QUADRAMED CORP
Form 10-Q
May 15, 2001

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ___________ TO ___________

COMMISSION FILE NUMBER: 0-21031

QUADRAMED CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	52-1992861 (I.R.S. EMPLOYER IDENTIFICATION NO.)
22 PELICAN WAY SAN RAFAEL, CA 94901 (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	94901 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (415) 482-2100

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

As of May 11, 2001, there were 25,754,696 shares of the Registrant's Common Stock outstanding, par value $0.01. This quarterly report on Form 10-Q consists of 29 pages of which this is page 1. The Exhibit Index is located at page 28.

QUADRAMED CORPORATION

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CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	March 31 2001 (Unaudited
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 42,87
Restricted cash	7,51
Short-term investments	2,06
Accounts receivable, net of allowance for uncollectible accounts of $2,680 and $2,404, respectively	41,98
Unbilled receivables	6,83
Notes and other receivables	60
Prepaid expenses and other current assets	2,17
Total current assets	104,04
Long-Term Investments	1,00
Long-Term Notes Receivable	3,60
Equipment, at cost:	
Equipment	29,33
Less accumulated depreciation and amortization	(21,14
Equipment, net	8,18
Capitalized Software Development, net of accumulated	

amortization of $6,263 and $5,517, respectively		8,96
Acquired Software, net of accumulated amortization of $3,666 and $3,441, respectively		1,15
Intangibles, net of accumulated amortization of $18,890 and $17,443, respectively		27,14
Marketable Investments		56
Other Long Term Assets		6,14
Total Assets	$	160,81

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Current maturities of capital lease obligations	$	11
Accounts payable		37
Accrued payroll and related		7,04
Accrued interest		2,51
Other accrued liabilities		9,66
Deferred revenue		20,54
Total current liabilities		40,25
Capital Lease Obligations, less current portion		9
Convertible Subordinated Debentures		115,00
Net Liabilities of Discontinued Operations		4,13
Total liabilities		159,47
Stockholders' Equity:		
Common stock, $0.01 par, 50,000 shares authorized, 25,755 shares issued and outstanding		19
Additional paid-in-capital		268,48
Accumulated other comprehensive loss		(4,08
Accumulated deficit		(263,25
Total stockholders' equity		1,33
Total Liabilities and Stockholders' Equity	$	160,81

The accompanying notes are an integral part of these condensed consolidated financial statements.

QUADRAMED CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

THREE MONTHS
MARCH

2001

Revenues:		
Licenses	$	22,441
Services		10,367
Total revenues		32,808
Operating Expenses:		
Cost of licenses		6,354
Cost of services		4,698
General and administration		13,846
Sales and marketing		3,832
Research and development		3,523
Amortization of intangibles and acquired software		1,671
Impairment of intangible assets		0
Non recurring charges		0
Total operating expenses		33,924
Loss from Operations		(1,116)
Other Income (Expense):		
Interest (expense)		(1,658)
Interest income		551
Other income (expense), net		(628)
Total other (expense), net		(1,735)
Loss Before Income Taxes		(2,851)
Income tax (provision) benefit		(81)
Loss from Continuing Operations		(2,932)
Income from discontinued operations (net of tax)		0
Net Loss Available to Common Stockholders	$	(2,932)
Basic and Diluted Net Loss per Share from Continuing Operations	$	(0.11)
Basic and Diluted Net Income per Share from Discontinued Operations	$	--
Basic and Diluted Net Loss per Share Available to Common Stockholders	$	(0.11)
Weighted Average Common and Equivalent Shares Outstanding:		
Basic and Diluted		25,755

(1) Prior year financial statements have been restated to present the Release of Information ("ROI") Division as a discontinued operation.
(2) Prior year financial statements have been restated to be consistent with current year reclassification of cost of licenses, cost of services, general and administration, sales and marketing, and research and development.

The accompanying notes are an integral part of these condensed consolidated financial statements

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QUADRAMED CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Cash Flows from Operating Activities:	
Net loss	$
Adjustments to reconcile net loss to net cash used for operating activities:	
Depreciation and amortization	
Amortization of deferred compensation	
Write-off of long term investments	
Write-off of capital software	
Impairment of intangible assets	
Noncash settlement of litigation	
Cash flows from discontinued operations	
Changes in assets and liabilities, net of acquisitions:	
Accounts receivable and unbilled receivables, net	
Prepaid expenses and other	
Accounts payable and accrued liabilities	
Deferred revenue	
Cash provided by (used in) operating activities	
Cash Flows from Investing Activities:	
Cash paid for the acquisition of other companies, net of cash acquired	
Maturity (purchase) of available-for-sale securities, net	
Additions to equipment	
Disposal of equipment	
Change in restricted cash	
Capitalization of computer software development costs	
Cash provided by investing activities	
Cash Flows from Financing Activities:	
Payments of principal on capital lease obligations	
Borrowings (repayments) under notes and loans payable	
Issuance of common stock through Employee Stock Purchase Plan	
Proceeds from exercise of common stock options and warrants to purchase common stock	
Cash (used in) provided by financing activities	
Net increase in cash and cash equivalents	
Cash and Cash Equivalents, beginning of period	
Cash and Cash Equivalents, end of period	$

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Supplemental Disclosure of Cash Flow Information:	
Cash paid for taxes	$

(1) Prior year financial statements have been restated to present the Release of Information ("ROI") Division as a discontinued operation.

The accompanying notes are an integral part of these condensed consolidated financial statements.

QUADRAMED CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2001

1. QUADRAMED CORPORATION

QuadraMed Corporation is a healthcare information technology leader with software, web-enabled solutions, and professional consulting services that enable hospitals and providers to efficiently and effectively manage their delivery of healthcare. QuadraMed provides products and services facilitating all facets of healthcare information management, including clinical, patient, financial, compliance, and managed care. QuadraMed serves more than half of the U.S. hospitals and supports global healthcare initiatives with a dedicated staff of over 1000 professionals.

QuadraMed was incorporated in California in 1993 and reincorporated in Delaware in 1996. Its stock is publicly traded under the symbol "QMDC" on the Nasdaq SmallCap Market. From October 16, 1996 to August 30, 2000, QuadraMed's stock was traded on the Nasdaq National Market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

(a) Basis of Presentation and Principles of Consolidation

These condensed consolidated financial statements include the accounts of QuadraMed Corporation and all significant business divisions and subsidiaries (hereinafter "QuadraMed") and have been prepared in conformity with (i) generally accepted accounting principles; and (ii) the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). All significant intercompany accounts and transactions between QuadraMed and its subsidiaries are eliminated in consolidation.

These financial statements reflect all adjustments that are, in management's opinion, necessary for a fair presentation of our results of operations and financial condition. All adjustments that have been included in these financial statements are of a normal recurring nature.

Results of QuadraMed's Release Of Information ("ROI") Division are reported as discontinued operations because control of that business was transferred in May of 2000. Unless otherwise indicated, amounts in these statements exclude the effects of all discontinued operations.

(b) Reclassifications

Certain reclassifications have been made to the 2000 consolidated financial statements to conform to the 2001 presentation. Specifically, March 31, 2000 financial statements have been restated to be consistent with the current classification of cost of licenses, cost of services, general and administration, sales and marketing, research and development, marketable investments and discontinued operations.

(c) Use of Estimates in Preparation of Financial Statements

In preparing these financial statements in conformity with generally accepted accounting principles, QuadraMed's management has made estimates and assumptions that affect the reported amounts of assets and liabilities, disclosed contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from these estimates. Significant estimates and assumptions have been made regarding intangible assets, primarily goodwill, resulting from QuadraMed's acquisitions.

(d) Cash and Cash Equivalents

QuadraMed treats all certificates of deposit, money market accounts, and commercial paper with maturities of three months or less, as cash equivalents.

(e) Restricted Cash

As collateral for stand-by letters of credit, QuadraMed had restricted cash balances of $7.5 million and $1.0 million at March 31, 2001 and 2000, respectively. These balances are secured with certificates of deposit.

(f) Investments

QuadraMed considers its short and long-term securities, consisting primarily of debt securities, to be available-for-sale securities. The difference between cost and amortized cost (cost adjusted for amortization of premiums and accretion of discounts that are recognized as adjustments to interest income) and fair value (representing unrealized holdings gains or losses) are recorded, until realized, as a separate component of stockholders' equity. Gains and losses on the sale of debt securities are determined on a specific identification basis. Realized gains and losses are included in other income (expense) in the accompanying consolidated statement of operations.

During the quarter ended March 31, 2001 $10.3 million in short-term investments matured and is reflected as cash and cash equivalents on the current balance sheet.

(g) Equipment

Equipment is stated at cost and depreciated using the straight-line method over its estimated useful life, which is generally from three to five years. Depreciation expense was $1.0 million and $1.1 million for quarter ending March 31, 2001, and 2000, respectively. Leasehold improvements are amortized over the term of the lease. Maintenance and repairs are expensed as incurred.

(h) Intangibles

Intangibles include goodwill, which is the amount of purchase price in excess of the fair value of the tangible net assets, and other identifiable intangible assets acquired through QuadraMed's acquisitions. Capitalized amounts are amortized on a straight-line basis over a period of five to ten years. Goodwill is evaluated quarterly for impairment and written down to net realizable value if necessary.

(i) Revenue Recognition

QuadraMed's revenues are derived from two sources: (1) software products; and (2) consulting services. Software product revenues include amounts received for licenses and software-related services, such as installation and post-installation customer support fees, third-party hardware sales, and other software-related revenue. Consulting services revenues include amounts from QuadraMed's Health Information Management Outsourcing, Cash Flow Management Consulting Services, and Compliance Consulting Services.

QuadraMed's software products (enterprise-wide systems and specific applications) can be licensed individually or as a suite of interrelated products. Licenses are granted for a specified term (generally ranging from one to three years; typically paid monthly or annually) or in perpetuity. Revenues from enterprise-wide systems are recognized on the basis of percentage of completion. Term licenses for specific applications are recognized monthly or annually over the term of the license arrangement, beginning at the date of installation. Revenues from perpetual licenses for specific applications are recognized upon shipment of the software if there is persuasive evidence of an agreement, collection of the resulting receivable is probable, and the fee is fixed and determinable. If there is a contractual acceptance period, revenues are recognized on the earlier: of (i) acceptance; or (ii) the expiration of the acceptance period. Software-related service revenue is recognized upon completion of installation. Unbilled receivables consist of work performed or software delivered which has not been billed pursuant to the customer contract. Post-installation customer support is recognized ratably over the term of the support period. Deferred revenue is revenue received in advance from customers for future work. Costs of software products include hardware, royalties to third parties, and installation costs. QuadraMed also capitalizes a portion of software product costs for internally developed software products. These capitalized costs relate primarily to the development of new products and the extension of applications to new markets or platforms using existing technologies. The capitalized costs are amortized on a straight-line basis over the estimated lives of the products, commencing when each product is available to the market.

QuadraMed's consulting services are rendered under contracts with providers calling for fixed monthly payments and revenue is recognized at the end of each month as services are provided. Cash flow management contracts generally provide for incentive payments based on a percentage of dollars recovered for the provider. QuadraMed recognizes this additional incentive revenue upon receipt of payment from the provider. Cost of service revenues consists primarily of salaries, benefits and allocated costs related to providing such services.

(j) Income Taxes

QuadraMed accounts for income taxes pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," ("SFAS No. 109"). SFAS No. 109 provides for an asset and liability approach to accounting for income taxes under which deferred income taxes are provided based upon enacted tax laws and rates applicable to the periods in which taxes become payable.

(k) Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) by the sum of weighted average number of common shares and common equivalent shares outstanding during the period. Common equivalent shares consist of shares issuable upon the exercise of stock options and warrants (using the treasury stock method) and convertible subordinated debentures (using the if converted method). Common equivalent shares are excluded from the diluted computation only if their effect is anti-dilutive. As the Company recorded a net (loss) in the three months ended March 31, 2001 and 2000, no common equivalent shares are included in diluted weighted average common shares outstanding for those periods.

(l) Comprehensive Income

In 1997, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," which was adopted by the Company in the first quarter of 1998. SFAS No. 130 requires companies to report a new, additional measure of income on the income statement or to create a new financial statement that has the new measure of income on it.

The components of comprehensive income (loss) for the three months ended March 31, 2001 and 2000 are as follows:

	THREE MONTHS ENDED MARCH 31, (In thousands)	
	2001	2000
Net income (loss)	$ (2,932)	$ (25,529)
Unrealized gain (loss) on available-for-sale securities	$ (53)	$ (2,016)
Comprehensive income (loss)	$ (2,985)	$ (27,545)

3. SUBORDINATED CONVERTIBLE DEBENTURES

In April 1998, QuadraMed completed an offering of $115 million principal amount of Convertible Subordinated Debentures (the "Debentures"), including the underwriters' over-allotment option. The Debentures are due May 1, 2005 and bear interest at 5.25% per annum. The Debentures are convertible into common stock at any time prior to the redemption or final maturity, initially at the conversion price of $33.25 per share (resulting in an initial conversion ratio of 30.075 shares per $1,000 principal amount). Net proceeds to QuadraMed from the offering were $110.8 million.

4. DISCONTINUED OPERATIONS

In connection with the acquisition of Compucare in March 1999, QuadraMed assumed the net liabilities of discontinued operations from previous Compucare acquisitions. Included in this net liability are balances related to Compucare's sale of two wholly owned subsidiaries. The two sales were as follows: (1) Antrim Corporation in November, 1996; and (2) Health Systems Integration, Inc. ("HSII").

Condensed and summarized balance sheet data for the discontinued operations of Antrim and HSII is summarized as follows, (in thousands):

	Balance as of March 31, 2001	December 31, 2000
Assets:		
Current assets:		
Cash and cash equivalents	$ -	$ -
Accounts receivable	-	-
Other current assets	205	205
Total current assets	205	205
Property and equipment, net	-	-
Other and intangible assets, net	-	-
Total assets	$ 205	$ 205
Liabilities:		
Current liabilities	4,338	4,338
Non-current liabilities	-	-
Total liabilities	4,338	4,338
Net liabilities of discontinued operations	$ 4,133	$ 4,133

QuadraMed created a wholly owned subsidiary named ChartOne, Inc. and transferred and assigned to ChartOne, Inc. the assets and liabilities of its ROI division pursuant to the terms of an Asset Contribution Agreement dated May 3, 2000. On June 7, 2000, ChartOne, Inc., completed the sale of 2,520,000 shares of its Series A Preferred Stock to Warburg, Pincus Equity Partners, L.P. and certain of its affiliates, and Prudential Securities Group, Inc. for an aggregate purchase of $25.2 million representing 43 percent of the equity interest in ChartOne, Inc. The sale of the securities was made pursuant to the terms of the Securities Purchase Agreement, dated May 5, 2000. On October 19, 2000, QuadraMed sold its remaining 57 percent equity interest in ChartOne, Inc., represented by 2,130,000 shares of series B Preferred Stock, 1,200,000 shares of Series C Preferred Stock and 1 share of Common Stock to Warburg, Pincus Equity Partners, L.P. and certain of its affiliates, and Prudential Securities Group Inc. for an aggregate cash purchase price of $26.6 million pursuant to a Securities Purchase Agreement dated September 28, 2000. On the basis of these transactions, QuadraMed recorded a gain on the sale of ChartOne for the year ended December 31, 2000 of $ 23.3 million (net of income tax expense of $1.0 million).

