

BLACKROCK LTD DURATION INCOME TRUST

Form POS 8C

December 15, 2014

As filed with the Securities and Exchange Commission on December 15, 2014

Securities Act Registration No. 333-194575

Investment Company Act Registration No. 811-21349

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

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ý Registration Statement under the Securities Act of 1933  
    .. Pre-Effective Amendment No.  
    ý Post-Effective Amendment No. 2  
        and/or  
ý Registration Statement Under the Investment Company Act of 1940  
    ý Amendment No. 6

—  
BlackRock Limited Duration Income Trust  
(Exact Name of Registrant as Specified in Charter)

100 Bellevue Parkway  
Wilmington, Delaware 19809  
(Address of Principal Executive Offices)

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

John Perlowski, President  
BlackRock Limited Duration Income Trust  
55 East 52nd Street  
New York, New York 10055  
(Name and Address of Agent for Service)

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Copies to:

Thomas A. DeCapo, Esq.  
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500 Boylston Street  
Boston, Massachusetts 02116

Janey Ahn, Esq.  
BlackRock Advisors, LLC  
55 East 52nd Street  
New York, New York 10055

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

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

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THE REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATES AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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SUBJECT TO COMPLETION, DATED DECEMBER 15 , 2014

3,750,000 Shares

BlackRock Limited Duration Income Trust  
Common Shares

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PART I

INFORMATION ABOUT BLACKROCK LIMITED DURATION INCOME TRUST

Item 1. Outside Front Cover

1.a. The registrant's name is BlackRock Limited Duration Income Trust (the "Fund").

1.b. The Fund is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end management investment company. The Fund's investment objective is to provide current income and capital appreciation. There can be no assurance that the Fund's investment objective will be achieved or that the Fund's investment program will be successful. The Fund's investment objective may be changed by the Fund's Board of Trustees (the "Board," and each member, a "Trustee") without prior shareholder approval.

The Fund pursues its objective by investing primarily in three distinct asset classes:

- intermediate duration, investment grade corporate bonds, mortgage related securities and asset-backed securities and U.S. Government and agency securities;
- senior, secured floating rate loans made to corporate and other business entities; and
- U.S. dollar-denominated securities of U.S. and non-U.S. issuers rated below investment grade and, to a limited extent, non-U.S. dollar denominated securities of non-U.S. issuers rated below investment grade. Debt securities rated below investment grade commonly are referred to as "junk bonds."

The Fund may invest directly in such securities or synthetically through the use of derivatives. There is no limit on the amount of credit derivative transactions that may be entered into by the Fund. BlackRock Advisors, LLC, the Fund's investment adviser (the "Investment Advisor"), has broad discretion to allocate the Fund's assets among these three principal asset classes.

1.c. The Fund is offering up to 3,750,000 common shares.

1.d. You should read this Prospectus, which concisely sets forth information about the Fund, before deciding whether to invest in the Fund's common shares and retain it for future reference. Additional information about the Fund and materials incorporated by reference have been filed with the Securities and Exchange Commission (the "SEC") and are available upon either written or oral request, free of charge, by calling 1-800-882-0052, by writing to the Fund, or may be found on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also request a copy of this Prospectus, annual and semi-annual reports, other information about the Fund, and/or make investor inquiries by calling 1-800-882-0052, or by writing to the Fund. The Fund's annual and semi-annual reports are also available on the Fund's website at [www.blackrock.com](http://www.blackrock.com) free of charge. This reference to BlackRock's website is intended to allow public access to information regarding the Fund and does not, and is not intended to, incorporate

BlackRock's website into this Prospectus.

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

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

1.e. This Prospectus is dated 2014.

1.f. Not applicable.

