show valid photographic identification, such as your driver's license or passport, and satisfactory proof of ownership of shares in a Fund, such as your voting instruction form (or a copy thereof) or a letter from your bank, broker or other custodian or broker's statement indicating ownership as of the Record Date.**

For directions to the meeting, please contact Georgeson, the firm assisting us in the solicitation of proxies, at 1-866-856-2826.

Each Fund will furnish, without charge, a copy of its annual report and most recent semi-annual report succeeding the annual report, if any, to a shareholder upon request. Such requests should be directed to the applicable Fund at 100 Bellevue Parkway, Wilmington, DE 19809, or by calling toll free at 1-800-441-7762. Copies of annual and semi-annual reports of each Fund are also available on the EDGAR Database on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

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BlackRock updates performance data for the Funds, as well as certain other data for Funds that are municipal funds, on a monthly basis on its website in the Closed-End Funds section of [www.blackrock.com](http://www.blackrock.com). Investors and others are advised to periodically check the website for updated performance information and the release of other material information about the BlackRock Closed-End Funds.

Please note that only one annual or semi-annual report or Proxy Statement or Notice of Internet Availability of Proxy Materials may be delivered to two or more shareholders of a Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual report or semi-annual report or this Proxy Statement or Notice of Internet Availability of Proxy Materials, or for instructions how to request a separate copy of these documents or as to how to request a single copy if multiple copies of these documents are received, shareholders should contact the applicable Fund at the Delaware address above and phone number set forth above.

**YOUR VOTE IS IMPORTANT**

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

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR  
THE SHAREHOLDER MEETING TO BE HELD ON JULY 27, 2012**

**The Proxy Statement is available at *www.proxy-direct.com/BLK23613*.**

**BlackRock Closed-End Funds**

100 Bellevue Parkway, Wilmington, DE 19809

(800) 441-7762

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The following table shows the Funds for which the Board Nominees are standing for election.

<b>Fund Name</b>	<b>Ticker</b>	<b>Class I</b>	<b>Class II(1)</b>	<b>Class III</b>	<b>Preferred Shares Nominee Standing for Election(2)</b>
BlackRock Build America Bond Trust	BBN		X		
BlackRock California Municipal 2018 Term Trust	BJZ		X		X
BlackRock California Municipal Income Trust	BFZ		X		X
BlackRock Core Bond Trust	BHK		X		
BlackRock Credit Allocation Income Trust III	BPP		X		
BlackRock Credit Allocation Income Trust IV	BTZ		X		
BlackRock Defined Opportunity Credit Trust	BHL		X		
BlackRock EcoSolutions Investment Trust	BQR		X		
BlackRock Energy and Resources Trust	BGR		X		
BlackRock Enhanced Equity Dividend Trust	BDJ		X		
BlackRock Floating Rate Income Trust	BGT		X		
BlackRock Florida Municipal 2020 Term Trust	BFO		X		X
BlackRock Global Opportunities Equity Trust	BOE		X		
BlackRock Health Sciences Trust	BME		X		
BlackRock High Income Shares	HIS		X		
BlackRock High Yield Trust	BHY		X		
BlackRock Income Opportunity Trust, Inc.	BNA		X		
BlackRock Income Trust, Inc.	BKT		X		
BlackRock International Growth and Income Trust	BGY		X		
BlackRock Investment Quality Municipal Trust, Inc.	BKN		X		X
BlackRock Limited Duration Income Trust	BLW		X		
BlackRock Long-Term Municipal Advantage Trust	BTA		X		
BlackRock Maryland Municipal Bond Trust	BZM		X		X
BlackRock MuniAssets Fund, Inc.	MUA		X		
BlackRock Municipal 2018 Term Trust	BPK		X		X
BlackRock Municipal 2020 Term Trust	BKK		X		X
BlackRock Municipal Bond Investment Trust	BIE		X		X
BlackRock Municipal Bond Trust	BBK		X		X
BlackRock Municipal Income Investment Quality Trust	BAF		X		X
BlackRock Municipal Income Investment Trust	BBF		X		X
BlackRock Municipal Income Quality Trust	BYM		X		X
BlackRock Municipal Income Trust	BFK		X		X
BlackRock Municipal Income Trust II	BLE		X		X
BlackRock New Jersey Investment Quality Municipal Trust, Inc.	RNJ		X		X
BlackRock New Jersey Municipal Bond Trust	BLJ		X		X
BlackRock New Jersey Municipal Income Trust	BNJ		X		X
BlackRock New York Investment Quality Municipal Trust, Inc.	RNY		X		X
BlackRock New York Municipal 2018 Term Trust	BLH		X		

Q&A

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Thank you for inviting us to be with you.

Two months ago, at P&G's analyst meeting in Boston, we explained why we're confident that P&G's strategies and capabilities will enable sustained long-term top and bottom line growth.