Results of the ROI Division have been included in discontinued operations for all periods, as required by APB-30. For the three months ended March 31, 2000, results from discontinued operations, net of income taxes, were $0.7 million as follows, (in thousands):

	March 31, 2000
Revenues	$ 14,111
Costs and expenses	13,001
Gain from discontinued operations before Income taxes	1,110
Provision for income taxes	(443)
Income from discontinued operations	$ 667

There were no results from discontinued operations during the quarter ended March 31, 2001.

5. NON-RECURRING CHARGES

During the quarter ended March 31, 2001, QuadraMed recorded no non-recurring charges.

During the quarter ended March 31, 2000, QuadraMed recorded approximately $12.1 million of non-recurring charges. Those charges were primarily related to the sunsetting of the EnOvation product, the write-down of certain other receivables, and payments to employees for severance agreements and costs associated with office closures. In addition, there were costs related to further product integration efforts and product consolidation.

The following table sets forth QuadraMed's restructuring and non-specific litigation reserves and the activity against these reserves during the current three months ending March 31, 2001 (in thousands):

Description	Balance at December 31, 2000	Change (1)	Balance at March 31, 2001
Restructure/Other........	$ 3,206	$ (923)	$ 2,283
Non-Specific Legal.......	1,616	(874)	742
Total reserves..........	$ 4,822	$ (1,797)	$ 3,025

(1) Termination benefits included in restructuring/other payments during 2001 amounted to $0.4 million

6. INTANGIBLES

During the quarter ended March 31, 2001 and 2000 amortization of intangibles was $1.7 million and $2.2 million, respectively. There were no charges or write-downs of intangible assets during the quarter ended March 31, 2001.

During the quarter ended March 31, 2000, QuadraMed recorded a $0.9 million charge for the write-down of certain intangible assets determined to be impaired in accordance with SFAS No. 121, "Impairment of Long-Lived Assets."

7. CONTINGENCIES OR OTHER UNCERTAINTIES

In 1999, QuadraMed settled a legal action brought in 1998 against its subsidiary, The Compucare Company. Sunquest Corporation, which had purchased all of the stock of Antrim, Compucare's wholly owned subsidiary, alleged that Compucare breached certain representations and warranties, and misrepresented and or failed to disclose certain material facts in the course of the transaction. In 1999 and 1998, there was an accrual for the settlement in the net liabilities of discontinued operations in the accompanying consolidated balance sheets.

From time to time in the normal course of its business, QuadraMed may be involved in litigation relating to its operations. As of March 31, 2001, QuadraMed was not a party to any legal proceedings that, if decided adversely, would, individually or in the aggregate, have a material adverse effect on QuadraMed's business, financial condition or results of operations.

8. INFORMATION ON BUSINESS SEGMENTS

QuadraMed reorganized its operations in 2000 to focus on five operating segments: Enterprise Products and Services Division, HIM Software Division, HIM Services Division, EZ-Cap Division, and Financial Services Division. Although not reported as a business segment, QuadraMed also generated approximately five percent of its revenue from specialty product lines discontinued or not aligned with an operating division referenced as Other. This reorganization was undertaken to more closely align products targeted to shared markets, to more accurately measure financial performance by product/division, and to establish greater management accountability. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. QuadraMed evaluates financial performance by division as summarized in the subsequent table. The financial results for these operating segments for prior years have been restated on an estimated basis.

QuadraMed's reportable segments are strategic business units that offer different products and services. Each segment, with its own unique position in the healthcare technology and services marketplace, provides customized expertise for the purchasers of healthcare IT and financial solutions.

The Enterprise Division consists of our Affinity Healthcare Information System and our Electronic Document Management product, which principally target acute care hospitals across the United States. The Affinity solution is a healthcare information system that provides financial and clinical applications. Affinity provides a patient-centered database designed to enable users to track each patient throughout the continuum of care in real time. Affinity integrates financial information such as patient accounting and DRG/case mix with clinical data such as medical charting and plan of care to automate federal and state reporting, scheduling, registration, and medical records information. This Division also includes our Electronic Document Management solution that enables users to create secure electronic patient folders that combine both computerized and scanned documents.

The HIM Software Division represents a suite of compliance, encoding and grouping, medical record management, and patient database applications, which enable a hospital to accurately track medical records for internal and external purposes. The compliance products assist hospitals in managing the complexities of evolving federal requirements and in submitting accurate billing and clinical data. The coding and grouping solutions protect the integrity of a healthcare organization's clinical data and improve accuracy and coding compliance for ICD-9, CPT, and HCPCS codes. The medical record management product locates and reserves charts and authenticates and distributes transcribed medical records. In addition, the Master Patient Index solution eliminates existing duplicate medical records and prevents creation of new duplicates at the point of registration.

The HIM Services Division provides healthcare information management departments with experienced, qualified, and if necessary, credentialed professionals to perform IT, coding, auditing, accounting, compliance, and medical record services. The Division also provides experienced executives for interim assignments in financial and management positions. These services are offered to acute care facilities as well as large physician, clinic, and ambulatory practices.

The EZ-CAP Division provides medical groups, independent practice associations, hospitals, and health plans with a complete managed care claims payment and management information system incorporating eligibility, plan benefits, providers, claims, capitation, case management, and customer service. This Division also includes education services, seminars, and training for healthcare organizations.

The Financial Services Division provides resources to healthcare providers to reduce accounts receivables' backlogs and accelerate cash flow. The Division conducts analysis of patient accounts to identify outstanding or underpaid third party payments, to re-bill, and to follow-up on third party claims.

FOR THE THREE MONTHS ENDED MARCH 31, 2001
(in thousands)

Description	Enterprise	HIM Products	Him Services	Financial Services	EZ-CAP
Total revenues	$ 13,271	$ 6,449	$ 4,809	$ 3,049	$ 3,653
Interest income	266	-	74	53	118
Interest expense	(669)	(326)	(242)	(154)	(184)
Interest income (expense), net	$ (403)	$ (326)	$ (168)	$ (101)	$ (66)
Depreciation & amortization expense	$ 845	$ 1,594	$ 358	$ 195	$ 212

Income tax (provision) benefit	$ (17)	$ 72	$ 3	$ 0	$ (16)
Segment earnings (loss)	$ 562	$ (2,372)	$ (76)	$ 10	$ 525
Segment assets	$ 28,875	$ 52,937	$ 28,561	$ 6,324	$18,455

(1) All Other includes specialty products, immaterial product lines and unallocated corporate charges.

FOR THE THREE MONTHS ENDED MARCH 31, 2000
(in thousands)

Description	Enterprise	HIM Products	Him Services	Financial Services	EZ-CAP
Total revenues	$ 9,365	$ 5,889	$ 9,531	$ 2,870	$ 2,862
Interest income	203	92	52	37	64
Interest expense	(468)	(295)	(476)	(143)	(137)
Interest income (expense), net	$ (265)	$ (203)	$ (424)	$ (106)	$ (73)
Depreciation & amortization expense	$ 315	$ 1,536	$ 513	$ 159	$ 26
Income tax (provision) benefit	$ (88)	$ (8)	$ 90	$ 2	$ (25)
Segment earnings (loss)	$ 2,945	$ 261	$ (3,000)	$ (78)	$ 818
Segment assets	$ 42,009	$ 50,827	$ 36,420	$ 7,619	$11,678

(1) All Other includes specialty products, immaterial product lines and unallocated corporate charges.

9. SUBSEQUENT EVENTS.

None.

10. RECENT ACCOUNTING PRONOUNCEMENTS.

QuadraMed adopted The Financial Accounting Standards Board (FASB) Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - An Amendment of FASB Statement No. 133," effective January 1, 2001. Because of QuadraMed's limited use of derivative instruments, QuadraMed has elected not to account for its derivative instruments as hedges. Accordingly, upon adoption the fair values of derivative instruments will be recorded as assets or liabilities on the balance sheet, and changes in fair values of these instruments beyond normal sales and purchases will be reflected in current income. QuadraMed may elect to apply hedge accounting, which has different financial statement effects, to possible future transactions involving derivative instruments, if significant. Such an election would reduce earnings volatility that might otherwise result if changes in fair values were recognized in current income. The adoption of SFAS No. 133 and SFAS No. 138 did not have a significant impact on QuadraMed's results of operations or financial position.

In September 2000, the FASB issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - A Replacement of FASB Statement No. 125" ("SFAS No. 140"). SFAS No. 140 is effective for transfers occurring after March 31, 2001, and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. SFAS No. 140 has no significant effect on QuadraMed's accounting or disclosures for the types of transactions within the scope of the new standard.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this Quarterly Report on Form 10-Q, QuadraMed and its management discuss and make statements regarding their intentions, beliefs, and current expectations regarding QuadraMed's future operations and performance. Such statements are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are often identified by words such as "anticipates," "believes," "expects," "will," "should" and "intends" and their negatives. QuadraMed and its management caution prospective investors that such forward-looking statements are not guarantees of future performance. Risks and uncertainties are inherent in QuadraMed's future performance. QuadraMed and its management make forward-looking statements based on currently available information and assume no obligation to update these statements due to changes in underlying factors, new information, future developments, or otherwise.

Risks and uncertainties that could cause QuadraMed's actual results to differ from these forward-looking statements are discussed in Item 3 entitled, "Quantitative and Qualitative Disclosures About Market Risk."

Overview

QuadraMed is a healthcare information and technology company. It provides software solutions and consulting services to hospitals and medical providers to meet their medical records, business and compliance needs. QuadraMed's solutions have been implemented in over 4000 sites, including approximately 60% of the hospitals in the United States. QuadraMed was reincorporated in Delaware in 1996 after having been originally incorporated in California in 1993.

From 1993 to 1999, acquisition-based growth was an integral part of QuadraMed's business strategy. During this time, QuadraMed completed twenty-eight (28) acquisitions, with twenty-three (23) occurring between 1997 and 1999. This rapid growth had several consequences. First, QuadraMed significantly increased the range of health information management products and services that it offers to healthcare providers. Second, QuadraMed increased its market share in the health information management industry. Third, QuadraMed acquired access to public markets and has lowered its capital costs. At the same time, however, integration issues have delayed anticipated synergies and efficiencies, and, since 1997, QuadraMed incurred annual after-tax losses. Further, the acquisitions have produced substantial goodwill that reduces future earnings.

During 2000 and the quarter ended March 31, 2001, QuadraMed focused on integrating its businesses and making financial and operational improvements. As part of this strategy, QuadraMed has reduced expenses, sold non-strategic assets for cash, settled outstanding litigation, made several management changes, and re-aligned the organization into five operating divisions:

- Enterprise Products and Services Division, which provides acute care hospitals with integrated enterprise information systems to manage patient registration, clinical, and financial information.

- Health Information Management Products Division, which provides software products that automate and support hospital and provider health information management departments in maintaining accurate and timely patient treatment information and in accurately coding for appropriate reimbursement.

- Health Information Management Services Division, which provides (1) health information interim management, management consulting and outsourcing services; (2) coding, compliance and education services; (3) compliance, legal and regulatory services; and (4) charge description master reviews.

- Financial Services Division, which identifies and collects receivables for hospitals and medical groups.

- EZ-CAP Division, which provides (1) software designed to support managed care risk-taking organizations, such as medical groups, physician-health organizations, independent practice associations, and medical service organizations; and (2) seminars for doctors and medical professionals.

Revenues

Licenses. License revenues include license, installation, consulting and post-contract support fees, third-party hardware sales and other revenues related to licensing of QuadraMed's software products. License revenues for the quarter ended March 31, 2001 were $22.4 million, compared to $18.2 million in the same period last year. The increase in license revenues was principally attributable to revenue recognized on several Affinity contracts.

Services. Service revenues for the quarter ended March 31, 2001 were $10.4 million, compared to $15.0 million in the same period last year. The decrease in service revenues was principally due to loss of two large medical records outsourcing contracts in the fourth quarter of 2000.

Cost of Revenues

Cost of Licenses. Cost of licenses consists primarily of salaries, benefits and allocated costs related to software installations, hardware costs, customer support and royalties to third parties. Cost of licenses for the quarter ended March 31, 2001 were $6.4 million, 9.6% less than $7.0 million in the same period last year. As a percentage of license revenues, cost of licenses were 28.3% for the quarter ended March 31, 2001, compared with 38.7% in the same period last year. The decrease in the cost of licenses and associated increase in margin resulted primarily from tighter management of expenses.

Cost of Services. Cost of services includes expenses associated with services performed in connection with health information management and business office outsourcing, compliance and consulting services. Cost of services for the quarter ended March 31, 2001 were $4.7 million, 53.1% less than $10 million in the same period last year. As a percentage of service revenues, cost of services were 45.3% for the quarter ended March 31, 2001, compared with 66.7% in the same period last year. The decrease in the cost of services and associated increase in margin resulted from the aforementioned management of expenses.

Operating Expenses

General and Administration. General and administration expenses for the quarter ended March 31, 2001 were $13.8 million, 2.5% less than $14.2 million in the same period last year. As a percentage of total revenues, general and administration expenses were 42.2% for the quarter ended March 31, 2001, compared to 42.8% in the same period last year. General and administration expenses decreased primarily as a result of the restructuring actions taken in 2000.

Sales and Marketing. Sales and marketing expenses for the quarter ended March 31, 2001 were $3.8 million, 37.4% less than $6.1 million in the same period last year. As a percentage of total revenues, sales and marketing expenses were 11.7% for the quarter ended March 31, 2001, compared to 18.5% in the same period last year. Sales and marketing expenses decreased primarily as a result of the restructuring actions taken in 2000.

Research and Development. Research and development expenses for the quarter ended March 31, 2001 were $3.5 million, 39.6% less than $5.8 million in the same period last year. As a percentage of total revenues, research and development costs were 10.7% for the quarter ended March 31, 2001, compared to 17.6% in the same period last year. Research and development expenses decreased primarily as a result of a reduction in product versions and associated maintenance requirements.

QuadraMed believes that research and development expenditures are essential to maintaining its competitive position. As a result, QuadraMed intends to continue to make investments in the development of new products and in the further integration of acquired technologies.

Amortization of Intangibles. Amortization of intangibles for the quarter ended March 31, 2001 decreased 23.2% to $1.7 million, compared to $2.2 million in the same period last year. The decrease in amortization of intangibles was primarily due to the write-down of certain intangible assets during 2000 and reclass of some from goodwill to capitalized software.

Acquisition Costs. There were no acquisition charges for the quarter ended March 31, 2001 and 2000.

Non-Recurring Charges. There were no non recurring charges for the quarter ended March 31, 2001.

Interest Expense. Interest expense was $1.7 million for both the quarter ended March 31, 2001 and 2000. Interest expense for the quarter ended March 31, 2001 and 2000 was principally related to QuadraMed's $115 million convertible subordinated debentures, which were issued in May 1998, partially offset by interest income from QuadraMed's cash and investments.

Interest Income

Interest income for the quarters ended March 31, 2001 and March 31, 2000 was $0.6 million and $0.4 million, respectively. The slight increase in the quarter ending March 31, 2001 was due to QuadraMed's increased holdings of cash and cash equivalents and short term investments.

Liquidity and Capital Resources

At March 31, 2001, QuadraMed had $42.9 million in cash and cash equivalents, compared to $27.4 million at December 31, 2000.

In October 1996, QuadraMed completed its initial public offering of common stock, which resulted in net proceeds of approximately $26.4 million. In October 1997, QuadraMed completed a follow-on offering of common stock, which resulted in net proceeds of approximately $57.3 million. In April 1998, QuadraMed completed an offering of $115.0 million principal amount of convertible subordinated debentures, including the initial purchasers' over-allotment option. The debentures are due May 1, 2005 and bear interest, which is payable semi-annually at 5.25 percent per annum. Proceeds from the offering were $110.8 million.