1.g. The Fund's common shares are listed on the New York Stock Exchange ("NYSE") under the symbol "BLW." Sales of the Fund's common shares, if any, under this Prospectus may be made in transactions that are deemed to be "at the market" as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), including sales made directly on the NYSE. The minimum price on any day at which Fund common shares may be sold will not be less than the current net asset value ("NAV") per share plus the per share amount of the commission to be paid to the Fund's distributor (the "Minimum Price"), BlackRock Investments, LLC (the "Distributor"). The Fund and the Distributor will determine whether any sales of the Fund's common shares will be authorized on a particular day; the Fund and the Distributor, however, will not authorize sales of the Fund's common shares if the per share price of the shares is less than the Minimum Price. The Fund and the Distributor may also not authorize sales of the Fund's common shares on a particular day even if the per share price of the shares is equal to or greater than the Minimum Price, or may only authorize a fixed number of shares to be sold on any particular day. The Fund and the Distributor will have full discretion regarding whether sales of Fund common shares will be authorized on a particular day and, if so, in what amounts. As of December 5, 2014, the last reported sale price for the Fund's common shares on the NYSE was \$ 15.94 per share.

The Distributor has entered into a dealer agreement, dated May 2, 2014 (the "Dealer Agreement"), with UBS Securities LLC (the "Dealer") with respect to the Fund relating to the common shares offered by this Prospectus. In accordance with the terms of the Dealer Agreement, the Fund may offer and sell its common shares from time to time through the Dealer as sub-placement agent for the offer and sale of its common shares. The Fund will compensate the Distributor with respect to sales of common shares at a commission rate of 1.00% of the gross proceeds of the sale of the Fund's common shares. Out of this commission, the Distributor will compensate broker-dealers at a rate of up to 0.80% of the gross sales proceeds of the sale of the Fund's common shares sold by that broker-dealer.

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

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

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

downward pressure on the market price for the Fund's common shares. Common shares of closed-end investment companies frequently trade at a discount from NAV, which may increase investors' risk of loss.

1.j. Investing in the Fund's common shares involves certain risks that are described in Item 8.3 beginning on page I-23 of Part I of this Prospectus, and under Item 8 in Part II of this Prospectus under "Risk Factors," beginning on page II-36 of Part II. Certain of these risks are summarized in Item 3.2 beginning on page I-10 of Part I of this Prospectus.

1.k. Not applicable.

2. Not applicable.

Item 2. Cover Pages; Other Offering Information

1. Exchange listing: see Item 1.g.

2. Not applicable.

3. Not applicable.

Item 3. Fee Table and Synopsis

1. Shareholder Transaction Expenses

Sales load paid by you (as a percentage of offering price)	1.00%(1)
Offering expenses borne by the Fund (as a percentage of offering price)	0.02%(2)
Dividend reinvestment plan fees	\$0.02 per share for open-market purchases of common shares(3)

Percentage of net assets attributable to common shares

Annual Expenses	
Management fees(4)	0.79%
Interest expense(5)	0.21%
Other expenses(6)	0.14%
Total annual expenses(7)	1.14%

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

(2) Based on Minimum Price as of December 5, 2014. Offering expenses generally include, but are not limited to, the preparation, review and filing with the SEC of the Fund's registration statement (including this Prospectus), the preparation, review and filing of any associated marketing or similar materials, costs associated with the printing, mailing or other distribution of the Prospectus and/or marketing materials, associated filing fees, NYSE listing fees, and legal and auditing fees associated with the offering.

(3) The Reinvestment Plan Agent's (as defined under "Item 10—Dividend Reinvestment Plan" in Part II) fees for the handling of the reinvestment of dividends will be paid by the Fund. However, you will pay a \$0.02 per share fee

incurred in connection with open-market purchases, which will be deducted from the value of the dividend. You will also be charged a \$2.50 sales fee and pay a \$0.15 per share fee if you direct the Reinvestment Plan Agent to sell your common shares held in a dividend reinvestment account. Per share fees include any applicable brokerage commissions the Reinvestment Plan Agent is required to pay.