Last month, we announced the acquisition of Gillette – a combination that brings together two of the leading consumer products companies in the world, and further strengthens P&G's consumer-driven business model.

Today, Jim and I want to update you on the health of P&G's and Gillette's businesses.

Then, we'll go deeper on two elements of the deal that we did not get to spend as much time on when we announced the acquisition:

First, why now and why P&G? Jim will explain why he and his management team felt that now is the right time for Gillette to seek a partner, and why they saw P&G as the best partner for Gillette's long-term growth.

Second, what's in this for P&G shareholders? I'll explain in greater detail how Gillette creates upside to our growth model, and why we're confident we can integrate our two companies while continuing to grow each company's existing business.

As a result, I hope you'll come away seeing the magnitude of the growth opportunity this deal creates -- and confident that we can and will deliver the growth to which we're committing.

Before we get started, we need to cover the legal items...

I want to remind you that the presentations this morning will include a number of forward-looking statements.

If you will refer to our most recent 10-K and 8-K reports, you will see a discussion of factors that could cause the Company's actual results to differ materially from these projections.

Also, as required by Regulation G, we need to make you aware that during the presentation, we will make a number of references to non-GAAP measures.

For completeness, we have posted on our website [www.pg.com](http://www.pg.com) a full reconciliation of non-GAAP measures to U.S. GAAP.

Now, let's get to the business update...

P&G's choices are paying off.

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At the beginning of this decade...

We made the choice to focus on the core business... on leading brands and leading innovation...

We made the choice to shift P&G's business mix toward health, beauty, and personal care...

We made the choice to serve more of the world's consumers in developing markets...

These choices set P&G on a path of balanced growth and consistent leadership. And they remain right for the long term.

We've grown organic volume, on average, more than seven percent over the past three years.

The momentum continues to be strong through the first half of fiscal 2005, with +8% organic volume growth.

Sales growth has also been strong...

Over the past three years, sales ex FX have been up more than 8% on average above P&G's long-term target of 4 to 6%.

Organic sales have been up 5% on average over the past three years at the top end of our goal for organic sales growth, which is 3-5%.

Here, too, momentum continues to be strong. In fact, organic growth is now tracking one to two percentage points ahead of target through the first half of this fiscal year.

There are two things to understand about P&G's growth:

First, it is quality growth because it is primarily organic growth. We are growing organically across virtually all of P&G's businesses: fabric care, baby care, fem care, hair care, as well skin care, home care and health care. We accelerated base-business growth even as we integrated a number of acquisitions.

Second, it is sustainable growth because it is driven by systemic changes that are making us better and more efficient. We are getting even more value from P&G's core strengths: branding, innovation, scale, and go-to-market capability.

It's all about balance and leadership.

*Balance* creates flexibility to deliver results reliably, in good times and challenging times alike.

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P&G's growth model is focused on balanced top and bottom line growth.

P&G growth is coming from a balanced mix of businesses. We have a unique combination of large, steadily growing household businesses and faster-growing, higher-margin health, beauty, and personal care businesses.

We have a balanced mix of retail customers. We have strong, strategic relationships with the largest leading retailers, and we are growing fast with other customers and channels — such as high frequency stores in developing markets.

We have a balanced mix of developed and developing markets. Major developed regions such as Northeast Asia, North America, and Western Europe are healthy and growing steadily. At the same time, developing markets such as China, Russia, Mexico, and Turkey are disproportionate engines of growth.

*Leadership* is equally important. Leadership creates the flexibility to invest in growth, and the capability to sustain that growth.

In consumer products, the industry and innovation leaders are best positioned to be the growth catalysts. Brands that set the pace of innovation in their categories earn a significant share of the growth they stimulate. This is why we place so much emphasis on being the leader in every category where we compete.

P&G is one of the strongest leaders in the consumer products industry.

Two thirds of P&G sales come from categories where P&G is #1 in market share.

P&G brands are leading innovation. Baby Care is the innovation leader with Baby Stages of Development, Pampers Feel N' Learn, and Kandoo. Fabric Care is leading on the strength of Tide with a Touch of Downy, and Tide Coldwater. Tampax Pearl and Naturella continue to set performance and value standards in Fem Care. Pantene Pro-health and Color Expressions are keeping P&G Hair Care in the lead. In addition, we've generated almost \$5 billion in retail sales in categories that didn't exist or in which we did not compete five years ago.

P&G leadership is also recognized by retail customers, and by business and innovation partners.

For retailers, P&G brands and innovation are indispensable. Our leadership brands attract shoppers and grow the size and profitability of shopping baskets.

Suppliers and partners want to work with P&G. The breadth and depth of P&G capabilities, and our ability to commercialize innovation, helps them grow their business as well as ours.