Net cash provided by (used in) operating activities was $5.6 million and ($6.2) million for the quarter ended March 31, 2001 and 2000, respectively. The increase in cash provided by operating activities principally reflected the improvement in collections on receivables balances and the lower operating expenses.

Net cash provided by investing activities was $10.2 million and $7.6 million for the quarter ended March 31, 2001 and 2000, respectively. Investing activities for the quarter ended March 31, 2001 and 2000 primarily related to the maturity of short-term investments.

Net cash (used in) provided by financing activities was ($0.2) million and $0.9 million for the quarter ended March 31, 2001 and 2000, respectively. Net cash used in financing activities for the quarter ended March 31, 2001 related to payments of principal capital lease obligations. Net cash provided by financing activities for the quarter ended March 31, 2000 primarily related to the proceeds from the exercise of common stock options and purchases through the Employee Stock Purchase Plan.

QuadraMed believes that its cash and investments and borrowing capacity on March 31, 2001 is sufficient to fund operations at least through December 31, 2001.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

Interest Rate Risk

QuadraMed's exposure to market risk for changes in interest rates primarily relates to its investment portfolio and its convertible subordinated debentures. QuadraMed intends to ensure the safety and preservation of its invested principal funds by limiting default risk, market risk and reinvestment risk. QuadraMed invests in high-quality issuers, including money market funds, corporate debt securities, and debt securities issued by the United States government. QuadraMed has a policy of investing in securities with maturities of two years or less. QuadraMed does not invest in derivative financial or foreign investments. The table below presents fair values of principal amounts and weighted average interest rates for QuadraMed's investment portfolio as of March 31, 2001 (in thousands, except average interest rates):

	Aggregate Fair Value	Weighted Average Inte Rate
Cash and cash equivalents:		
Cash...	$ 3,179	--
Money market funds................................	$ 39,694	5.21%
Total cash and cash equivalents.....................	$ 42,873	
Short-term investments:		
Corporate debt securities...........................	$ 2,065	6.58%
Total short-term investments........................	$ 2,065	
Long-term investments:		
Corporate debt securities...........................	$ 475	6.96%
Debt securities issued by the U.S. government........	531	6.40%
Total long-term investments.........................	$ 1,006	

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Outstanding Debt. As of March 31, 2001, QuadraMed had outstanding long-term debt of $115,000,000, consisting of its convertible subordinated debentures that mature as follows (in thousands, except average interest rates):

Maturity Date	Carrying Amount	Fair Value	Weighted Average Interest Rate
2005	$115,000	$54,050	5.25%

QuadraMed is not exposed to material changes in interest rate because the interest rate on its convertible subordinated debentures, the bulk of QuadraMed's debt, is fixed at 5.25%.

Foreign Currency Risk

Although QuadraMed from time to time sells its products internationally, all such transactions are denominated in U.S. currency and there is no foreign currency fluctuation risk.

QuadraMed has encountered significant challenges integrating acquired businesses, and its business, operations, and financial condition have been adversely affected.

Since its inception, QuadraMed has completed twenty-eight (28) acquisitions. QuadraMed has encountered significant challenges related to integrating acquired businesses into its operations and expects these challenges to continue until incorporation is complete. Some of the challenges QuadraMed has encountered or may encounter in integrating acquired businesses include:

- Interruption, disruption or delay of QuadraMed's ongoing business;
- Distraction of management's attention from other matters;
- Additional operational and administrative expense;
- Difficulty managing geographically dispersed operations;
- Failure of acquired businesses to achieve expected results resulting in failure of QuadraMed to realize anticipated benefits;
- Failure to retain key acquired personnel and difficulty and expense of training those retained;
- Increases in stock compensation expense and increased compensation expense resulting from newly hired employees;
- Assumption of liabilities of acquired businesses and potential for

disputes with the sellers;

- Customer dissatisfaction or performance problems related to acquired businesses;
- Exposure to the risks of entering markets in which QuadraMed has no direct prior experience and to risks associated with market acceptance of acquired products and technologies; and
- Platform and technical issues related to integrating systems from various acquired companies.

All of these factors have had, and QuadraMed expects will continue to have, an adverse effect on its business, financial condition and results of operations at least until the integration of the acquired businesses is complete. In addition, these problems have led QuadraMed to refocus its business strategy away from acquisitions, which could lead to slower future growth and negatively impact its financial condition.

QuadraMed has incurred losses in each of the past three years and could continue to incur losses in future periods.

QuadraMed incurred net losses of $54.8 million, $12.3 million, and $21.4 million in 2000, 1999, and 1998, respectively, and a net loss of $2.9 million for the quarter ended March 31, 2001. As of March 31, 2001, QuadraMed's accumulated deficit was $263.3 million. Included in these losses are the effect of both operating losses and write-offs for in-process research and development of $1.7 million and $14.5 million in 1999 and 1998, respectively. No in-process research and development write-offs occurred in 2000, or in the quarter ended March 31, 2001. Furthermore, in connection with its acquisitions, QuadraMed may be required to amortize significant expenses related to goodwill and other intangible assets in future periods. Accordingly, if QuadraMed's operating results do not improve to offset these and other expenses, QuadraMed may continue to experience losses in future periods and may never be profitable.

QuadraMed's quarterly operating results are subject to fluctuations, which could adversely affect its net income and financial results.

QuadraMed's quarterly operating results have varied significantly in the past and may fluctuate significantly in the future as a result of a variety of factors, many of which are outside its control. Accordingly, quarter to quarter comparisons of QuadraMed's operating results may not be a good indication of QuadraMed's future performance. Some of the factors causing these fluctuations include:

- Variability in demand for products and services;
- Introduction of product enhancements and new products by QuadraMed and its competitors;
- Timing and significance of announcements concerning present or prospective strategic alliances;
- Divestiture of discontinuation of, or reduction in, the products and services QuadraMed offers;

- Loss of customers due to consolidation in the healthcare industry;
- Delays in product delivery requested by its customers;
- Customer budget cycle fluctuation;
- Investment in marketing, sales, research and development, and administrative personnel necessary to support anticipated operations;
- Costs incurred for marketing and sales promotional activities;
- Software defects and other product quality factors;
- General economic conditions and their impact on the healthcare industry;
- Cooperation from competitors on interfaces and implementation when a customer chooses systems from various vendors;
- Delays in implementation due to product readiness or to customer induced delays in training or installation;
- Final negotiated sales prices of systems;
- Federal regulations (i.e., OIG, HIPAA, ICD-10) that can increase demand for new, updated systems;
- Federal regulations that directly affect reimbursements received, and therefore the amount of money available for purchasing information systems; and
- The fines and penalties a healthcare provider or system may incur due to fraudulent billing practices.

QuadraMed's operating expense levels, which increase with the addition of acquired businesses, are relatively fixed. Accordingly, if future revenues are below expectations, QuadraMed would experience a disproportionate adverse affect on its net income and financial results. In the event of a revenue shortfall, QuadraMed will likely be unable to, or may elect not to, reduce spending quickly enough to offset any such shortfall. As a result, it is possible that QuadraMed's future revenues or operating results may fall below the expectations of securities analysts and investors. In such a case, the price of QuadraMed's publicly traded securities may be adversely affected.

The variability and length of QuadraMed's sales cycle for its products may exacerbate the unpredictability and volatility of QuadraMed's operating results.

QuadraMed cannot accurately forecast the timing of its customer purchases due to the complex procurement decision processes of most healthcare providers and payors. How and when to implement, replace, expand or substantially modify an information system are major decisions for customers, and such decisions require significant capital expenditures by them. As a result, QuadraMed typically experiences sales cycles that extend over several quarters and QuadraMed has only a limited ability to forecast the timing and size of specific sales, making the prediction of quarterly financial performance more difficult.

QuadraMed may not be able to hire and retain necessary qualified personnel and the uncertainty caused by QuadraMed's management changes could adversely affect the price of its Common Stock.

In large part, QuadraMed's future success will depend upon its ability to attract and retain executive officers, product managers, and other key sales, marketing and development personnel. Competition for personnel in the software and healthcare information management industry is intense. At times, QuadraMed has had difficulty attracting and retaining highly qualified candidates within specific geographic areas or with specific industry experience. If QuadraMed's competitors increase their use of valid non-compete agreements, the pool of candidates may narrow in some geographic areas. The failure to attract, retain, train, and effectively manage personnel could increase QuadraMed's costs and impair its development, sales, and customer service efforts.

In 2000, QuadraMed made several changes in senior executive management. Uncertainty created by these changes could lead some employees to seek other employment, and QuadraMed could experience difficulty replacing them. Moreover, the trading price of QuadraMed's Common Stock could fluctuate due to uncertainties about its senior executive management.

Changes in procurement practices of hospitals have and may continue to have a negative impact on QuadraMed's revenues.

A substantial portion of QuadraMed's revenues has been and is expected to continue to be derived from sales of software products and services to hospitals. Consolidation in the healthcare industry, particularly in the hospital and managed care markets, could decrease the number of existing or potential purchasers of products and services and could adversely affect QuadraMed's business. In addition, the decision to purchase QuadraMed's products often involves a committee approval. Consequently, it is difficult for QuadraMed to predict the timing or outcome of the buying decisions of its customers or potential customers. In the quarter ended March 31, 2001, QuadraMed's service revenues decreased due to the loss of hospital service contracts. In addition, many healthcare providers are consolidating to create integrated healthcare delivery systems with greater regional market power. These emerging systems could have greater bargaining power, which may lead to decreases in prices for QuadraMed's products, which could adversely affect QuadraMed's business, financial condition and results of operations.

Changes in the healthcare financing and reimbursement system could adversely affect the amount of and manner in which QuadraMed's customers purchase its products and services.

Changes in current healthcare financing and reimbursement systems could result in unplanned product enhancements, delays or cancellations of product orders or shipments or reduce the need for certain systems. QuadraMed could also have the endorsement of products by hospital associations or other customers revoked. Any of these occurrences could have a material adverse effect on QuadraMed's business.

The healthcare industry in the United States is subject to changing political, economic and regulatory influences that may affect the procurement practices and operations of healthcare organizations. The commercial value and appeal of QuadraMed's products may be adversely affected if the current healthcare financing and reimbursement system were to revert to a fee-for-service model. In addition, many of QuadraMed's customers provide services under capitated service agreements, and a reduction in the use of capitation arrangements as a result of regulatory or market changes could have a material adverse effect on QuadraMed's business. During the past several years, the healthcare industry has been subject to increasing levels of governmental regulation of, among other things, reimbursement rates and capital expenditures. Proposals to reform the healthcare system have been and are being considered by the United States Congress. These proposals, if enacted, could change the operating environment of QuadraMed's customers in ways that cannot be predicted. Healthcare organizations may react to these proposals by curtailing or deferring investments, including those for QuadraMed's products and services. In addition, the regulations promulgated under HIPAA could lead healthcare organizations to curtail or defer investments in non-HIPAA related features in the next several years.

If QuadraMed is unable to compete effectively, it could experience price reduction, reduced gross margins and loss of market share.

Competition for QuadraMed's products and services is intense. Increased competition could result in reductions in QuadraMed's prices, gross margins, and market share and have a material adverse affect on QuadraMed's business, financial condition and results of operations. QuadraMed competes with other providers of healthcare information software and services, as well as healthcare consulting firms. Some competitors have formed business alliances with other competitors that may affect QuadraMed's ability to work with some potential customers. In addition, if some of QuadraMed's competitors merge, a stronger competitor may emerge. Some principal competitors include:

- McKesson HBOC, Inc., SoftMed Corporation Inc., FileNet, Lanvision, MedPlus, and Eclipsys Corporation in the market for electronic document management products in the Enterprise Products and Services Division;

- Eclipsys Corporation, Healthcare Microsystems, Inc., a division of Health Management Systems Inc., McKesson HBOC, Shared Medical Systems, Inc., a division of Siemens, and MediQual Systems, Inc., a division of Cardinal Health, Inc., in the market for decision support products in the Enterprise Products and Services Division;

- McKesson HBOC, Inc., Shared Medical Systems, Inc., a division of Siemens, MediTech Corporation, Eclipsys Corporation, Cerner, and IDX/Phamis in the market for enterprise healthcare information systems in the Enterprise Products and Services Division;

- Madison, McKesson HBOC, Shared Medical Systems, Inc., a division of Siemens, and Medibase in the market for MPI products and services in the Enterprise Products and Services Division;

- 3M, SoftMed Corporation, Inc., MetaHealth, Eclypsis Corporation, Cascade, and HSS in the market for medical records products in the Health Information Management Product Division;

- PriceWaterhouseCoopers, KPMG and Ernst and Young for compliance products and services and health information management consulting services in the Health Information Management Services Division;

- Physmark, Perot System's Health System Design, Healtheon/WebMD's Medical Manager Corp., IDX Corporation and Trizetto's Erisco, for at-risk managed care systems in the EZ-CAP Division; and

- National consulting firms and on-line providers for physician and other medical professional seminars in the EZ-CAP Division.

Current and prospective customers evaluate QuadraMed's capabilities against the merits of their existing information systems and expertise. Furthermore, major software information systems companies, including those specializing in the healthcare industry, that do not presently offer competing products may enter QuadraMed's markets. Many of QuadraMed's competitors and potential competitors have significantly greater financial, technical, product development, marketing and other resources and market recognition than QuadraMed. Many of these competitors also have, or may develop or acquire, substantial installed customer bases in the healthcare industry. As a result of these factors, QuadraMed's competitors may be able to respond more quickly to new or emerging technologies, changes in customer requirements, and changes in the political, economic or regulatory environment in the healthcare industry. These competitors may be in a position to devote greater resources to the development, promotion and sale of their products than QuadraMed. QuadraMed may not be able to compete successfully against current and future competitors, and such competitive pressures could materially adversely affect QuadraMed's business, financial condition and operating results.

QuadraMed may not be able to introduce or market new products or product enhancements successfully or in a timely manner, which could adversely affect its competitive position.

QuadraMed's performance depends in large part upon its ability to provide the increasing functionality required by its customers through the timely development and successful introduction of new products and enhancements to its existing suite of products. QuadraMed may not successfully, or in a timely manner, develop, acquire, integrate, introduce, or market new products or product enhancements. Product enhancements or new products developed by QuadraMed also may not meet the requirements of hospitals or other healthcare providers and payors or achieve or sustain market acceptance. QuadraMed's failure to either estimate accurately the resources and related expenses required for a project, or to complete its contractual obligations in a manner consistent with the project plan upon which a contract was based, could have a material adverse effect on its business, financial condition and results of operations. In addition, QuadraMed's failure to meet a customer's expectations in the performance of its services could damage its reputation and adversely affect QuadraMed's ability to attract new business.

QuadraMed's inability to protect its intellectual property could lead to unauthorized use of its products, which could have an adverse effect on its business.

QuadraMed relies on a combination of trade secret, copyright and trademark laws, nondisclosure, noncompete and other contractual provisions to protect its proprietary rights. QuadraMed has not filed any patent applications covering its technology. Measures taken by QuadraMed to protect its intellectual property may not be adequate, and QuadraMed's competitors could independently develop products and services that are substantially equivalent or superior to QuadraMed's products and services. Any infringement or misappropriation of its proprietary software and databases could put QuadraMed at a competitive disadvantage in a highly competitive market and could cause QuadraMed to lose revenues, incur substantial litigation expense and divert management's attention from other operations.