- (4) The Fund currently pays BlackRock Advisors, LLC, its investment adviser, a contractual management fee at an annual rate of 0.55% based on an aggregate of (i) the Fund's average weekly net assets and (ii) the proceeds of any outstanding borrowings used for leverage ("average weekly Managed Assets"). The Fund uses leverage, in the form of reverse repurchase agreements, which as of August 31, 2014 amounted to approximately 31 % of the Fund's Managed Assets (approximately 44% of the Fund's net assets). "Managed Assets" means the total assets of the Fund (including any assets attributable to money borrowed for investment purposes) minus the sum of the Fund's accrued liabilities (other than money borrowed for investment purposes). The Fund's net assets attributable to common shares are the Fund's Managed Assets minus the value of the Fund's assets attributable to money borrowed for investment purposes. Thus, when the Fund uses leverage, its net assets attributable to common shares are less than its Managed Assets and its expenses (including the management fee) stated as a percentage of its net assets attributable to common shares are greater than they would be if stated as a percentage of its Managed Assets. This table reflects the fact that you, as a common shareholder, bear the expenses of the Fund's use of leverage in the form of higher fees as a percentage of the Fund's net assets attributable to common shares than if the Fund did not use leverage.

(5) Reflects leverage, in the form of reverse repurchase agreements, in an amount equal to approximately 31 % of the Fund's Managed Assets (approximately 44% of the Fund's net assets) as of August 31, 2014. The interest expense borne by the Fund will vary over time in accordance with the level of the Fund's use of leverage and variations in market interest rates. Interest expense is required to be treated as an expense of the Fund for accounting purposes.

(6) Based on the fiscal year ended August 31, 2014.

(7) Represents total annual expenses including interest expense. The total annual expense excluding interest expense is 0.93 %.

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

The following example illustrates the expenses (including the sales load of \$10 and offering costs of \$0.17 that you would pay on a \$1,000 investment in common shares, assuming (i) total annual expenses of 1.14% of net assets attributable to common shares in years 1 through 10, and (ii) a 5% annual return:

	1 Year	3 Years	5 Years	10 Years
Total expenses incurred	\$22	\$46	\$72	\$147

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

#### Capitalization

The Fund may offer and sell up to 3,750,000 common shares, \$0.001 par value per share, from time to time through the Dealer as sub-placement agent under this Prospectus. There is no guarantee that there will be any sales of the Fund's common shares pursuant to this Prospectus. The table below assumes that the Fund will sell 3,750,000 common shares at a price of \$ 17.81 per share ( which represents a small premium to the Minimum Price – i.e., NAV plus sales load per share of the Fund's common shares – on December 5 , 2014). Actual sales, if any, of the Fund's common shares under this Prospectus may be greater or less than \$ 17.81 per share, depending on the market price of the Fund's common shares at the time of any such sale and/or the Fund's NAV for purposes of calculating the Minimum Price. The Fund and the Distributor will determine whether any sales of the Fund's common shares will be authorized on a particular day; the Fund and the Distributor, however, will not authorize sales of the Fund's common shares if the per share price of the shares is less than the Minimum Price. The Fund and the Distributor may also not authorize sales of the Fund's common shares on a particular day even if the per share price of the shares is equal to or greater than the Minimum Price, or may only authorize a fixed number of shares to be sold on any particular day. The Fund and the Distributor will have full discretion regarding whether sales of Fund common shares will be authorized on a particular day and, if so, in what amounts.

The following table sets forth the Fund's capitalization (1) on a historical basis as of August 31, 2014 (audited); and (2) on a pro forma as adjusted basis to reflect the assumed sale of 3,750,000 common shares at \$ 17.81 per share, in an offering under this Prospectus, after deducting the assumed commission of

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\$ 675,000 (representing an estimated commission to the Distributor of 1.00% of the gross proceeds of the sale of Fund common shares, out of which the Distributor will compensate broker-dealers at a rate of up to 0.80% of the gross sales proceeds of the sale of the Fund's common shares sold by that broker-dealer).

	As of August 31, 2014 (audited)	Pro Forma (unaudited) As adjusted
Common shares outstanding, \$0.001 par value per share	37,003,854	40,753,854
Paid-in capital	\$703,327,827	\$769,440,327
Undistributed net investment income	\$553,777	\$553,777
Accumulated net realized loss	\$(49,298,832 )	\$(49,298,832 )
Net unrealized appreciation (depreciation)	\$14,799,625	\$14,799,625
Net Assets	\$669,382,397	\$735,494,897
Net asset value per share	\$18.09	\$18.05

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

**The Fund**                      BlackRock Limited Duration Income Trust is registered under the 1940 Act, as a diversified, closed-end management investment company and has been operational since 2003.