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The strategic choices we've made reflect our belief in balance and leadership, so let's look at those choices in more detail...

The first choice we made was to focus on core businesses and brands, core markets, core customers.

We have been focused on growing P&G's leading billion-dollar brands. P&G now has 16 billion dollar brands. This is up from 10 just five years ago.

Growth on brands such as Tide, Pampers, Pantene, Olay, and Head & Shoulders has accelerated to double-digits over the first half of fiscal 2005.

We have been focused on growing with our top 10 retail customers. P&G volume at these winning retailers has grown, on average, 7% in the first half of the year.

Importantly, P&G's growth is not dependent on any one channel or customer. During the first half of this fiscal, we have grown volume with 8 of the top 10 customers.

Our third focus area is on growing P&G's core countries. The largest 16 geographic markets represent 80% of the company's business.

These markets include big developed countries such as the U.S., U.K., Japan and Germany and developing countries such as China, Russia, Mexico and Turkey. Together, the top 16 markets have been growing volume 8%, on average, over the first half of this fiscal year.

Importantly, organic volume growth in developed markets has consistently been mid-single-digits and twice the rate of GDP growth in these markets.

This is strong performance that very few consumer products companies have matched.

Our low-income consumer strategy has delivered six consecutive quarters of mid to high teens volume growth in developing markets.

This strategy has deepened P&G's penetration in key developing markets like China, Russia, and Turkey. At the same time, it's enabled us to expand into mid-tier consumer segments in developed markets.

As we discussed at the analyst day meeting in December, this is an area where we continue to see considerable upside.

P&G's mix of operating businesses is also a picture of balance and leadership.

In 1998, about two thirds of P&G's business was in household categories which are large, steady-growing, cash generating businesses. In the years since, we have been shifting the

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mix toward a more even balance between these categories, and faster-growing, higher-margin health, beauty, and personal care categories.

Acquisitions have played a significant role in this shift but, as you can see, this is not just a story of acquisitions. Organic growth in health and beauty has averaged more than 8% over the past three years. And despite a strong base period, this growth continues to track ahead of long-term targets through the first two quarters of fiscal 2005.

Over the past three years we have grown every P&G HABA business.

...47% of P&G's portfolio in the current fiscal year.

This percentage should grow to 50% or more with the acquisition of Gillette.

What's most important here is that we did not get distracted by acquisition activity.

A number of analysts and investors have been understandably concerned that acquisitions would distract P&G management from the core business. However, we integrated Clairol and Wella even as we accelerated HABA organic growth.

There are two specific reasons we've been able to do this.

First, our strategic priority on growing from the core has kept us sharply focused on existing businesses.

Second, the plug-and-play capability of P&G's unique organization structure enables us to integrate new businesses without taking our eyes off existing businesses.

For example, our market development organizations have taken Herbal Essences global while at the same time building Pantene market share around the world and turning Head & Shoulders into one of our fastest growing billion dollar brands.

At the same time, our GBS organization has been integrating back office support for Clairol and Wella while also raising service levels and lowering costs for P&G's base business.

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No other CPG company has created a similar capability. We've made it possible for each business unit to capture the scale of a \$55 billion global company. We're essentially running a number of very focused small companies that share a common go-to-market infrastructure in local markets and a global shared services back-office capability.

Following the acquisition, Gillette's businesses will be able to take advantage of this infrastructure. The three business units that represent about 75% of Gillette's sales – razors & blades, batteries and Braun – will essentially remain stand-alone businesses, but with access to P&G's unmatched go-to-market and back office capability.

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If you need any more evidence that this model works, just look at the performance of P&G household categories where we have accelerated growth even as we've grown health and beauty.

We can drive this kind of parallel growth precisely because of the way we're organized. A business unit president like Deb Henretta in Baby Care hasn't had to pay a moment's notice to the acquisition activities in health and beauty care. She and her organization have stayed sharply focused on winning with moms who are concerned about their babies' care and development. They've been leading innovation like Baby Stages of Development, Pampers Feel N' Learn, and Kandoo—and have been growing faster than any competitor.

This, too, is about balance and leadership. We have been able to balance our focus on strengthening P&G leadership in existing businesses while integrating acquired businesses.

We will not waver from our focus on growth from core businesses where P&G brands are leaders. And we will only get better at leveraging the capabilities of the organization structure.

What I hope you can see here is that P&G's choices are resulting in balanced, leadership growth across the business.

We are growing P&G's billion-dollar brands.

We are growing with the top 10 retailers.

We are growing in the largest developed markets and in fast-growing developing markets.

We are growing P&G's household, baby and family care businesses as well as health, beauty and personal care.

We are growing organically while expanding our core through adjacencies, and through tack-on as well as strategic acquisitions.

P&G's balanced mix of businesses, markets and customers is unique in the industry, and we are delivering leadership growth across all these businesses, markets and customers.