QuadraMed depends on licenses for certain technology used to develop its products from a number of third-party vendors. Most of these licenses expire within three to five years. Such licenses can be renewed only by mutual consent and may be terminated if QuadraMed breaches the license terms and fails to cure the breach within a specified time period. If such licenses are terminated, QuadraMed may not be able to continue using the technology on commercially reasonable terms or at all. As a result, QuadraMed may have to discontinue, delay or reduce product shipments until equivalent technology is obtained, which could have a material adverse effect on QuadraMed's business, financial condition and results of operations. Most of QuadraMed's third-party licenses are non-exclusive and competitors may obtain the same or similar technology. In addition, if vendors choose to discontinue support of the licensed technology, QuadraMed may not be able to modify or adapt its products.

Intellectual property litigation is increasingly common in the software industry. The risk of an infringement claim against QuadraMed may increase over time as the number of competitors in its industry segment grows and the functionality of products overlaps. Third parties could assert infringement claims against QuadraMed in the future. Regardless of the merits, QuadraMed could incur substantial litigation expenses in defending any such asserted claim. In the event of an unfavorable ruling on any such claim, a license or similar agreement may not be available to QuadraMed on reasonable terms, if at all. Infringement may also result in significant monetary liabilities that could have a material adverse effect on QuadraMed's business, financial condition and results of operations. QuadraMed may not be successful in the defense of these or similar claims.

The nature of QuadraMed's products makes them particularly vulnerable to undetected errors, or bugs, that could reduce revenues, market share or demand for the company's products and services.

Products such as QuadraMed's may contain errors or failures, especially when initially introduced or when new versions are released. Although QuadraMed conducts extensive testing on its products, software errors have been discovered in certain enhancements and products after their introduction. Despite such testing by QuadraMed and by its current and potential customers, products under development, enhancements, or shipped products may contain errors or performance failures, resulting in, among other things:

- loss of customers and revenues;
- delay in market acceptance;
- diversion of resources;
- damage to QuadraMed's reputation; or

o increased service and warranty costs.

Any of these consequences could have a material adverse effect on QuadraMed's business, financial condition, and results of operations.

Because no mirror processing site for its two customer data processing facilities exists, QuadraMed's business, financial condition, and results of operations could be adversely affected if either of these facilities were subject to a closure from a catastrophic event or otherwise.

QuadraMed currently processes substantially all of its customer data at its facilities in Austin, Texas and Neptune, New Jersey. Although QuadraMed backs up its data nightly and has safeguards for emergencies, such as power interruption or breakdown in temperature controls, QuadraMed has no mirror processing site to which processing could be transferred in the case of a catastrophic event at either of these facilities. If a major catastrophic event occurs at either the Austin or the Neptune facility, possibly leading to an interruption of data processing, or any other interruption or closure, QuadraMed's business, financial condition, and results of operations could be adversely affected.

QuadraMed may not be able to respond effectively to an increase in its outsourcing business, which could have a negative impact on revenues.

QuadraMed provides compliance, consulting, and health information management outsourcing and accounts receivable management services, including the billing and collection of receivables. If QuadraMed experiences a period of substantial expansion in its outsourcing business, QuadraMed may be required to make substantial investments in capital assets and personnel. QuadraMed may not be able to assess accurately, or have the funds required for, any investment, and it may not be able to negotiate and perform in a profitable manner any of the outsourcing contracts it may be awarded.

QuadraMed may be required to make substantial changes to its products if they become subject to FDA regulation, which could require a significant capital investment.

Computer products used or intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease or other conditions or that affect the structure or function of the body are subject to regulation by the FDA under the Federal Food, Drug and Cosmetic Act. At present, none of QuadraMed's software products are so regulated. In the future, the FDA could determine that some of QuadraMed's products, because of their predictive aspects, are clinical decision tools and subject them to regulation. Compliance with FDA regulations could be burdensome, time consuming, and expensive. Other new laws and regulations affecting healthcare software development and marketing also could be enacted in the future. If so, it is possible that QuadraMed's costs and lengths of time for product development and marketing could increase and that other unforeseeable consequences could arise.

Governmental regulation of the confidentiality of patient records could result in QuadraMed's customers being unable to use its products without significant modification, which could require substantial expenditures by QuadraMed.

There is substantial state regulation of the confidentiality of patient medical records and the circumstances under which such records may be disclosed to or processed by QuadraMed as a consequence of its contacts with various health providers. Although compliance with these laws and regulations is presently the principal responsibility of the hospital, physician or other healthcare provider, regulations governing patient confidentiality rights are rapidly evolving. Additional legislation governing the dissemination of medical record information also has been proposed and may be adopted at the state level.

HIPAA and, in particular, its administrative simplification provisions, require the promulgation of regulations that will set standards for electronic transactions, code sets, data security, unique identification numbers, and privacy of individually identifiable health information. The regulations are in various stages of development. A final regulation governing transaction and code set standards has been published and is expected to become effective on October 16, 2002. The privacy regulation has been published as a final regulation and became effective on April 14, 2001. The HIPAA privacy regulation is complex and far reaching. Compliance will be required of certain covered entities, including healthcare providers, health plans, and healthcare clearinghouses. QuadraMed may be implicated by these regulations either as a covered entity or as a business associate of a covered entity. The HIPAA and state healthcare privacy regulations could materially restrict the ability of healthcare providers to submit information from patient records using QuadraMed products and services or could require QuadraMed to make substantial capital expenditures to be in compliance.

HIPAA's data security regulation has been published as a proposal. At this time, no information is available on when the regulation will be published as final or whether the regulation will be revised prior to final publication. At this time, it is not possible to assess the specific implications of the security regulation on QuadraMed. The regulation may require holders of individual personal healthcare information, including QuadraMed, to implement stringent security measures. Implementing such measures may require substantial capital expenditures by QuadraMed due to required product, service, and procedure changes.

In addition, during the past several years, the healthcare industry has been subject to, among other things, increasing levels of governmental regulation of reimbursement rates and certain capital expenditures. Certain proposals to reform the healthcare system have been and are being considered by Congress. These proposals, if enacted, could change the operating environment for QuadraMed's clients in ways that could have a negative impact on QuadraMed's business, financial condition and results of operations. QuadraMed is unable to predict what, if any, changes will occur.

If QuadraMed's products fail to accurately assess, process, or collect healthcare claims or administer managed care contracts, QuadraMed could be subject to costly litigation and be forced to make costly changes to its products.

Some of QuadraMed's products and services are used in the payment, collection, coding and billing of healthcare claims and the administration of managed care contracts. If QuadraMed's employees or QuadraMed's products fail to accurately assess, process or collect these claims, customers could file claims against QuadraMed. QuadraMed's insurance coverage may not adequately cover such claims. A successful claim that is in excess of, or is not covered by, insurance coverage could adversely affect QuadraMed's business, financial condition, and results of operations. Even a claim without merit could result in significant legal defense costs and could consume management time and resources. In addition, claims could increase QuadraMed's premium such that appropriate insurance could not be found at commercially reasonable rates. Furthermore, if QuadraMed were found liable, QuadraMed may have to significantly alter one or more of its products, possibly resulting in additional unanticipated research and development expenses.

Provisions in QuadraMed's certificate of incorporation and bylaws and Delaware law could delay or discourage third parties from acquiring QuadraMed at a premium, which could adversely affect the price of its Common Stock.

QuadraMed's board of directors has the authority to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by holders of QuadraMed's Common Stock. If preferred stock is issued, the voting and other rights of the holders of QuadraMed's Common Stock may be subject to, and may be adversely affected by, the rights of the holders of QuadraMed's preferred stock. The issuance of preferred stock may have the effect of delaying or preventing a change of control of QuadraMed that would have been at a premium price to QuadraMed's stockholders.

Certain provisions of QuadraMed's certificate of incorporation and bylaws could discourage potential takeover attempts and make attempts by stockholders to change management difficult. For example, QuadraMed's board of directors, which is classified into three classes of directors serving staggered, three-year terms, has the authority to impose various procedural and other requirements that could make it more difficult for QuadraMed's stockholders to effect certain corporate actions. In addition, QuadraMed's certificate of incorporation provides that directors may be removed only by the affirmative vote of the holders of two-thirds of the shares of QuadraMed's capital stock entitled to vote. Any vacancy on QuadraMed's board of directors may be filled only by vote of the majority of directors then in office. Further, QuadraMed's certificate of incorporation provides that the affirmative vote of two-thirds of the shares entitled to vote, voting together as a single class, subject to certain exceptions, is required for certain business combination transactions. These provisions, and certain other provisions of QuadraMed's certificate of incorporation, could have the effect of delaying or preventing (i) a tender offer for QuadraMed's Common Stock or other changes of control of QuadraMed that could be at a premium price, or (ii) changes in its management.

In addition, certain provisions of Delaware law could have the effect of delaying or preventing a change in control of QuadraMed, Section 203 of the Delaware General Corporation Law, for example, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years from the date the person became an interested stockholder unless certain conditions are met.

The trading price of QuadraMed's Common Stock has been, and is expected to continue to be, extremely volatile.

The NASDAQ SmallCap Market on which QuadraMed is listed, and stock markets in general, have historically experienced extreme price and volume fluctuations that have affected companies unrelated to their individual operating performance. The trading price of QuadraMed's Common Stock has been and is likely to continue to be highly volatile due to such factors as:

- Variations in quarterly results of operations;
- Announcements of new products or acquisitions by QuadraMed's competitors;
- Governmental regulatory action;
- Developments or disputes with respect to proprietary rights;
- General trends in QuadraMed's industry and overall market conditions.

The market price of QuadraMed's Common Stock may also be affected by movements in prices of equity securities in general.

Future sales of a substantial number of shares of QuadraMed's Common Stock could cause the price of the stock to decrease or fluctuate substantially.

Existing stockholders of QuadraMed hold a significant number of shares of Common Stock that may be sold in the future under Rule 144 of the Securities Act or through the exercise of registration rights. Sales of a substantial number of the aforementioned shares in the public markets or the prospect of such sales could adversely affect or cause substantial fluctuations in the market price of QuadraMed's Common Stock and convertible debentures and impair QuadraMed's ability to raise additional capital through the sale of its securities.

If QuadraMed is unable to achieve profitability, it may be forced to file for bankruptcy.

If QuadraMed's financial condition deteriorates and QuadraMed is unable to reduce its losses or obtain additional financing, QuadraMed may be forced to seek relief under Chapter 11 of the U.S. Bankruptcy Code. Chapter 11 permits a company to remain in control of its business, protected by a stay of all creditor action while the company attempts to negotiate and confirm a plan of reorganization with its creditors. If QuadraMed commenced a Chapter 11 case it would expect deterioration in its customer relationships, a reduction in orders, the loss of suppliers, and an erosion of employee morale. QuadraMed may be unsuccessful in its attempts to confirm a plan of reorganization with its creditors. Many Chapter 11 cases are unsuccessful, and virtually all involve substantial expense and damage to the business. If QuadraMed were unsuccessful in obtaining confirmation of a plan of reorganization, its assets could be liquidated and could be insufficient to pay all of its securityholders.

QuadraMed may lose some or all of its equity investments in early stage companies if such companies become bankrupt or insolvent or do not succeed in executing their business strategy appropriately.

QuadraMed has made equity investments and acquired minority interests in certain early stage companies. QuadraMed does not have the ability to control the operations of these companies and these investments are subject to significant risks. There is no guarantee that QuadraMed will realize any return on such investments. QuadraMed could also lose some or all of its principal investment if these companies become bankrupt or insolvent or do not succeed in executing their business strategy.

Review of Financial Statements.

The financial information required in this Form 10-Q by Rule 10-01 of Regulation S-X has been subject to a review by Pisenti & Brinker LLP, the Company's independent certified public accountants, as described in their report dated May 3, 2001.

The unaudited condensed consolidated financial statements contained herein have been prepared on the same basis as QuadraMed's audited consolidated financial statements and, in the opinion of management, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information for the periods presented. Management is continuing to review QuadraMed's financial statements and will obtain the assistance of outside resources as deemed necessary. Management's review is not expected to result in any material adjustments or charges; however, there can be no assurance that additional adjustments and/or charges will not be required.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS.

The exhibits listed on the accompanying Exhibit Index are filed as part of this quarterly report.

(b) REPORTS ON FORM 8-K:

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUADRAMED CORPORATION (Company)

Date: May 15, 2001

By: /s/ Lawrence P. English

Lawrence P. English
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Mark N. Thomas

Mark N. Thomas
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

3.4	Amended and Restated Bylaws of QuadraMed. (1)
3.5	Third Amended and Restated Certificate of Incorporation of QuadraMed. (5)
4.1	Reference is made to Exhibits 3.4 and 3.5. (1) (5)
4.2	Form of Common Stock certificate. (1)
4.11	Form of Warrant to Purchase Common Stock. (1)
4.12	Registration Rights Agreement dated December 5, 1996, by and between QuadraMed and the investors listed on Schedule A thereto. (2)
4.14	Registration Rights Agreement, dated as of June 5, 1998, by and among QuadraMed Corporation and the stockholders of Pyramid Health Group, Inc. named therein. (3)
4.15	Subordinated Indenture, dated as of May 1, 1998 between QuadraMed and The Bank of New York. (4)
4.16	Officers' Certificate delivered pursuant to Sections 2.3 and 11.5 of the Subordinated Indenture. (4)

4.17 Registration Rights Agreement dated April 27, 1998 by and among QuadraMed and the Initial Purchasers named therein. (4)

4.18 Form of Global Debenture. (4)

4.19 Form of Certificated Debenture. (4)

4.21 Registration Rights Agreement dated December 23, 1998 by and between QuadraMed and the shareholders listed therein. (7)

4.22 Registration Rights Agreement, dated as of March 3, 1999, by and among QuadraMed Corporation and the stockholders of The Compucare Company named therein. (6)

15 Accountant's Letter.

(1) Incorporated herein by reference from the exhibit with the same number to our Registration Statement on Form SB-2, No. 333-5180-LA, as filed with the Commission on June 28, 1996, as amended by Amendment No. 1, Amendment No. 2 and Amendment No. 3 thereto, as filed with the Commission on July 26, 1996, September 9, 1996, and October 2, 1996, respectively.

(2) Incorporated herein by reference from the exhibit with the same number to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, as filed with the Commission on August 14, 1997, as amended September 4, 1997.

(3) Incorporated by reference from our Current Report on Form 8-K, as filed with the Commission on June 11, 1998.

(4) Incorporated by reference from our Registration Statement on Form S-3, No. 333-55775, as filed with the Commission on June 2, 1998, as amended by Amendment No. 1 thereto, as filed with the Commission on June 17, 1998.

(5) Incorporated by reference from the exhibit with the same number to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, as filed with the Commission on August 14, 1998, as amended on August 24, 1988.

(6) Incorporated herein by reference from our Current Report on Form 8-K/A filed with the Commission on March 22, 1999.

(7) Incorporated herein by reference from our Registration Statement on Form S-3, No. 333-80617, as filed with the Commission on June 14, 1999, as amended by Amendment No. 1 thereto, as filed with the Commission on August 4, 1999.