**The Offering**                      The Fund is offering up to 3,750,000 common shares in transactions that are deemed to be "at the market" as defined in Rule 415 under the Securities Act, including sales made directly on the NYSE. The minimum price on any day at which Fund common shares may be sold will not be less than the current NAV per share plus the per share amount of the commission to be paid to the Distributor. The Fund and the Distributor will determine whether any sales of the Fund's common shares will be authorized on a particular day; the Fund and the Distributor, however, will not authorize sales of the Fund's common shares if the per share price of the shares is less than the Minimum Price. The Fund and the Distributor may also not authorize sales of the Fund's common shares on a particular day even if the per share price of the shares is equal to or greater than the Minimum Price, or may only authorize a fixed number of shares to be sold on any particular day. The Fund and the Distributor will have full discretion regarding whether sales of Fund common shares will be authorized on a particular day and, if so, in what amounts. As of December 5 , 2014, the last reported sale price for the Fund's common shares on the NYSE was \$ 15.94 per share.

The Distributor has entered into the Dealer Agreement with the Dealer with respect to the Fund relating to the common shares offered by this Prospectus. In accordance with the terms of the Dealer Agreement, the Fund may offer and sell its common shares from time to time through the Dealer as sub-placement agent for the offer and sale of its common

shares. The Fund will compensate the Distributor with respect to sales of common shares at a commission rate of 1.00% of the gross proceeds of the sale of the Fund's common shares. Out of this commission, the Distributor will compensate broker-dealers at a rate of up to 0.80% of the gross sales proceeds of the sale of the Fund's common shares sold by that broker-dealer.

The Fund's common shares have traded both at a premium and a discount to NAV. The Fund cannot predict whether its common shares will trade at a premium or discount to NAV in the future. The provisions of the 1940 Act generally require that the public offering price of common shares (less any underwriting commissions and discounts) must equal or exceed the NAV per share of a company's common shares (calculated within 48 hours of pricing). The Fund's issuance of common shares may have an adverse

effect on prices for the Fund's common shares in the secondary market by increasing the number of common shares available, which may put downward pressure on the market price for the Fund's common shares. Common shares of closed-end investment companies frequently trade at a discount from NAV, which may increase investors' risk of loss.

**Investment Objective**

The Fund's investment objective is to provide current income and capital appreciation. There can be no assurance that the Fund's investment objective will be achieved or that the Fund's investment program will be successful. The Fund's investment objective may be changed by the Board without prior shareholder approval.

**Investment Strategy**

BlackRock Advisors, LLC is the Fund's investment adviser. BlackRock Financial Management, Inc., the Investment Advisor's affiliate, served as the sub-adviser for the Fund until July 1, 2014 when the sub-advisory agreement between the Investment Advisor and BlackRock Financial Management, Inc. expired.

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

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

BlackRock will consider relative values among issuers based on anticipated cash flow, interest or dividend coverage, asset coverage and earnings prospects. Using these tools, BlackRock will seek to add consistent value and control performance volatility consistent with the Fund's investment objectives and policies. BlackRock believes this strategy should enhance the Fund's ability to achieve its investment objective. In managing the assets of the Fund, BlackRock will utilize an active management approach that stresses the flexibility to reallocate investments as appropriate. BlackRock will diversify the Fund's portfolio of assets in an effort to minimize exposure to individual securities, issuers and industries.

BlackRock's analysis continues on an ongoing basis for any securities in which the Fund has invested. Although BlackRock uses due care in making such analysis, there can be no assurance that such analysis will

reveal factors that may impair the value of such securities.

Investment Policies The Fund pursues its objective by investing primarily in three distinct asset classes:

- intermediate duration, investment grade corporate bonds, mortgage related securities and asset-backed securities and U.S. Government and agency securities;
- senior, secured floating rate loans made to corporate and other business entities; and
- U.S. dollar-denominated securities of U.S. and non-U.S. issuers rated below investment grade and, to a limited extent, non-U.S. dollar denominated securities of non-U.S. issuers rated below investment grade.

The Fund may invest directly in such securities or synthetically through the use of

derivatives. The Investment Advisor has broad discretion to allocate the Fund's assets among these three principal asset classes.