The key factor in sustaining this growth—and translating it into strong shareholder returns—are the systemic changes we've made to better leverage our core strengths.

P&G's primary business model is simple but powerful. P&G's purpose is to provide brands and products that improve the everyday lives of consumers. P&G's core activities are branding, innovation, scale and go-to-market capability.

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These core activities drive P&G's business model.

Over the past few years, we've made a number of changes that are strengthening our processes and capabilities. As a result, we are getting even more value from P&G's core competencies.

This graphic shows how it all comes together.

We're getting more out of P&G innovation by multiplying our internal innovative capability with the connect and develop strategy. We're then bringing initiatives to market more successfully and profitably.

We're getting more value from P&G scale with greater cost and cash discipline. As a result, we're bringing more innovation to market at price points that deliver superior consumer value and strong shareholder value.

We're amplifying P&G's go-to-market strengths with our unique organization structure. This is providing the capacity and focus to commercialize a larger innovation pipeline, in more markets, with more customers, simultaneously.

Finally, we're getting even more value from P&G's leading global brands. These brands are platforms for innovation. They have earned deep and enduring trust from consumers worldwide. As a result, we can bring innovation to market on these brands far more effectively and efficiently than we could without them. The result: increased returns on initiatives, and stronger P&G brand equities.

In short, we're innovating at a faster pace. We're delivering innovation to market affordably and profitably, with deep local knowledge and strong retail partnerships. We're commercializing innovation more successfully and consistently. It all results in sustainable growth and consistent shareholder returns.

As I said at the beginning, P&G's choices are working and, when combined with the systemic changes we've made, they remain the basis for our confidence in P&G's consistent, sustainable growth.

We've delivered 3 years of double digit EPS growth, and fiscal 2005 is on track for 13-14% growth behind continued strong organic volume growth and solid operating margin performance.

Fiscal 2004 was a test year for P&G's growth model because we started to fund restructuring from within the current business. Then, 2005 became yet another test year. We came off a very strong base period. Commodity prices moved against us in a significant way. And several key competitors lowered the bar so they could spend more to keep up with P&G's initiative program.



These testing years have been an opportunity to demonstrate the resilience of P&G's business model, and the core strengths that set us apart. We were pleased with last year's results, and we're equally pleased that we are on track to complete this year successfully and significantly ahead of P&G's long-term top and bottom line growth objectives.

However, we are not taking this success for granted. We are not satisfied.

Instead, we remain focused behind an initiative pipeline that is particularly strong in the back half of the fiscal year. We will concentrate on sustaining P&G's momentum in core categories, on leading billion dollar brands, in the top 16 developed and developing countries, and with big, winning retailers.

As a result - at the January 28th meeting - we raised the Company's top and bottom line guidance for the balance of the year. And with Gillette we believe we are opening whole new areas of opportunity for additional growth beyond this fiscal year.

I know you're looking for more details about how we'll capture these growth opportunities, and I'll come back to this in more depth a bit later. But first, I'd like to hand it over to Jim. He'll give you an update on Gillette's business results. He'll talk through the drivers of Gillette's sustained growth. And, he'll explain the rationale for why combining with P&G now is the right strategic choice for Gillette. Jim...

*[Jim Kilts Presentation]*

Thanks, Jim.

I want to pick up where Jim left off.

While the time is right for Gillette to join forces with another world-class partner...

And while P&G is the right partner for Gillette...

Gillette is also the perfect partner for P&G.

There are four reasons why.

First, we're combining two of the leading consumer products companies in the world and we're doing so at a time when both companies performance is the best it's been in a decade.

It's a combination that plays to the structural characteristics of the consumer products industry. Consumer products is an industry that rewards leadership and scale. Leadership scale provides the opportunity to keep growing margins. Margin growth makes it possible to reinvest in branding and innovation, which drives consumer value. The more you can invest in branding and innovation that delights consumers, the more you grow.

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The more you grow, the greater the scale and margins.

It's a virtuous circle that P&G and Gillette can leverage better together than alone.

Second, we are shifting P&G's business mix toward faster-growing, higher-margin, more asset-efficient businesses — health care, beauty care, personal care.

This is an important component of our accelerated growth objective, which we've increased for the balance of the decade by a point. Our increased target is now 5-7%, of which 4-6% is organic.

P&G's line-up of 16 billion-dollar brands is growing double digits. With Gillette, we add five more billion-dollar brands. As Jim just told you, Gillette's billion-dollar brands have accelerated growth over the past three years, and their initiative pipeline is strong.

Importantly, Gillette is a leader in structurally advantaged categories. Three of their five billion-dollar brands are in personal care.

Third, we are strengthening P&G's relationships with retail customers — relationships that are already strong.

We can marry P&G Customer Business Development with Gillette's outstanding in-store execution. This will enable us to serve retail customers even better than either of us can today.