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Crown European Holdings SA:

7.13%, 8/15/18 (a)
EUR 440 621,833
7.13%, 8/15/18
66 93,275

1,313,903

Building Products 0.7%

Building Materials Corp. of America (a)(e):

7.00%, 2/15/20
USD 1,345 1,455,962
6.75%, 5/01/21
1,030 1,105,963
Momentive Performance Materials, Inc., 8.88%, 10/15/20
530 543,913
USG Corp., 9.75%, 1/15/18
1,390 1,634,987

4,740,825

Capital Markets 0.3%

E*Trade Financial Corp., 0.00%, 8/31/19 (a)(f)(g)
249 260,361
Nuveen Investments, Inc., 9.13%, 10/15/17 (a)
431 433,155
SteelRiver Transmission Co. LLC, 4.71%, 6/30/17 (a)
1,162 1,225,616

1,919,132

Chemicals 2.8%

Ashland, Inc., 3.88%, 4/15/18 (a)
675 685,125
Axiall Corp., 4.88%, 5/15/23 (a)(e)
394 399,910
Celanese US Holdings LLC, 5.88%, 6/15/21 (e)
629 687,182
Ciech Group Financing AB, 9.50%, 11/30/19
EUR 180 256,149
Eagle Spinco, Inc., 4.63%, 2/15/21 (a)(e)
USD 837 850,601
Huntsman International LLC:

4.88%, 11/15/20 (e)
1,134 1,122,660
4.88%, 11/15/20 (a)
634 624,490
8.63%, 3/15/21 (e)
655 740,150
INEOS Finance Plc, 7.50%, 5/01/20 (a)(e)
445 479,488
LyondellBasell Industries NV, 5.75%, 4/15/24 (e)
1,790 2,080,875
Nova Chemicals Corp., 8.38%, 11/01/16 (e)

5,500 5,953,750
Nufarm Australia Ltd., 6.38%, 10/15/19 (a)(e)
320 339,200
Orion Engineered Carbons Bondco GmbH, 9.63%, 6/15/18 (a)
898 987,800
Rockwood Specialties Group, Inc., 4.63%, 10/15/20 (e)
1,330 1,376,550
Tronox Finance LLC, 6.38%, 8/15/20 (a)(e)
1,573 1,563,169
US Coatings Acquisition, Inc./Flash Dutch 2 BV:

5.75%, 2/01/21
EUR 200 266,332
7.38%, 5/01/21 (a)
USD 398 411,930

18,825,361
Commercial Banks 3.7%

BNP Paribas SA, 2.38%, 9/14/17 (e)
3,225 3,303,532
CIT Group, Inc. (e):

4.75%, 2/15/15 (a)
1,709 1,798,722
5.00%, 5/15/17
890 946,738
5.50%, 2/15/19 (a)
2,040 2,218,500
HSBC Bank Plc, 3.10%, 5/24/16 (a)(e)
2,560 2,718,441
HSBC Holdings Plc, 6.25%, 3/19/18
EUR 1,000 1,548,721
ING Bank NV, 2.00%, 9/25/15 (a)(e)
USD 3,245 3,300,425
Nordea Bank AB, 4.50%, 3/26/20
EUR 1,020 1,471,099
Penske Truck Leasing Co. LP/PTL Finance Corp., 3.38%, 3/15/18 (a)(e)
USD 6,155 6,407,349
Regions Financial Corp., 4.88%, 4/26/13 (e)
907 912,369

24,625,896
Commercial Services & Supplies 1.4%

ADS Waste Holdings, Inc., 8.25%, 10/01/20 (a)
292 313,900
ARAMARK Holdings Corp. (a):

8.63%, 5/01/16 (h)
890 907,809

5.75%, 3/15/20 (i)
1,462 1,491,240
Aviation Capital Group Corp., 4.63%, 1/31/18 (a)(e)
1,000 1,015,566
Brickman Group Holdings, Inc., 9.13%, 11/01/18 (a)
63 67,725 **Corporate Bonds** **Par (000)** **Value**

Commercial Services & Supplies (concluded)

Catalent Pharma Solutions, Inc., 7.88%, 10/15/18 (a)
USD 375 $ 379,687
Clean Harbors, Inc., 5.25%, 8/01/20 (e)
607 625,210
Covanta Holding Corp., 6.38%, 10/01/22 (e)
1,130 1,225,299
EC Finance Plc, 9.75%, 8/01/17
EUR 100 141,979
HDTFS, Inc. (a):

5.88%, 10/15/20
USD 435 452,400
6.25%, 10/15/22
605 650,375
Mead Products LLC/ACCO Brands Corp., 6.75%, 4/30/20 (a)
100 105,875
Mobile Mini, Inc., 7.88%, 12/01/20 (e)
915 1,017,937
Verisure Holding AB:

8.75%, 9/01/18
EUR 311 438,508
8.75%, 12/01/18
111 147,814
West Corp., 8.63%, 10/01/18
USD 165 175,725

9,157,049

Communications Equipment 1.7%

ADC Telecommunications, Inc., 3.50%, 7/15/15 (e)(f)
6,670 6,673,335
Avaya, Inc.:

9.75%, 11/01/15 (e)
413 406,289
7.00%, 4/01/19 (a)
437 417,335
Zayo Group LLC/Zayo Capital, Inc.:

8.13%, 1/01/20 (e)
1,800 2,011,500

10.13%, 7/01/20
1,460 1,711,850

11,220,309

Construction Materials 1.0%

Buzzi Unicem SpA, 6.25%, 9/28/18
EUR 154 216,274
HD Supply, Inc. (a):

8.13%, 4/15/19 (e)
USD 3,085 3,474,481
7.50%, 7/15/20
2,374 2,376,968
11.50%, 7/15/20
335 386,088
HeidelbergCement AG, 7.50%, 4/03/20
EUR 64 100,684

6,554,495

Consumer Finance 0.9%

Ally Financial, Inc., 3.13%, 1/15/16 (a)(e)
USD 1,500 1,515,330
Ford Motor Credit Co. LLC:

3.88%, 1/15/15 (e)
2,475 2,576,042
7.00%, 4/15/15
400 442,149
Hyundai Capital America, 3.75%, 4/06/16 (a)(e)
1,285 1,362,843

5,896,364

Containers & Packaging 0.9%

Ardagh Packaging Finance Plc:

7.38%, 10/15/17 (a)(e)
299 325,536
7.38%, 10/15/17
EUR 200 283,304
7.38%, 10/15/17 (a)
587 831,498
7.38%, 10/15/17
100 141,652
7.00%, 11/15/20 (a)
USD 982 984,455
4.88%, 11/15/22 (a)
332 327,020
5.00%, 11/15/22

EUR	260	336,897

Berry Plastics Corp.:

4.18%, 9/15/14 (b)

USD	700	700,000

8.25%, 11/15/15 (e)

	490	510,678

9.75%, 1/15/21

	290	334,950

Beverage Packaging Holdings Luxembourg II SA, 8.00%, 12/15/16

EUR	274	358,687

Crown Americas LLC/Crown Americas Capital Corp. III, 6.25%, 2/01/21

USD	96	104,640

Crown Americas LLC/Crown Americas Capital Corp. IV, 4.50%, 1/15/23 (a)(e)

	1,049	1,025,398
		6,264,715

Distributors 0.1%

VWR Funding, Inc., 7.25%, 9/15/17 (a)

	874	919,885

See Notes to Financial Statements.

SEMI-ANNUAL REPORT FEBRUARY 28, 2013 31

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Diversified Consumer Services 0.5%			
313 Group, Inc. (a):			
6.38%, 12/01/19	USD	566	$ 551,850
8.75%, 12/01/20		1,249	1,233,387
Laureate Education, Inc., 9.25%, 9/01/19 (a)		1,460	1,587,750
			3,372,987
Diversified Financial Services 5.1%			
Aircastle Ltd., 6.25%, 12/01/19 (e)		367	395,442
Ally Financial, Inc. (e):			
8.30%, 2/12/15		2,460	2,736,750
7.50%, 9/15/20		1,630	1,972,300
8.00%, 11/01/31		1,330	1,670,812
Banque Paribas, 6.95%, 7/22/13 (e)		2,100	2,145,457
Citigroup, Inc., 5.95% (b)(e)(j)		1,370	1,395,687
CNG Holdings, Inc., 9.38%, 5/15/20 (a)		700	690,375
Co-Operative Group Ltd. (k):			
6.88%, 7/08/20	GBP	300	476,961
7.50%, 7/08/26		600	958,472
DPL, Inc.:			
6.50%, 10/15/16	USD	70	73,500
7.25%, 10/15/21		185	198,413
Gala Group Finance Plc, 8.88%, 9/01/18	GBP	700	1,146,890
The Goldman Sachs Group, Inc. (e):			
6.00%, 5/01/14	USD	1,150	1,217,420
5.13%, 1/15/15		3,515	3,765,553
3.30%, 5/03/15		3,285	3,434,717
Leucadia National Corp., 8.13%, 9/15/15 (e)		1,870	2,113,100
Morgan Stanley, 5.30%, 3/01/13		825	825,000
Reynolds Group Issuer, Inc.:			
7.13%, 4/15/19 (e)		995	1,068,381
9.00%, 4/15/19		180	190,800
9.88%, 8/15/19		795	870,525
5.75%, 10/15/20 (e)		1,800	1,858,500
6.88%, 2/15/21 (e)		820	875,350
SLM Corp., Series A, 5.00%, 10/01/13 (e)		150	153,000
Spirit Issuer Plc, 5.86%, 12/28/21	GBP	1,570	2,298,407
WMG Acquisition Corp., 6.00%, 1/15/21 (a)(e)	USD	935	967,725
			33,499,537
Diversified Telecommunication Services 1.4%			
Level 3 Communications, Inc., 8.88%, 6/01/19 (a)		735	793,800
Level 3 Financing, Inc.:			
4.21%, 2/15/15 (b)		1,725	1,725,000
8.13%, 7/01/19		3,083	3,360,470
7.00%, 6/01/20 (a)		495	519,750
Lynx I Corp., 5.38%, 4/15/21 (a)(e)		845	866,125
OTE Plc, 7.25%, 2/12/15	EUR	151	198,123

Corporate Bonds		Par (000)	Value
Telenet Finance V Luxembourg SCA:			
6.25%, 8/15/22		271	362,649
6.75%, 8/15/24		397	541,627
Windstream Corp., 8.13%, 8/01/13 (e)	USD	590	605,458
			8,973,002
Electric Utilities 0.3%			
Mirant Mid Atlantic Pass-Through Trust, Series B,			
9.13%, 6/30/17 (e)		677	750,993
Nisource Finance Corp. (e):			
6.40%, 3/15/18		440	528,150
5.25%, 2/15/43		800	848,821
			2,127,964
Electrical Equipment 0.2%			
Belden, Inc., 5.50%, 9/01/22 (a)(e)		510	522,750
Pentair Finance SA, 1.88%, 9/15/17 (a)(e)		371	371,047
Techem GmbH, 6.13%, 10/01/19	EUR	300	416,144
			1,309,941

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Health Care Providers & Services (concluded)			
HCA, Inc. (e):			
6.50%, 2/15/20	USD	1,895	$ 2,122,400
7.88%, 2/15/20		1,896	2,102,190
7.25%, 9/15/20		996	1,105,560
5.88%, 3/15/22		2,390	2,575,225
Hologic, Inc., 6.25%, 8/01/20 (a)(e)		1,289	1,359,895
IASIS Healthcare LLC, 8.38%, 5/15/19		1,030	1,060,900
inVentiv Health, Inc., 9.00%, 1/15/18 (a)		720	750,600
Omnicare, Inc., 7.75%, 6/01/20		1,135	1,259,850
Tenet Healthcare Corp.:			
6.25%, 11/01/18 (e)		721	798,507
8.88%, 7/01/19 (e)		1,005	1,135,650
6.75%, 2/01/20		475	508,250
4.50%, 4/01/21 (a)(e)		803	791,959
Vanguard Health Holding Co. II LLC, 7.75%, 2/01/19 (a)		800	857,000
Voyage Care Bondco Plc, 6.50%, 8/01/18	GBP	150	231,540
WellPoint, Inc., 1.25%, 9/10/15 (e)	USD	1,430	1,441,058
			22,215,338
Health Care Technology 0.8%			
IMS Health, Inc., 12.50%, 3/01/18 (a)(e)		4,300	5,181,500
Hotels, Restaurants & Leisure 5.7%			
Caesars Entertainment Operating Co., Inc., 9.00%, 2/15/20 (a)		149	147,137
Caesars Operating Escrow LLC:			
8.50%, 2/15/20 (e)		1,010	984,750
9.00%, 2/15/20 (a)		1,646	1,625,425
Carlson Wagonlit BV, 6.88%, 6/15/19 (a)(e)		370	386,650
Choice Hotels International, Inc., 5.75%, 7/01/22 (e)		240	266,400
Cirsa Funding Luxembourg SA, 8.75%, 5/15/18	EUR	355	454,201
Enterprise Inns Plc:			
6.50%, 12/06/18	GBP	2,232	3,326,800
6.88%, 2/15/21		2,070	2,983,279
Gategroup Finance Luxembourg SA, 6.75%, 3/01/19	EUR	290	389,968
Hilton Hotels Corp., Mezzanine G, 1.00%, 11/12/15	USD	9,998	9,773,151
MCE Finance Ltd., 5.00%, 2/15/21 (a)(e)		941	941,000
Regal Entertainment Group, 5.75%, 2/01/25		265	259,700
Six Flags Entertainment Corp., 5.25%, 1/15/21 (a)(e)		576	564,480
Spirit Issuer Plc:			
1.07%, 12/28/28	GBP	3,325	3,846,196
5.47%, 12/28/34 (b)		4,500	5,853,917

Station Casinos LLC:			
3.66%, 6/18/18	USD	440	440,000
7.50%, 3/01/21 (a)		1,283	1,291,019
Travelport LLC, 6.31%, 12/01/16 (a)(e)(h)		993	901,529
Tropicana Entertainment LLC, 9.63%, 12/15/14 (c)(d)		375	
The Unique Pub Finance Co. Plc, Series A4, 5.66%, 6/30/27	GBP	1,686	2,372,310
Wynn Las Vegas LLC, 5.38%, 3/15/22 (e)	USD	888	933,510
			37,741,422
Household Durables 1.6%			
Algeco Scotsman Global Finance Plc, 9.00%, 10/15/18	EUR	630	855,396
Ashton Woods USA LLC/Ashton Woods Finance Corp., 6.88%, 2/15/21 (a)	USD	510	512,550
Beazer Homes USA, Inc., 6.63%, 4/15/18 (e)		910	972,562
Berkline/Benchcraft LLC, 4.50%, 11/03/13 (c)(d)		200	
Brookfield Residential Properties, Inc., 6.50%, 12/15/20 (a)(e)		925	980,500
K. Hovnanian Enterprises, Inc., 7.25%, 10/15/20 (a)		2,130	2,343,000
Corporate Bonds		**Par (000)**	**Value**