The Fund's portfolio normally has an average portfolio duration of less than five years (including the effect of anticipated leverage), although it may be longer from time to time depending on market conditions. In comparison to maturity (which is the date on which the issuer of a debt instrument is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result in changes in market rates of interest, based on the weighted average timing of the instrument's expected principal and interest payments. Specifically, duration measures the anticipated percentage change in NAV that is expected for every percentage point change in interest rates. The two have an inverse relationship. Duration can be a useful tool to estimate anticipated price changes to a fixed pool of income securities associated with changes in interest rates. For example, a duration of five years means that a 1% decrease in interest rates will increase the net asset value of the portfolio by approximately 5%; if interest rates increase by 1%, the net asset value will decrease by 5%. However, in a managed portfolio of fixed income securities having differing interest or dividend rates or payment schedules, maturities, redemption provisions, call or prepayment provisions and credit qualities, actual price changes in response to changes in interest rates may differ significantly from a duration-based estimate at any given time. Actual price movements experienced by a portfolio of fixed income securities will be affected by how interest rates move (i.e., changes in the relationship of long term interest rates to short term interest rates), the magnitude of any move in interest rates, actual and anticipated prepayments of principal through call or redemption features, the extension of maturities through restructuring, the sale of securities for portfolio management purposes, the reinvestment of proceeds from prepayments on and from sales of securities, and credit quality-related considerations whether associated with financing costs to lower credit quality borrowers or otherwise, as well as other factors. Accordingly, while duration maybe a useful tool to estimate potential price movements in relation to changes in interest rates, investors are cautioned that duration alone will not predict actual changes in the net asset or market value of the Fund's shares and that actual price movements in the Fund's portfolio may differ significantly from duration-based estimates. Duration differs from maturity in that it takes into account a security's yield, coupon payments and its principal payments in addition to the amount of time until the security finally matures. As the value of a security changes over time, so will its duration. Prices of securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. In general, a portfolio of securities with a longer duration can be expected to be more sensitive to interest rate changes than a portfolio with a shorter duration.

The Fund is intended to have a relatively low level of interest rate risk compared to investment portfolios of similar credit quality but with longer durations. Certain of the Fund's other strategies, however, may result in an above average amount of risk and volatility or loss of principal. Therefore, this type of investment may be inappropriate for your risk profile. There is no assurance that the Fund will achieve its investment objective. The Fund is not intended as a complete investment program.

The Fund anticipates that, under normal market conditions, a significant portion of its Managed Assets will be invested in securities rated below investment grade, such as those rated Ba or lower by Moody's Investor's Service, Inc. ("Moody's") and BB or lower by Standard & Poor's Corporation Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") or securities comparably rated by other rating agencies or in unrated securities determined by the Investment Advisor to be of comparable quality. High yield securities commonly are referred to as "junk" bonds. The Fund may invest in individual securities of any credit quality.

The Fund may also invest in investment grade securities, which are securities rated at

least BBB– as determined by S&P, Baa3 as determined by Moody's or, if unrated, determined to be of comparable quality by the Investment Advisor. When Investment Advisor believes it to be in the best interests of the Fund's shareholders, the Fund will reduce its investment in lower grade securities and, in certain market conditions, the Fund may invest none of its assets in lower grade securities.

The Fund may invest without limitation in U.S. dollar denominated securities of non-U.S. issuers and, to a limited extent, non-U.S. dollar-denominated securities of non-U.S. issuers ("Foreign Securities"), including up to 20% of its Managed Assets in issuers located in emerging market countries. The Fund can hold no more than 10% of its Managed Assets in non-U.S. dollar-denominated Foreign Securities.