We can offer retailers a more profitable mix of brands... broader, deeper knowledge about consumers and shoppers... more innovation... more expertise in marketing... more supply-chain leadership.

This is not about negotiating power. This is about the power to jointly create value with retailers by serving our consumers, their shoppers, even better than we do today.

The final reason Gillette and P&G can grow faster together is the opportunity to leverage complementary strengths.

Gillette will help P&G raise an already-high bar in the areas of branding, innovation, scale, and the way we go to market.

One of the most important choices we made five years ago was to focus on these four strengths. P&G had important advantages in each area, and we were confident we could get even better.

By combining these four strengths, and applying them in the marketplace through P&G's organization structure, we established branding, innovation, scale, and go-to-market as the pillars of P&G's business model.

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Then, we began making important structural improvements to make our business model even stronger and more sustainable:

We've multiplied P&G's internal innovative output through connect and develop...

We've used greater cash and cost discipline to deliver better consumer value and grow margins...

We've strengthened our go-to-market capability with our unique organization structure, and...

We've created new branding and marketing approaches that are generating more product trial and increasing the value of P&G brands.

What's most encouraging is that the combination of P&G and Gillette will make these structural improvements even more effective. So, let's take a closer look at how we're improving, and at how Gillette builds on those improvements.

Innovation is the starting place. P&G's lifeblood.

We want to be the industry best at consumer and technology driven innovation. We want to set the pace of innovation, and the benchmark for innovation success.

We're becoming an even stronger innovation leader through P&G's connect and develop strategy which links innovation and technologies across businesses, geographies, and disciplines.

No other consumer products company can create as many internal linkages as we can because no other company has the diversity of businesses, markets, and technologies that we have.

At the same time, no other CPG company can create as many external linkages as we can because no other company can attract as many quality innovation partners – partners who prefer P&G because of its brand line-up, its technology expertise, and its commercialization ability.

Gillette takes connect-and-develop to an even higher level. As Jim explained, they're already doing this, brilliantly, on their own. The creation of Mach3 Power is a good example. Now, we can connect and develop with an even larger, more diverse combination of technologies and businesses.

The key to understanding how Gillette strengthens P&G innovation is to think of innovation broadly. Ours is not just a story of molecule-driven innovation. It's a story of leading brands, breakthrough technologies, and the power of great design.

We will have 21 of the industry's biggest, strongest innovation platforms. Brands like Olay, Crest, Gillette, and Venus are the innovation leaders of their categories.

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We have complementary consumer knowledge and technologies in oral care, skin care, shaving, hair removal.

Last, we have complementary innovation capabilities, particularly in Design.

How does this make P&G a stronger innovation leader? Let's look at two areas — women's hair removal and men's personal care — as illustrations.

Women's hair removal is a \$9 to 10 billion market projected to grow 8% over the next five years. It's a market in which women are dissatisfied with current experiences. For example, in the U.S., at least one in two women say they're not satisfied with the usage experiences they have today. They find the process time-consuming and difficult. In short, it's a market ripe for innovation.

We can combine Gillette's knowledge of women's hair removal needs with P&G's knowledge of skin care. We can combine technologies to create products that remove hair and condition skin. We can link design capabilities and technologies to improve product performance and usage experiences. And, we can bring these innovations to market with great brands like Olay and Venus.

It's one more virtuous circle. Each company brings unique consumer knowledge that will help us both see more innovation opportunities. We'll deliver innovation breakthroughs with our combined technologies. We'll turn the technologies into experiences that delight consumers with industry-leading design. We'll bring these experiences to market through brands consumers trust and look to for innovation. And, as the innovation delivers benefits and experiences that delight, our brand equities will strengthen and broaden.

Men's personal care is another area with great potential.

Today this is a \$16 billion market growing at above-average rates. Men are buying and using more grooming products. They are becoming more knowledgeable about personal care. And yet, even as they become more interested, they can't find brands they can relate to. Today, in fact, men often have to turn to women's products for skin care — Clinique for men, Nivea for men. Nearly a fourth of men admit to using their wives' or girlfriends' products. But, it's not what they want. Gillette is a great men's brand that with the right technology can meet a much broader range of men's personal care needs — and grow into a far larger franchise.

No other two companies in consumer products can create the same innovation opportunities.

I want to highlight one element of this innovation story — the power of P&G and Gillette as a combined leader in design. This is a benefit of combining our companies that may be less obvious than brands and technologies, but it's equally important.



Design helps build powerful emotional connections that deliver delightful and “wow” experiences in store and at home.

At P&G we are leveraging design to accelerate innovation, and to turn more P&G innovation into greater commercial success.