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
IT Services (concluded)			
SunGard Data Systems, Inc., 6.63%, 11/01/19 (a)	USD	1,040	$ 1,068,600
WEX, Inc., 4.75%, 2/01/23 (a)(e)		550	532,125
			8,173,566
Machinery 1.1%			
CNH Capital LLC, 3.88%, 11/01/15 (e)		1,320	1,356,300
Silver II Borrower/Silver II US Holdings LLC, 7.75%, 12/15/20 (a)		336	349,440
Terex Corp., 6.00%, 5/15/21 (e)		1,070	1,110,125
Trinseo Materials Operating SCA, 8.75%, 2/01/19 (a)		575	572,844
UR Merger Sub Corp. (e):			
7.38%, 5/15/20		805	881,475
7.63%, 4/15/22		2,518	2,788,685
			7,058,869
Media 4.5%			
AMC Networks, Inc. (e):			
7.75%, 7/15/21		865	981,775
4.75%, 12/15/22		269	267,991
Cengage Learning Acquisitions, Inc., 11.50%, 4/15/20 (a)(e)		509	402,110
Checkout Holding Corp., 11.49%, 11/15/15 (a)(g)		1,007	743,921
Cinemark USA, Inc., 5.13%, 12/15/22 (a)(e)		206	207,030
Clear Channel Communications, Inc., 9.00%, 12/15/19 (a)(i)		1,017	945,810
Clear Channel Worldwide Holdings, Inc. (e):			
6.50%, 11/15/22 (a)		965	1,008,425
6.50%, 11/15/22 (a)		2,608	2,744,920
Series B, 7.63%, 3/15/20		1,045	1,081,575
DIRECTV Holdings LLC, 3.13%, 2/15/16 (e)		3,000	3,144,492
DISH DBS Corp. (e):			
7.00%, 10/01/13		1,267	1,306,594
7.13%, 2/01/16		200	222,500
5.88%, 7/15/22		2,025	2,136,375
Intelsat Jackson Holdings SA, 7.25%, 10/15/20		1,660	1,780,350
Intelsat Luxembourg SA:			
11.25%, 2/04/17		360	382,500
11.50%, 2/04/17 (h)		280	297,850
Interactive Data Corp., 10.25%, 8/01/18 (e)		2,210	2,505,588
Lynx I Corp., 6.00%, 4/15/21	GBP	1,274	1,985,872
Lynx II Corp., 6.38%, 4/15/23 (a)	USD	200	207,250
The McClatchy Co., 9.00%, 12/15/22 (a)		330	348,975
NAI Entertainment Holdings LLC, 8.25%, 12/15/17 (a)(e)		1,301	1,418,090
Nara Cable Funding Ltd.:			
8.88%, 12/01/18	EUR	190	260,457

8.88%, 12/01/18 (a)	USD	200	206,500
ProQuest LLC, 9.00%, 10/15/18 (a)		200	198,500
ProtoStar I Ltd., 18.00%, 10/15/13 (a)(c)(d)(f)		3,454	1,727
Sterling Entertainment Corp., 10.00%, 12/15/19		1,175	1,175,000
Unitymedia Hessen GmbH & Co. KG:			
7.50%, 3/15/19		1,440	1,569,600
5.50%, 1/15/23 (a)(e)		720	727,200
Univision Communications, Inc., 6.75%, 9/15/22 (a)		355	383,400
Virgin Media Secured Finance Plc, 6.50%, 1/15/18		1,000	1,067,500
			29,709,877
Metals & Mining 2.6%			
ArcelorMittal:			
9.50%, 2/15/15 (e)		1,910	2,155,912
4.25%, 8/05/15 (e)		987	1,021,884
5.00%, 2/25/17		388	403,714
6.13%, 6/01/18 (e)		498	536,992
6.75%, 2/25/22 (e)		400	440,443
Eco-Bat Finance Plc, 7.75%, 2/15/17	EUR	495	667,250
FMG Resources August 2006 Property Ltd., 6.38%, 2/01/16 (a)(e)	USD	625	651,563
Corporate Bonds		**Par (000)**	**Value**

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Oil, Gas & Consumable Fuels (concluded)			
Sabine Pass Liquified Natural Gas LP (e):			
7.50%, 11/30/16	USD	4,110	$ 4,541,550
6.50%, 11/01/20 (a)		745	785,975
SandRidge Energy, Inc., 7.50%, 2/15/23 (e)		1,585	1,660,287
SESI LLC:			
6.38%, 5/01/19		755	809,738
7.13%, 12/15/21 (e)		745	825,087
SM Energy Co. (e):			
6.50%, 11/15/21		605	657,938
6.50%, 1/01/23		285	308,513
Tesoro Logistics LP/Tesoro Logistics Finance Corp., 5.88%, 10/01/20 (a)(e)		176	183,480
			45,787,835
Paper & Forest Products 0.2%			
Ainsworth Lumber Co. Ltd., 7.50%, 12/15/17 (a)		810	872,775
NewPage Corp., 11.38%, 12/31/14 (c)(d)		3,183	
Sappi Papier Holding GmbH, 8.38%, 6/15/19 (a)(e)		305	341,600
			1,214,375
Pharmaceuticals 0.3%			
Mylan, Inc., 6.00%, 11/15/18 (a)		80	88,109
Valeant Pharmaceuticals International (a)(e):			
6.50%, 7/15/16		590	619,869
6.38%, 10/15/20		915	984,769
			1,692,747
Professional Services 0.1%			
La Financiere Atalian SA, 7.25%, 1/15/20	EUR	202	264,117
Truven Health Analytics, Inc., 10.63%, 6/01/20 (a)	USD	540	604,800
			868,917
Real Estate Investment Trusts (REITs) 0.5%			
Cantor Commercial Real Estate Co. LP/CCRE Finance Corp., 7.75%, 2/15/18 (a)		634	637,170
Felcor Lodging LP:			
6.75%, 6/01/19		1,170	1,257,018
5.63%, 3/01/23 (a)		291	292,819
Ventas Realty LP/Ventas Capital Corp., 4.75%, 6/01/21 (e)		1,300	1,438,341
			3,625,348

Real Estate Management & Development 1.4%			
Mattamy Group Corp., 6.50%, 11/15/20 (a)(e)		850	846,812
Punch Taverns Finance Plc, Series A2R, 6.82%, 7/15/20	GBP	1,144	1,748,522
Realogy Corp.:			
11.50%, 4/15/17	USD	215	229,244
12.00%, 4/15/17		225	240,188
7.88%, 2/15/19 (a)(e)		1,765	1,919,437
7.63%, 1/15/20 (a)(e)		1,015	1,144,412
9.00%, 1/15/20 (a)(e)		435	499,163
Shea Homes LP, 8.63%, 5/15/19 (e)		2,110	2,342,100
			8,969,878
Road & Rail 1.0%			
Asciano Finance Ltd., 3.13%, 9/23/15 (a)(e)		3,400	3,501,633
The Hertz Corp.:			
7.50%, 10/15/18		540	589,950
6.75%, 4/15/19 (a)		405	436,388
7.38%, 1/15/21 (e)		1,675	1,846,687
			6,374,658
Semiconductors & Semiconductor Equipment 0.1%			
NXP BV/NXP Funding LLC, 5.75%, 2/15/21 (a)		560	572,600
Software 0.6%			
IAC/InterActiveCorp, 4.75%, 12/15/22 (a)(e)		527	515,143
Infor US, Inc., 9.38%, 4/01/19		2,000	2,245,000
Nuance Communications, Inc., 5.38%, 8/15/20 (a)(e)		875	885,937
			3,646,080
Corporate Bonds		**Par (000)**	**Value**

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Floating Rate Loan Interests (b)		Par (000)	Value
Auto Components (concluded)			
Federal-Mogul Corp.:			
Term Loan B, 2.14%, 12/29/14	USD	3,109	$ 2,893,033
Term Loan C, 2.14%, 12/28/15		829	770,761
The Goodyear Tire & Rubber Co., Second Lien Term Loan, 4.75%, 4/30/19		2,985	2,996,194
Schaeffler AG, Term Loan B2, 6.00%, 1/27/17		2,135	2,134,466
Transtar Holding Co., First Lien Term Loan, 5.50%, 10/09/18		1,282	1,294,606
			12,604,817
Beverages 0.0%			
Le-Nature s, Inc., Tranche B Term Loan, 3/01/11 (c)(d)(f)		1,000	100
Biotechnology 0.1%			
Grifols, Inc., Term Loan B, 4.25%, 6/01/17		535	537,393
Building Products 0.5%			
Armstrong World Industries, Inc., Term Loan B, 4.00%, 3/09/18		1,258	1,258,994
CPG International, Inc., Term Loan, 5.75%, 9/18/19		1,372	1,381,849
United Subcontractors, Inc., First Lien Term Loan, 6.32%, 6/30/15		164	155,423
Wilsonart International Holdings LLC, Term Loan B, 5.50%, 10/31/19		820	828,610
			3,624,876
Capital Markets 0.6%			
American Capital Holdings, Inc., Term Loan, 5.50%, 8/22/16		1,462	1,476,620
HarbourVest Partners LLC, Term Loan B, 4.75%, 11/21/17		932	936,552
Nuveen Investments, Inc.:			
Extended First Lien Term Loan, 5.70% 5.81%, 5/13/17		198	199,997
Extended Term Loan, 5.70% 5.81%, 5/12/17		302	305,663
Incremental Term Loan, 7.25%, 5/13/17		580	582,900
Second Lien Term Loan, 8.25%, 2/28/19		685	698,700
			4,200,432
Chemicals 1.3%			
American Rock Salt Holdings LLC, Term Loan, 5.50%, 4/25/17		1,226	1,214,181
Chemtura Corp., Exit Term Loan B, 5.50%, 8/27/16		500	503,750
Evergreen Acqco 1 LP, Term Loan, 5.00%, 7/09/19		781	787,672
General Chemical Corp., Term Loan, 5.00% 5.75%, 10/06/15		104	104,451
INEOS US Finance LLC, 6 Year Term Loan, 6.50%, 5/04/18		1,052	1,074,034
	EUR	433	564,417

MacDermid, Inc., Tranche C Term Loan, 2.31%, 4/11/14			
Nexeo Solutions LLC, Term Loan B, 5.00%, 9/08/17	USD	1,277	1,273,265
Tronox Pigments (Netherlands) BV, Delayed Draw Term Loan B, 4.25%, 2/08/18		688	687,093
US Coatings Acquisition, Inc.:			
Term Loan, 4.75%, 2/03/20		2,110	2,135,616
Term Loan B, 5.25%, 2/03/20	EUR	130	171,449
			8,515,928
Commercial Banks 0.3%			
Everest Acquisition LLC, Term Loan B1, 5.00%, 5/24/18	USD	1,690	1,704,179
Commercial Services & Supplies 1.9%			
ACCO Brands Corp., Term Loan B, 4.25%, 4/30/19		676	680,801
ADS Waste Holdings, Inc., Term Loan B, 5.25%, 10/09/19		1,655	1,656,556
Altegrity, Inc.:			
Term Loan, 3.20%, 2/21/15		955	921,575
Tranche D Term Loan, 7.75%, 2/20/15		1,211	1,211,201
AWAS Finance Luxembourg 2012 SA, Term Loan, 4.75%, 7/16/18		1,318	1,340,787

Floating Rate Loan Interests (b)		Par (000)	Value
Commercial Services & Supplies (concluded)			
AWAS Finance Luxembourg Sarl, Term Loan B, 5.25%, 6/10/16	USD	992	$ 999,629
Delos Aircraft, Inc., Term Loan 2, 4.75%, 4/12/16		1,450	1,458,454
KAR Auction Services, Inc., Term Loan B, 5.00%, 5/19/17		1,478	1,492,275
Progressive Waste Solutions Ltd., Term Loan B, 3.50%, 10/24/19		785	791,869
Protection One, Inc., Term Loan, 5.75%, 3/21/19		824	830,984
WEST Corp., Term Loan B8, 5.75%, 2/07/18		995	997,905
			12,382,036
Communications Equipment 1.9%			
Alcatel-Lucent:			
Term Loan B, 6.25%, 7/29/16		590	596,166
Term Loan C, 7.25%, 1/31/19		3,650	3,690,150
Term Loan D, 7.75%, 1/31/19	EUR	1,235	1,616,610
Avaya, Inc.:			
Extended Term Loan B3, 4.79%, 10/26/17	USD	206	191,200
Term Loan B5, 8.00%, 3/30/18		266	267,872
CommScope, Inc., Term Loan, 4.25%, 1/12/18		1,228	1,233,381
Riverbed Technology, Inc., Term Loan, 4.00%, 12/18/19		620	626,975
Telesat Canada, Term Loan A, 4.40%, 3/28/17	CAD	1,835	1,748,255
Zayo Group, LLC Refinancing, Term Loan B, 5.25%, 7/12/19	USD	2,810	2,818,953
			12,789,562
Construction & Engineering 0.9%			
Centaur LLC:			

First Lien Term Loan, 8.75%, 2/15/19	1,445	1,445,910
Second Lien Term Loan, 8.75%, 2/15/20	710	720,650
Safway Services LLC, First Out Term Loan, 9.00%, 12/16/17	3,750	3,750,000
		5,916,560
Construction Materials 0.4%		
HD Supply, Inc., Senior Debt B, 4.50%, 10/12/17	2,328	2,334,493
Consumer Finance 0.1%		
Springleaf Financial Funding Co., Term Loan, 5.50%, 5/10/17	925	928,274
Containers & Packaging 0.1%		
Sealed Air Corp., Term Loan, 4.00%, 10/03/18	517	523,046
Distributors 0.1%		
Crossmark Holdings, Inc., Term Loan, 4.50%, 1/31/20	385	385,162
VWR Funding, Inc., Extended Term Loan B, 4.54%, 4/03/17	460	463,307
		848,469
Diversified Consumer Services 1.1%		
Bright Horizons Family, Inc., Term Loan B, 4.00%, 1/16/20	785	788,925
Coinmach Service Corp., Term Loan B, 3.21%, 11/20/14	3,277	3,203,356
Education Management LLC, Term Loan C3, 8.25%, 3/29/18	549	472,857
Laureate Education, Inc., Extended Term Loan, 5.25%, 6/18/18	1,735	1,744,012
ServiceMaster Co., New Term Loan, 2.70%, 4/01/17	1,295	1,290,606
		7,499,756
Diversified Financial Services 1.0%		
Reynolds Group Holdings Inc., Dollar Term Loan, 4.75%, 9/28/18	2,050	2,072,493
Telesat LLC, Term Loan B, 4.25%, 3/28/19	3,706	3,732,320
WMG Acquisition Corp., Term Loan, 5.25%, 11/01/18	930	940,462
		6,745,275

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Floating Rate Loan Interests (b)		Par (000)	Value
Diversified Telecommunication Services 2.0%			
Consolidated Communications, Inc., Term Loan B3, 5.25%, 12/31/18	USD	2,255	$ 2,276,851
Hawaiian Telcom Communications, Inc., Term Loan B, 7.00%, 2/28/17		1,751	1,783,436
Integra Telecom, Inc.:			
Second Lien Term Loan, 9.75%, 2/15/20		590	603,275
Term Loan, 9.25%, 2/15/19		1,175	1,187,925
Level 3 Financing, Inc.:			
2016 Term Loan B, 4.75%, 2/01/16		763	771,672
2019 Term Loan B, 5.25%, 8/01/19		625	631,381
Term Loan, 4.75%, 8/01/19		4,830	4,868,640
Syniverse Holdings, Inc., Delayed Draw Term Loan, 4.00%, 4/23/19		525	524,344
US Telepacific Corp., Term Loan B, 5.75%, 2/23/17		494	492,926
			13,140,450
Electric Utilities 0.0%			
TPF Generation Holdings LLC, Synthetic Letter of Credit Deposit, First Lien, 2.21%, 12/13/13		47	47,074
Energy Equipment & Services 1.3%			
Dynegy Midwest Generation LLC, Coal Co. Term Loan, 9.25%, 8/04/16		2,012	2,076,701
Dynegy Power LLC, Gas Co. Term Loan, 9.25%, 8/04/16		3,247	3,376,896
MEG Energy Corp., Term Loan, 3.75%, 3/20/20		1,320	1,323,300
Tervita Corp., Incremental Term Loan, 3.20%, 5/01/18		1,145	1,150,908
Unifrax I LLC/Unifrax Holding Co., Dollar Term Loan, 4.25%, 11/28/18		555	558,669
			8,486,474
Food & Staples Retailing 0.3%			
Pilot Travel Centers LLC, Term Loan B2, 4.25%, 8/07/19		608	613,988
Rite Aid Corp.:			
Second Lien Term Loan, 5.75%, 7/07/20		240	245,467
Term Loan 6, 4.00%, 2/21/20		260	260,502
Supervalu, Inc., Term Loan B, 6.25%, 2/05/18		920	930,350
			2,050,307
Food Products 0.5%			
Advance Pierre Foods, Inc., Term Loan, 5.75%, 7/10/17		785	794,569
Del Monte Foods Co., Term Loan, 4.50%, 3/08/18		918	921,424
		1,124	1,134,162