The Fund may invest in mortgage-related securities, which include collateralized mortgage obligations, stripped mortgage-backed securities, mortgage pass-through securities, interests in real estate mortgage investment conduits ("REMICs"), real estate investment trusts ("REITs"), including debt and preferred stock issued by REITs, as well as other real estate-related securities. The mortgage-related securities in which the Fund may invest include those with fixed, floating or variable interest rates, those with interest rates that change based on multiples of changes in a specified index of interest rates and those with interest rates that change inversely to changes in interest rates, as well as those that do not bear interest. The Fund may invest in residential and commercial mortgage-related securities issued by governmental entities and private issuers, including subordinated mortgage-related securities. Although the Fund may invest in residential and commercial mortgage-related securities issued by governmental entities and private issuers, the Fund expects that most of such investments will be limited to commercial mortgage-related securities, in which the Fund will not invest more than 15% of its Managed Assets.

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

#### Leverage

The Fund currently utilizes leverage for investment purposes in the form of reverse repurchase agreements. As of August 31, 2014, this leverage represented approximately 31% of the Fund's Managed Assets (approximately 44% of the Fund's net assets). The Fund may borrow from banks and other financial institutions and may also borrow additional funds using such investment techniques as the Investment Advisor may from time to time determine. Of these investment techniques, the Fund expects primarily to use reverse repurchase agreements and dollar rolls. The Fund has the ability to utilize leverage through borrowings in an amount up to 33 1/3% of the value of its

Managed Assets (which includes the amount obtained from such borrowings).

The Fund also has the ability to utilize leverage through the issuance of preferred shares in an amount up to 50% of the value of its Managed Assets (which includes the amount obtained from such issuance). The Fund does not currently anticipate issuing any preferred shares; thus, the Fund will limit its borrowing to 33 1/3% of the Fund's Managed Assets. If preferred shares are issued, however, the Fund's borrowing limit will be proportionately reduced so that the Fund's aggregate leverage will not exceed 33 1/3% of the Fund's Managed Assets.

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

The use of leverage is subject to numerous risks. When leverage is employed, the NAV and market price of the common shares and the yield to holders of common shares will be more volatile than if leverage were not used. For example, a rise in short-term interest rates, which currently are near historically low levels, will cause the Fund's NAV to

decline more than if the Fund had not used leverage. A reduction in the Fund's NAV may cause a reduction in the market price of its common shares. The Fund cannot assure you that the use of leverage will result in a higher yield on the common shares. When the Fund uses leverage, the management fee payable to the Investment Advisor will be higher than if the Fund did not use leverage because these fees are calculated on the basis of the Fund's Managed Assets, which include the proceeds of leverage. The Fund's leveraging strategy may not be successful.

See "Risk Factors—Leverage Risk" under Item 8 in Part II.

**Investment Advisor** BlackRock Advisors, LLC is the Fund's investment adviser. BlackRock Financial Management, Inc., the Investment Advisor's affiliate, served as the sub-advisor for the Fund until July 1, 2014 when the sub-advisory agreement between the Investment Advisor and BlackRock Financial Management, Inc. expired. The Investment Advisor receives an annual fee, payable monthly, in an amount equal to 0.55% of the average weekly value of the Fund's Managed Assets.

**Distributions** The Fund intends to make regular monthly cash distributions of all or a portion of its net investment income to holders of the Fund's common shares. The Fund intends to pay any capital gains distributions at least annually. A return of capital distribution may involve a return of the shareholder's original investment. Though not currently taxable, such a distribution may lower a shareholder's basis in the Fund, thus potentially subjecting the shareholder to future tax consequences in connection with the sale of Fund shares, even if sold at a loss to the shareholder's original investment. When total distributions exceed total return performance for the period, the difference will reduce the Fund's total assets and NAV and, therefore, could have the effect of increasing the Fund's expense ratio and reducing the amount of assets the Fund has available for long term investment.

Shareholders will automatically have all dividends and distributions reinvested in common shares of the Fund in accordance with the Fund's dividend reinvestment plan, unless an election is made to receive cash by contacting the Reinvestment Plan Agent (as defined herein), at (800) 699-1236. See "Dividend Reinvestment Plan" under Item 10 in Part II.

The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time and may do so without prior notice to common shareholders. See Item 10.1 in Part I and "Distributions" under Item 10 in Part II.

**Listing** The Fund's common shares are listed on the NYSE under the symbol "BLW."

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

The issuance of additional common shares pursuant to this Prospectus may also have an adverse effect on prices for the Fund's common shares in the secondary market by increasing the supply of common shares available for sale.