One effective way to make design meaningful to consumers is through delivery systems designed to improve product performance and usage experiences. Gillette is clearly a leader in this area with Braun having been recognized as best-in-class by New York’s prestigious Museum of Modern Art and several other internationally acclaimed design associations. P&G has been making steady strides, as well, with products such as Olay Regenerist, Tampax Pearl, Mr. Clean Auto Dry, and Febreze Air Effects.

Together, P&G and Gillette can make design an even more important driver of innovation, and an even greater source of advantage in the marketplace.

More, better innovation is where we start.

We then leverage our remaining core strengths – scale, go-to-market capability, and branding – to get the most from all this innovation.

Let’s look first at scale and how Gillette makes us even stronger.

Scale is critical to ensuring we can deliver superior consumer value. It’s the key to commercializing innovation affordably and profitably.

We’re getting more value from P&G scale through greater cash and cost discipline. P&G scientists are leading cost innovation, as well as product innovation. Engineers are setting up low-cost supply chains, including contract manufacturing. Business Services organizations are delivering better services and lower costs. Business units are delivering greater productivity and operating TSR.

As a result, we’re bringing more P&G innovation to market at prices that deliver superior consumer value and strong shareholder value.

Here, too, Gillette makes us better. We can eliminate costs as a combined company that erode consumer value. We’ve identified more than \$1 billion in synergies that we’re confident we can achieve by year three.

We will eliminate administrative overlap by integrating Gillette brands with minimal additions to P&G’s corporate staff.

We can deliver key support functions through P&G's Global Business Services group. GBS delivers best-in-class costs that are not available to Gillette on its own today.

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We also see synergy opportunities in purchasing, manufacturing, and logistics. We'll reduce costs in these areas through increased scale, improved asset utilization, and coordinated purchasing. And we will generate efficiencies in marketing and retail selling.

I'm confident we will find even more opportunities, because Gillette and P&G both have the same constant turn-around mentality. We've both gotten our businesses back on track with rigorous strategic, operating and financial discipline. Both organizations have embraced the idea that we must continually keep getting better, and we must continually find new ways to do more with less.

In short, we can make both P&G and Gillette even more effective and more efficient. This will enable us to provide superior consumer value and greater shareholder returns.

The way we go-to-market is the next area that is helping us get more value from P&G innovation.

P&G's organization structure is the key factor. Market development organizations are now focused exclusively on what they do best: Deeper local consumer understanding; Better shopper knowledge; Stronger customer partnerships; Stronger partnerships with other external stakeholders.

As a result, we have greater capacity to execute with excellence when we go to market. We can commercialize a larger innovation pipeline in more markets, with more customers, simultaneously.

For example, we've doubled the number of initiatives we're delivering per year in big categories like personal beauty care. We've also accelerated the time it takes to expand an initiative globally. We can now roll out a blockbuster initiative like Olay Regenerist in fewer than 12 months, worldwide. Compare that to the 7 years it took for the global roll out of Pantene under the old organization structure.

Once again, Gillette provides us with additional opportunities to get better.

Their billion-dollar brands strengthen the brand line-up we offer to retail customers.

At the same time, we can distribute leading brands like Gillette and Duracell more deeply and cost-effectively through our MDO infrastructure in developing markets.

It's a simple but powerful story: we can bring Gillette brands to more stores. Availability in more stores drives greater trial and more household penetration. More trial and household presence leads to more regular usage and repeat purchase, which results in more sales and profits.

Yet another virtuous circle!

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Here is the opportunity:

On average, developed-market consumers use about three times more product than consumers in developing markets. This is true for P&G categories as well as for razors and blades.

Developing-market consumers are catching up, however. In just five years, consumption of P&G categories has grown, on average, by 20%. Consumption for razors and blades has also grown double digits.

Further, our analysis shows that categories take off at different points as a country's economy develops. Laundry and shampoo are two categories that take off early. In a number of developing markets, we've used P&G leadership in laundry and shampoo to build a foundation for growth. We have built supply and distribution networks for these early-take-off categories through which we can later run our other Beauty Care, Fem Care and Baby Care brands.

China is a good example. Gillette operates three businesses in China: shaving, batteries, and oral care. They are distributed in no more than 60 cities, with emphasis on the four largest — Shanghai, Beijing, Chengdu, and Guangzhou.

P&G markets 14 brands in China, distributed to about 2,000 cities and more than 11,000 towns throughout urban and rural China.

Consequently, we can make Gillette products available to more consumers in more of China. And, as we lower Gillette's distribution costs, we can create more flexibility to fund Gillette's world-class trade-up marketing programs.

We have similar opportunities in other developed and developing markets, such as Japan and Russia.

There are also important growth opportunities in countries like Brazil and India, where we are under-developed today. We believe we can compete more effectively in these markets as a combined company, because we'll have greater scale. With greater scale, we can build the kind of supply and distribution infrastructure we've built in other markets, and we can innovate affordably and profitably.