Pinnacle Foods Finance LLC, Term Loan E, 4.75%, 10/17/18			
Solvest Ltd. (Dole):			
Term Loan B-2, 5.00% 6.00%, 7/06/18		96	96,349
Term Loan C-2, 5.00% 6.00%, 7/06/18		172	172,415
			3,118,919
Health Care Equipment & Supplies 1.4%			
Bausch & Lomb, Inc., Term Loan B, 5.25%, 5/17/19		2,045	2,059,815
BSN Medical Acquisition Holding GmbH, Term Loan B, 5.00%, 8/28/19		700	702,800
Capital Safety North America Holding, Inc., Term Loan, 4.50%, 1/21/19		993	992,500
DJO Finance LLC, Term Loan B3, 6.25%, 9/15/17		2,154	2,171,236
Hologic, Inc., Term Loan B, 4.50%, 8/01/19		1,638	1,656,375
Immucor, Inc., Term Loan B2, 5.00%, 8/18/18		643	641,962
LHP Hospital Group, Inc., Term Loan, 9.00%, 7/03/18		856	874,954
			9,099,642
Health Care Providers & Services 2.2%			
American Renal Holdings Co., Inc.:			
First Lien Term Loan, 4.50%, 8/14/19		855	852,862
Second Lien Term Loan, 8.50%, 2/14/20		890	887,775

Floating Rate Loan Interests (b)		**Par (000)**	**Value**
Health Care Providers & Services (concluded)			
Ardent Medical Services, Inc., Term Loan, 6.75%, 7/02/18	USD	480	$ 486,600
CHG Buyer Corp., First Lien Term Loan, 5.00%, 11/22/19		839	848,626
ConvaTec, Inc., Term Loan, 5.00%, 12/22/16		1,258	1,271,516
DaVita, Inc., Term Loan B, 4.50%, 10/20/16		1,960	1,973,994
Emergency Medical Services Corp., Term Loan, 4.00%, 5/25/18		279	279,008
Genesis HealthCare Corp., Term Loan B, 10.00% 10.75%, 9/25/17		1,096	1,074,410
Harden Healthcare LLC:			
Add on Term Loan A, 7.75%, 3/02/15		2,880	2,819,570
Term Loan A, 8.50%, 3/02/15		478	473,526
inVentiv Health, Inc.:			
Combined Term Loan, 7.50%, 8/04/16		55	54,016
Incremental Term Loan B-3, 7.75%, 5/15/18		232	228,498
Medpace, Inc., Term Loan, 6.50% 7.25%, 6/16/17		2,629	2,615,482
US Renal Care, Inc., First Lien Term Loan, 6.25%, 7/02/19		856	867,466
			14,733,349
Health Care Technology 0.2%			
		646	647,912

IMS Health, Inc., Tranche B Term Loan, 3.75%, 8/25/17		
Kinetic Concepts, Inc., Term Loan C1, 5.50%, 5/04/18	614	621,374
MedAssets, Inc., Term Loan B, 4.00%, 12/13/19	365	367,128
		1,636,414
Hotels, Restaurants & Leisure 3.6%		
Alpha D2 Ltd., Extended Term Loan B2, 6.00%, 4/30/19	1,673	1,693,869
Caesars Entertainment Operating Co., Inc., Term Loan B1, 3.20%, 1/28/15	2,197	2,190,228
Golden Living, Term Loan, 5.00%, 5/04/18	1,065	1,020,408
Harrah s Property Co., Mezzanine Term Loan, 3.69%, 2/13/14	3,811	3,505,936
MGM Resorts International, Term Loan B, 4.25%, 12/20/19	1,970	1,992,655
OSI Restaurant Partners LLC, Term Loan B, 4.75%, 10/24/19	843	853,824
Sabre, Inc., Term Loan B, 5.25%, 2/01/19	570	569,595
SeaWorld Parks & Entertainment, Inc., Term Loan B, 4.00%, 8/17/17	825	828,645
Station Casinos, Inc.:		
2011 Term Loan B2, 6.25%, 6/17/16	2,355	2,335,383
Term Loan B, 5.50%, 9/27/19	2,010	2,021,681
Term Loan B, 5.00%, 2/13/20	3,735	3,766,124
Travelport Holdings Ltd.:		
Extended Tranche A Term Loan, 6.40%, 12/01/16	457	161,522
Extended Tranche B Term Loan, 13.80%, 12/01/16	1,530	142,817
Twin River Worldwide Holdings, Inc., Term Loan, 8.50%, 11/05/15	1,195	1,203,413
Wendy s International, Inc., Term Loan B, 4.75%, 5/15/19	1,232	1,242,224
		23,528,324
Household Products 0.3%		
Prestige Brands, Inc., Term Loan, 5.25% 6.25%, 1/31/19	680	682,943
Spectrum Brands, Inc., Term Loan, 4.50%, 12/17/19	1,210	1,224,617
		1,907,560
Independent Power Producers & Energy Traders 0.2%		
The AES Corp., Term Loan, 4.25%, 6/01/18	384	385,547
Calpine Corp., Term Loan B1, 4.50%, 4/02/18	1,065	1,070,853
		1,456,400

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Floating Rate Loan Interests (b)		**Par (000)**	**Value**
Industrial Conglomerates 0.4%			
Sequa Corp., Term Loan B, 5.25%, 6/19/17	USD	2,635	$ 2,665,046
Insurance 0.9%			
Alliant Holdings I, Inc., Term Loan B, 5.00%, 12/20/19		1,075	1,083,063
Asurion LLC, Term Loan B1, 5.50%, 5/24/19		1,545	1,549,511
CNO Financial Group, Inc.:			
Term Loan B-1, 4.25%, 9/28/16		993	1,000,196
Term Loan B-2, 5.00%, 9/20/18		1,356	1,368,241
Cunningham Lindsey Group, Inc., Term Loan B, 5.00%, 12/10/19		930	941,625
			5,942,636
Internet Software & Services 0.1%			
Web.com Group, Inc., Term Loan B, 5.50%, 10/27/17		947	955,372
IT Services 2.1%			
CCC Information Services, Inc., Term Loan, 5.25%, 12/20/19		310	311,860
Ceridian Corp., Extended Term Loan, 5.95%, 5/09/17		1,084	1,096,227
First Data Corp.:			
2018 Add-on Term Loan, 5.20%, 9/24/18		1,805	1,804,188
Extended 2018 Term Loan B, 4.20%, 3/23/18		5,119	5,054,701
Genpact International, Inc., Term Loan B, 4.25%, 8/30/19		1,067	1,077,998
InfoGroup, Inc., Term Loan, 5.75%, 5/25/18		838	759,065
SunGard Data Systems, Inc., Term Loan D, 4.50%, 1/31/20		855	861,412
TransUnion LLC, Term Loan B, 5.50%, 2/12/18		2,597	2,612,471
			13,577,922
Leisure Equipment & Products 0.1%			
Eastman Kodak Co., DIP Term Loan B, 8.50%, 7/19/13		537	537,089
FGI Operating Co. LLC, Term Loan, 5.50%, 4/19/19		398	396,805
			933,894
Life Sciences Tools & Services 0.1%			
Patheon, Inc., Term Loan, 7.25%, 12/06/18		469	474,099
Machinery 1.5%			
Alliance Laundry Systems LLC, First Lien Term Loan, 5.50%, 12/07/18		300	301,218
Dematic S.A., Term Loan, 5.25%, 12/27/19		1,445	1,454,479
Intelligrated, Inc., First Lien Term Loan, 4.50%, 7/30/18		1,097	1,097,250
Rexnord Corp., Term Loan B, 4.50%, 4/02/18		1,473	1,482,030
Silver II US Holdings LLC, First Lien Term Loan, 4.75%, 12/05/19		1,315	1,315,000

Terex Corp., Term Loan B:			
4.50%, 4/28/17		988	997,094
5.00%, 4/28/17	EUR	306	400,795
Wabash National Corp., Term Loan B, 6.00%, 5/02/19	USD	2,744	2,762,567
			9,810,433
Media 5.9%			
Capsugel Holdings US, Inc., Term Loan B, 4.75%, 8/01/18		629	635,748
Cengage Learning Acquisitions, Inc., Tranche 1 Incremental, 7.50%, 7/03/14		2,015	1,602,007
Charter Communications Operating LLC:			
Extended Term Loan C, 3.46%, 9/06/16		1,566	1,571,114
Term Loan D, 4.00%, 5/15/19		910	916,570
Clear Channel Communications, Inc.:			
Term Loan B, 3.85%, 1/29/16		441	377,148
Term Loan C, 3.85%, 1/29/16		834	704,103
Cumulus Media, Inc., First Lien Term Loan, 4.50%, 9/17/18		1,484	1,497,883

Floating Rate Loan Interests (b)		**Par (000)**	**Value**
Media (concluded)			
EMI Music Publishing Ltd., Term Loan B, 5.50%, 6/29/18	USD	766	$ 774,386
Foxco Acquisition Sub LLC, Term Loan B, 5.50%, 7/14/17		1,171	1,184,062
Getty Images, Inc., Term Loan B, 4.75%, 10/18/19		1,820	1,834,160
Houghton Mifflin Harcourt Publishing Co., DIP Term Loan B, 7.25%, 6/01/18		2,164	2,174,468
Hubbard Broadcasting, Term Loan B, 4.50%, 4/28/17		726	731,575
Intelsat Jackson Holdings SA, Term Loan B1, 4.50%, 4/02/18		4,169	4,208,076
Interactive Data Corp., Term Loan B, 3.75%, 2/11/18		2,126	2,129,019
Kabel Deutschland GmbH, Term Loan F1, 3.50%, 2/01/19		3,195	3,200,144
Lavena Holding 4 GmbH (Prosiebensat.1 Media AG):			
Term Loan (Second Lien), 4.12%, 9/02/16	EUR	904	1,148,096
Term Loan B, 2.62%, 3/06/15		304	390,366
Term Loan C, 3.00%, 3/04/16		304	392,349
NEP Supershooters LP:			
First Lien Term Loan, 5.25%, 1/18/20	USD	840	842,360
Second Lien Term Loan, 9.50%, 8/18/20		595	609,875
Term Loan, 4.75%, 1/18/20		840	842,100
Sinclair Television Group, Inc., Term Loan B, 4.00%, 10/28/16		1,212	1,216,265
Univision Communications, Inc., Extended Term Loan, 4.45%, 3/31/17		2,654	2,656,513
UPC Broadband Holding BV, Term Loan U, 4.12%, 12/29/17	EUR	97	126,369

UPC Financing Partnership, Term Loan T, 3.70%, 12/30/16	USD	355	355,824
Virgin Media Investment Holdings, Term Loan B:			
4.50%, 2/15/20	GBP	2,340	3,536,017
3.50%, 2/17/20	USD	2,110	2,097,403
WC Luxco Sarl, Term Loan B-3, 4.25%, 3/15/18		526	530,919
Weather Channel, Term Loan B, 3.50%, 2/07/17		277	277,992
WideOpenWest Finance LLC, First Lien Term Loan, 6.25%, 7/17/18		741	749,985
			39,312,896
Metals & Mining 1.9%			
Ameriforge Group, Inc.:			
First Lien Term Loan, 5.00%, 12/19/19		950	958,911
Second Lien Term Loan, 8.75%, 12/18/20		470	476,463
Constellium Holdco BV, Term Loan B, 9.25%, 5/25/18		1,298	1,324,444
FMG America Finance, Inc., Term Loan, 5.25%, 10/18/17		3,007	3,042,859
Metals USA, Inc., Term Loan, 6.25%, 11/15/19		1,155	1,156,444
Novelis, Inc.:			
Incremental Term Loan B-2, 4.00%, 3/10/17		961	961,717
Term Loan, 4.00%, 3/10/17		2,930	2,932,739
Walter Energy, Inc., Term Loan B, 5.75%, 4/02/18		298	298,516
Windsor Financing LLC, Term Loan B, 6.25%, 12/05/17		1,635	1,685,998
			12,838,091
Multiline Retail 1.0%			
99¢ Only Stores, Term Loan, 5.25%, 1/11/19		796	801,239
Apex Tool Group LLC, Term Loan B, 4.50%, 1/28/20		700	706,874
BJ s Wholesale Club, Inc.:			
First Lien Term Loan, 5.75%, 9/13/19		594	593,887
Second Lien Term Loan, 9.75%, 3/26/20		545	563,056
HEMA Holding BV:			
Second Lien Term Loan, 5.12%, 1/05/17	EUR	2,600	3,082,141
Term Loan B, 2.12%, 7/06/15		334	414,584
Term Loan C, 2.87%, 7/05/16		334	416,762
			6,578,543

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Floating Rate Loan Interests (b)		Par (000)	Value
Oil, Gas & Consumable Fuels 2.0%			
Chesapeake Energy Corp., Unsecured Term Loan, 5.75%, 12/01/17	USD	2,595	$ 2,648,794
Gibson Energy ULC, Term Loan B, 4.75%, 6/15/18		1,229	1,240,734
Obsidian Natural Gas Trust, Term Loan, 7.00%, 11/02/15		2,022	2,042,118
Plains Exploration & Production, 7-Year Term Loan B, 4.00%, 11/30/19		2,270	2,273,791
Samson Investment Co., Second Lien Term Loan, 6.00%, 9/25/18		740	746,941
Tesoro Corp., Term Loan B, 2.55%, 1/30/16		1,375	1,387,031
Vantage Drilling Co., Term Loan, 6.25%, 10/26/17		3,125	3,141,065
			13,480,474
Pharmaceuticals 1.2%			
Aptalis Pharma, Inc., Term Loan B, 5.50%, 2/10/17		1,470	1,472,940
Par Pharmaceutical, Term Loan B, 4.25%, 9/28/19		1,970	1,967,600
Pharmaceutical Product Development, Inc., Term Loan B, 4.25%, 12/05/18		1,719	1,728,568
RPI Finance Trust, Incremental Tranche 2, 4.00%, 11/09/18		461	465,448
Valeant Pharmaceuticals International, Inc., Series C, Tranche B, 3.50%, 12/11/19		1,120	1,124,200
Warner Chilcott Corp.:			
Incremental Term Loan B-1, 4.25%, 3/15/18		291	293,277
Term Loan B-1, 4.25%, 3/15/18		765	772,247
Term Loan B-2, 4.25%, 3/15/18		237	238,748
			8,063,028
Professional Services 0.6%			
Booz Allen Hamilton, Inc., Term Loan B, 4.50%, 7/31/19		1,387	1,398,657
Emdeon, Inc., Term Loan B1, 5.00%, 11/02/18		926	937,445
ON Assignment, Inc., Term Loan B, 5.00%, 5/15/19		515	519,278
Truven Health Analytics, Inc., Term Loan B, 5.75%, 6/01/19		1,184	1,195,156
			4,050,536
Real Estate Investment Trusts (REITs) 0.5%			
iStar Financial, Inc., Term Loan, 4.50%, 9/28/17		3,244	3,246,483
Real Estate Management & Development 0.7%			
Realogy Corp.:			
		103	102,664