Our experience clearly supports this. In China, for example, where we have significant scale advantages, we consistently deliver above-average margins. In total, our top eight developing markets — where we have greater scale — deliver more than three times the average profit margins of the eight developing markets where we are still subscale.

Our proven experience demonstrates that as we close scale gaps in markets like India and Brazil, we should be able to grow faster and more profitably together than alone.

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There is one final way we are improving P&G's business model, and getting more value from core strengths. We're getting even better at branding and marketing.

We are defining P&G brand equities more broadly. Pampers stands for babies' care and development. Crest stands for beautiful, healthy smiles for life. Olay stands for all that is beautiful in women.

With these broader equities, we are identifying and commercializing a much bigger pipeline of innovation. Pampers Kandoo is helping moms and toddlers make hygiene independence a development experience. Crest is extending its Beauty equity with White Strips, and its Health equity with Pro-Health Rinse. Olay is expanding the boundaries of healthy, beautiful skin with Daily Facials, Total Effects, Regenerist, and Olay Quench.

We are then getting more out of this bigger innovation pipeline by thinking more expansively about how and where we reach consumers. We're doing a far better job of communicating to consumers in-store. Current data shows that more than half of purchase decisions are made in the store aisle—the crucial first moment of truth. We have placed more emphasis on collaborating with retailers to create the perfect in-store experience—to help consumers discover, learn about, try, and purchase P&G products. We've also reframed our assumptions about how long we can generate new trial on initiatives—with launch and leverage programs that drive trial for two or three years after launch.

The result of all this is increased returns on innovation investment, and strong P&G brand equities. We have improved P&G's initiative success rate by more than 25%, and the total net present value of P&G's portfolio has more than doubled.

Once again, Gillette will help us get even better.

Gillette brands are leaders in structurally advantaged categories. As Jim explained, these are categories with consistently high growth, global brands serving global consumers, and low private-label penetration.

Gillette's trade-up marketing keeps these categories growing with leadership innovation, while continually increasing Gillette sales and margins. This expertise fits well with P&G's focus on creating similar product ladders, which we've done on several brands: Olay Total Effects and Regenerist, Tide with a Touch of Downy and Tide Cold Water, Pampers Baby Stages of Development and Kandoo Toddler Care.

Finally, Gillette brings innovation to market with great product launch expertise and in-store execution.

As a result, Gillette people and Gillette brands will help P&G do an even better job of reaching more consumers... more effectively and more profitably... in more aisles of every store.



The full impact of how our companies get better together is most evident when all the pieces come together.

Faster innovation... delivered affordably and profitably... brought to market with deep local knowledge and strong retail partnerships... and commercialized more successfully and consistently... is what leads to sustained growth and superior shareholder returns. This is what P&G brings on its own today.

Add Gillette brands, technologies, and design to P&G innovation...

Add Gillette's synergies and constant turn-around mentality to P&G's cash and cost discipline...

Add Gillette's developing market opportunity and trade up capability to P&G's unique go-to-market strength...

Add Gillette's marketing brilliance to the work we're both doing to get more value from our big leading brands...

And you get what we think of as The Gillette Dynamic: more wins with consumers at the first and second moments of truth... on more brands... in more markets... and in more aisles of every retailer's store... and greater returns for shareholders.

Now is the time to take P&G and Gillette to the next level. I am confident we can and will...

... And that's why we are confident in raising P&G's growth targets for the balance of this decade, to 2010.

When we combine these two world-class companies, we can confidently deliver 5-7% sales growth with 24-25% operating margins, leading to double-digit EPS growth through the end of the decade and beyond.

What I hope Jim and I have been able to demonstrate here today is that:

NOW is the right time for Gillette to partner for sustained, long-term growth

P&G is the right industry-leading partner for Gillette

The combination of Gillette and P&G creates one of the world's best consumer products companies...

And THAT is a great deal for consumers, customers, employees and shareholders alike.

Thank you.



On February 24, 2005, A.G. Lafley, Chairman of the Board, President and Chief Executive of Procter & Gamble, gave a presentation at the Consumer Analysts Group of New York Annual Conference. The presentation included some measures that are not defined under accounting principles generally accepted in the United States of America (U.S. GAAP). The following provides definitions of the non-GAAP measures used in the presentation and the reconciliation to the most closely related GAAP measure. **Note:** Sales growth percentages presented are approximations based on quantitative formulas consistently applied.

**Organic Sales.** Organic sales growth is a non-GAAP measure of reported sales growth excluding the estimated impacts of acquisitions and divestitures and foreign exchange from year-over-year comparisons. The Company believes this provides investors with a more complete understanding of underlying results and trends of the base businesses by providing sales on a consistent basis. The reconciliation of reported sales growth to organic sales growth for Procter & Gamble:

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>Six Months Ended Dec04</u>
Reported Sales Growth	3%	8%	19%	11%
Acquisitions & Divestitures Impact	3%	0%	7%	2%
FX Impact	<u>-1%</u>	<u>2%</u>	<u>4%</u>	<u>3%</u>
<b>Organic Sales (Ex: A&amp;D, FX)</b>	<b>1%</b>	<b>6%</b>	<b>8%</b>	<b>6%</b>

A specific reference was made to organic sales growth for Procter & Gamble's combined Health Care and Beauty Care businesses:

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>JAS04</u>	<u>OND04</u>
Reported Sales Growth	9%	15%	34%	19%	10%
Acquisitions & Divestitures Impact	5%	4%	18%	11%	0%
FX Impact	<u>-2%</u>	<u>3%</u>	<u>4%</u>	<u>3%</u>	<u>3%</u>
<b>Organic Sales (Ex: A&amp;D, FX)</b>	<b>6%</b>	<b>8%</b>	<b>12%</b>	<b>5%</b>	<b>7%</b>

**Sales Growth Excluding Foreign Exchange.** The presentation includes a discussion of segment sales growth excluding the impact of foreign exchange from year-over-year comparisons. The Company believes this provides investors with a more complete understanding of the underlying trends of sales growth. The Foundation Businesses include the combined results of Procter & Gamble's Fabric & Home Care, Baby & Family Care, and Snacks & Coffee businesses.

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>JAS04</u>	<u>OND04</u>
Foundation Businesses Reported Growth	-1%	7%	9%	10%	10%
FX Impact	-2%	2%	3%	3%	2%

**Core Diluted Net Earnings Per Share Growth.** Core diluted net earnings per share referenced in this presentation exclude restructuring charges from reported diluted net earnings per share. The table below provides a reconciliation of Procter & Gamble's reported diluted net earnings per share to core diluted net earnings per share. In JAS04, Procter & Gamble completed the sales of the Juice Business. The year-over-year impact to diluted net earnings per share was \$0.02, or 3%.

	<u>FY02</u>	<u>FY03</u>	<u>FY04</u>	<u>JAS04</u>	<u>OND04</u>
Diluted Net Earnings Per Share	\$1.54	\$1.85	\$2.32	\$0.73	\$0.74

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Percent Change v. Year Ago	50%	20%	25%	16%	14%
Core Diluted Net Earnings Per Share	\$1.80	\$2.04	\$2.32	\$0.73	\$0.74
Percent Change v. Year Ago	10%	13%	14%	16%	14%

The restructuring program began in 1999 as part of the Company's Organization 2005 initiative and was substantially completed at the end of fiscal year 2003. Restructuring program charges include separation related costs, asset write-downs, accelerated depreciation and other costs directly associated with the Company's reorganization. Restructuring program charges are not included in business segment results, but instead are reported in corporate. The Company believes investors gain additional perspective of underlying business trends and results by providing a measure of earnings excluding restructuring program charges particularly now that the program is completed. This is consistent with the Company's business segment reporting and internal management goal-setting, and is a factor used in determining at-risk compensation levels. A historical reconciliation of reported-to-core financials during the Organization 2005 initiative is available on the Company's website at [www.pg.com/investor](http://www.pg.com/investor). The Company continues to conduct projects consistent with the focus of productivity improvement and margin expansion. Beginning with fiscal year 2004, charges associated with these projects are absorbed in normal operating costs.



ADDITIONAL INFORMATION AND WHERE TO FIND IT

In connection with the proposed merger, The Procter & Gamble Company ( P&G ) and The Gillette Company ( Gillette ) will file a joint proxy statement/prospectus with the Securities and Exchange Commission. INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the joint proxy statement/prospectus (when available) and other documents filed by P&G and Gillette with the Commission at the Commission's web site at <http://www.sec.gov>. Free copies of the joint proxy statement/prospectus, once available, and each company's other filings with the Commission may also be obtained from the respective companies. Free copies of P&G's filings may be obtained by directing a request to The Procter & Gamble Company, Investor Relations, P.O. Box 599, Cincinnati, Ohio 45201-0599. Free copies of Gillette's filings may be obtained by directing a request to The Gillette Company, Investor Relations, Prudential Tower, Boston, Massachusetts, 02199-8004.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PARTICIPANTS IN THE SOLICITATION

P&G, Gillette and their respective directors, executive officers and other members of their management and employees may be soliciting proxies from their respective stockholders in favor of the merger. Information concerning persons who may be considered participants in the solicitation of P&G's stockholders under the rules of the Commission is set forth in the Proxy Statement filed by P&G with the Commission on August 27, 2004, and information concerning persons who may be considered participants in the solicitation of Gillette's stockholders under the rules of the Commission is set forth in the Proxy Statement filed by Gillette with the Commission on April 12, 2004.