Extended Letter of Credit Loan, 4.46%, 10/10/16			
Extended Term Loan, 4.42%, 10/10/16		4,773	4,771,918
			4,874,582
Road & Rail 0.1%			
Road Infrastructure Investment LLC, Term Loan B, 6.25%, 3/30/18		640	641,763
Semiconductors & Semiconductor Equipment 0.6%			
Freescale Semiconductor, Inc.:			
Extended Term Loan B, 4.45%, 12/01/16		1,137	1,137,128
Term Loan, 5.00%, 3/1/20		1,575	1,568,700
NXP BV:			
Term Loan A-2, 5.50%, 3/03/17		399	406,205
Term Loan C, 4.75%, 1/11/20		980	995,004
			4,107,037
Software 1.1%			
Bankruptcy Management Solutions, Inc., Term Loan (First Lien), 7.50%, 8/20/14		2	1,099
GCA Services Group, Inc.:			
Second Lien Term Loan, 9.25%, 11/1/20		700	693,000
Term Loan B, 5.25%, 11/01/19		560	560,000
Infor US, Inc., Term Loan B2, 5.25%, 4/05/18		1,606	1,623,078
Kronos, Inc., Second Lien Term Loan, 9.75%, 4/30/20		1,170	1,216,800
RP Crown Parent LLC, First Lien Term Loan, 6.75%, 12/21/18		920	933,230
Sophia LP, Term Loan B, 6.25%, 7/19/18		892	898,205
Floating Rate Loan Interests (b)		**Par (000)**	**Value**
Software (concluded)			
SS&C Technologies, Inc.:			
Term Loan B-1, 5.00%, 6/07/19	USD	1,233	$ 1,243,590
Term Loan B-2, 5.00%, 6/07/19		128	128,647
			7,297,649
Specialty Retail 1.7%			
Academy Ltd., Term Loan, 4.75%, 8/03/18		1,782	1,802,634
Bass Pro Group LLC, Term Loan, 4.00%, 11/20/19		840	844,519
Burlington Coat Factory Warehouse Corp., Term Loan B1, 5.50%, 2/23/17		200	201,723
David s Bridal, Inc., Term Loan B, 5.00%, 10/11/19		955	964,789
Equinox Fitness Clubs, First Lien Term Loan, 5.50%, 1/31/20		1,140	1,151,400
Harbor Freight Tools USA, Inc., Term Loan B, 5.50%, 11/14/17		527	532,624
Michaels Stores, Inc., Term Loan, 4.81%, 1/31/20		1,425	1,428,163
Party City Holdings, Inc., Term Loan B, 5.75%, 7/26/19		1,800	1,798,650
		1,209	1,218,300

PETCO Animal Supplies, Inc., Term Loan, 4.00%, 11/24/17		
Toys 'R Us Delaware, Inc., Term Loan B3, 5.25%, 5/25/18	615	581,506
The Yankee Candle Co., Inc., Term Loan B, 5.25%, 4/02/19	540	543,191
		11,067,499
Textiles, Apparel & Luxury Goods 0.4%		
Ascend Performance Materials LLC, Term Loan B, 6.75%, 4/10/18	1,265	1,278,092
PVH Corp., Term Loan B, 3.25%, 12/19/19	790	796,336
Wolverine Worldwide, Inc., Term Loan B, 4.00%, 7/31/19	710	714,823
		2,789,251
Thrifts & Mortgage Finance 0.3%		
Insight Global, Inc., First Lien Term Loan, 6.00%, 10/31/19	870	872,175
Ocwen Financial Corp., Term Loan, 5.00%, 1/22/18	815	824,845
		1,697,020
Trading Companies & Distributors 0.1%		
WESCO Distribution, Inc., Term Loan B, 4.50%, 12/12/19	770	777,061
Wireless Telecommunication Services 1.7%		
Cricket Communications, Inc., Term Loan, 4.75%, 10/10/19	1,160	1,163,631
MetroPCS Wireless, Inc., Term Loan B-3, 4.00%, 3/16/18	1,027	1,028,316
Vodafone Americas Finance 2, Inc., Term Loan, 6.88%, 8/11/15 (h)	8,583	8,755,004
		10,946,951
Total Floating Rate Loan Interests 49.8%		330,671,570

Non-Agency Mortgage-Backed Securities		
Collateralized Mortgage Obligations 2.8%		
Adjustable Rate Mortgage Trust, Series 2007-1, Class 3A21, 5.59%, 3/25/37 (b)	1,042	1,027,604
Countrywide Alternative Loan Trust, Series 2005-54CB, Class 3A4, 5.50%, 11/25/35	6,546	5,576,788
Countrywide Home Loan Mortgage Pass-Through Trust:		
Series 2005-17, Class 1A6 5.50%, 9/25/35	2,014	2,003,643
Series 2006-17, Class A2 6.00%, 12/25/36	4,142	3,814,267
Series 2007-HY5, Class 3A1 5.59%, 9/25/37 (b)	2,681	2,457,472
GSR Mortgage Loan Trust, Series 2005-AR5, Class 2A3, 2.95%, 10/25/35 (b)	2,258	2,031,254
Morgan Stanley Reremic Trust, Series 2010-R4, Class 4A, 0.47%, 2/26/37 (a)(b)	1,499	1,442,667
		18,353,695

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Non-Agency Mortgage-Backed Securities		**Par (000)**	**Value**
Commercial Mortgage-Backed Securities 8.1%			
Banc of America Commercial Mortgage, Inc. (b):			
Series 2007-3, Class A2 5.62%, 6/10/49	USD	386	$ 385,899
Series 2007-4, Class A4 5.75%, 2/10/51		2,150	2,502,263
Citigroup/Deutsche Bank Commercial Mortgage Trust, Series 2007-CD4, Class A2B, 5.21%, 12/11/49		284	287,274
Commercial Mortgage Pass-Through Certificates:			
Series 2013-LC6, Class B 3.74%, 1/10/46		1,110	1,142,454
Series 2013-LC6, Class D 4.29%, 1/10/46 (a)(b)		1,330	1,213,734
Credit Suisse Mortgage Capital Certificates:			
Series 2006-C5, Class AM 5.34%, 12/15/39		1,850	2,035,823
Series 2007-C2, Class A2 5.45%, 1/15/49 (b)		87	87,571
Series 2007-C4, Class A3 5.76%, 9/15/39 (b)		2,815	2,957,141
Series 2007-C5, Class AAB 5.62%, 9/15/40 (b)		1,887	2,003,186
First Union Commercial Mortgage Securities, Inc., Series 1997-C2, Class G, 7.50%, 11/18/29 (b)		1,312	1,379,663
Greenwich Capital Commercial Funding Corp.:			
Series 2006-GG7, Class AM 5.87%, 7/10/38 (b)		1,610	1,804,916
Series 2007-GG9, Class A4 5.44%, 3/10/39		2,110	2,404,039
GS Mortgage Securities Corp. II:			
Series 2006-GG6, Class AM 5.62%, 4/10/38 (b)		3,680	4,047,650
Series 2013-GC10, Class B 3.68%, 2/10/46 (a)		1,995	2,052,203
JPMorgan Chase Commercial Mortgage Securities Corp.:			
Series 2004-LN2, Class A2 5.12%, 7/15/41		2,315	2,427,796
Series 2007-CB18, Class A4 5.44%, 6/12/47		2,110	2,400,098
Series 2007-CB19, Class A4 5.71%, 2/12/49 (b)		2,140	2,467,893
LB-UBS Commercial Mortgage Trust, Series 2007-C6, Class A4, 5.86%, 7/15/40 (b)		4,745	5,496,024
Morgan Stanley Capital I, Series 2007-IQ15, Class A2, 5.85%, 6/11/49 (b)		1,546	1,572,758
Talisman Finance Plc, Series 6, Class A, 0.39%, 10/22/16 (b)	EUR	2,068	2,497,191
Titan Europe Plc, Series 2007-1X, Class A, 0.76%, 1/20/17 (b)	GBP	2,548	3,247,238
Wachovia Bank Commercial Mortgage Trust, Series 2007-C33, Class A4, 5.93%, 2/15/51 (b)	USD	2,030	2,342,975
WF-RBS Commercial Mortgage Trust:			
Series 2012-C8, Class B 4.31%, 8/15/45		1,085	1,176,092
Series 2012-C8, Class C 4.88%, 8/15/45 (b)		1,395	1,525,672
Series 2013-C11, Class D 4.19%, 3/15/45 (a)(b)		1,400	1,338,313
	GBP	1,816	2,612,945

Windermere CMBS Plc, Series XI-X, Class A, 0.76%, 4/24/17 (b)				
				53,408,811
Interest Only Commercial Mortgage-Backed Securities 0.7%				
Morgan Stanley Capital I Trust, Series 2012-C4, Class XA, 2.69%, 3/15/45 (a)(b)	USD	15,468		2,260,560
WF-RBS Commercial Mortgage Trust, Series 2012-C9, Class XA, 2.28%, 11/15/45 (a)(b)		17,039		2,439,891
				4,700,451
Total Non-Agency Mortgage-Backed Securities 11.6%				76,462,957

Other Interests (l)		Beneficial Interest (000)		Value
Auto Components 0.0%				
Lear Corp. Escrow	USD	1,000	$	25,000
Diversified Financial Services 0.1%				
J.G. Wentworth LLC Preferred Equity Interests (d)		1		887,943
Household Durables 0.0%				
Berkline Benchcraft Equity LLC (c)(d)		3		
Total Other Interests 0.1%				912,943

Preferred Securities	Shares	
Preferred Stocks		
Auto Components 0.2%		
Dana Holding Corp., 4.00% (a)(f)	9,210	1,306,669
Trust Preferreds		
Diversified Financial Services 0.5%		
GMAC Capital Trust I, Series 2, 8.13%, 2/15/40 (b)	121,020	3,229,511
Total Preferred Securities 0.7%		4,536,180

Taxable Municipal Bonds		Par (000)	
State of California, GO:			
5.65%, 4/01/39 (b)	USD	455	456,920
Various Purpose 3, Mandatory Put Bonds, 5.10%, 8/01/14		1,350	1,396,116
Total Taxable Municipal Bonds 0.3%			1,853,036

US Government Sponsored Agency Securities

Collateralized Mortgage Obligations 0.5%		
Freddie Mac Mortgage-Backed Securities, Series 3986, Class M, 4.50%, 9/15/41	2,999	3,324,427
Interest Only Collateralized Mortgage Obligations 1.6%		
Fannie Mae Mortgage-Backed Securities:		
Series 2010-126, Class UI, 5.50%, 10/25/40	10,823	1,591,205
Series 2012-M9, Class X1, 4.08%, 12/25/17 (b)	21,101	3,414,663
Freddie Mac Mortgage-Backed Securities (b):		
Series K021, Class X1, 1.51%, 6/25/22	11,126	1,238,611
Series K707, Class X1, 1.56%, 12/25/18	43,228	3,370,807
Series K710, Class X1, 1.78%, 5/25/19	13,412	1,264,027
		10,879,313
Mortgage-Backed Securities 5.7%		
Fannie Mae Mortgage-Backed Securities (e):		
5.00%, 7/01/20 8/01/23	10,130	10,979,879
3.50%, 8/01/26	10,844	11,661,866
Freddie Mac Mortgage-Backed Securities, 4.50%, 4/01/25 (e)	13,595	14,786,864
		37,428,609
Total US Government Sponsored Agency Securities 7.8%		51,632,349
Total Long-Term Investments (Cost $987,782,783) 152.0%		1,004,595,263

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Limited Duration Income Trust (BLW)
(Percentages shown are based on Net Assets)

Short-Term Securities	**Shares**	**Value**
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.10% (m)(n)	2,366,919	$ 2,366,919
Total Short-Term Securities (Cost $2,366,919) 0.3%		2,366,919

Options Purchased	**Value**
(Cost $44,978) 0.0%	
Total Investments (Cost $990,194,680) 152.3%	$1,006,962,182
Liabilities in Excess of Other Assets (52.3)%	(345,824,583)
Net Assets 100.0%	$ 661,137,599

Notes to Schedule of Investments

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.
(b) Variable rate security. Rate shown is as of report date.
(c) Non-income producing security.
(d) Issuer filed for bankruptcy and/or is in default of principal and/or interest payments.
(e) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.
(f) Convertible security.
(g) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
(h) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
(i) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation
Citigroup, Inc	$2,242,560	$ 15,558
Pershing LLC	$1,491,240	$ 19,724

(j) Security is perpetual in nature and has no stated maturity date.
(k) Represents a step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate shown is as of report date.
(l) Other interests represent beneficial interests in liquidation trusts and other reorganization or private entities.
(m) Investments in issuers considered to be an affiliate of the Fund during the six months ended February 28, 2013, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

liate	Shares Held at August 31, 2012	Net Activity	Shares Held at February 28, 2013	Income	Reali Gain
ckRock Liquidity Funds, TempFund, Institutional Class	2,323,267	43,652	2,366,919	$4,226	$11

(n) Represents the current yield as of report date.
Reverse repurchase agreements outstanding as of February 28, 2013 were as follows:

Counterparty	**Interest Rate**	**Trade Date**	**Maturity Date**	**Face Value**	**Face Value Including Accrued Interest**
Credit Suisse Securties (USA) LLC	0.60%	8/22/12	Open	$ 426,020	$ 427,376
Credit Suisse Securties (USA) LLC	0.65%	8/24/12	Open	735,687	738,198
Credit Suisse Securties (USA) LLC	0.65%	8/29/12	Open	315,000	316,046
Credit Suisse Securties (USA) LLC	0.65%	8/30/12	Open	341,325	342,453
Barclays Capital, Inc.	0.60%	9/10/12	Open	419,012	420,206
Barclays Capital, Inc.	0.60%	9/12/12	Open	435,395	436,629
Credit Suisse Securties (USA) LLC	0.65%	9/13/12	Open	776,950	779,321
Barclays Capital, Inc.	0.60%	9/19/12	Open	3,882,238	3,892,785
Barclays Capital, Inc.	0.60%	9/19/12	Open	921,553	924,025
Credit Suisse Securties (USA) LLC	0.65%	9/19/12	Open	821,406	823,794
UBS Securities LLC	0.65%	9/26/12	Open	698,828	700,796
UBS Securities LLC	0.34%	9/28/12	Open	3,074,638	3,079,109
UBS Securities LLC	0.65%	10/04/12	Open	1,637,685	1,642,032
Barclays Capital, Inc.	0.65%	10/10/12	Open	1,128,000	1,130,872
UBS Securities LLC	0.65%	10/15/12	Open	513,300	514,560
BNP Paribas Securities Corp.	0.37%	10/17/12	Open	803,500	804,607
Barclays Capital, Inc.	0.60%	10/22/12	Open	997,688	999,849
Barclays Capital, Inc.	0.55%	10/26/12	Open	1,542,373	1,545,342
Barclays Capital, Inc.	0.65%	10/26/12	Open	1,608,900	1,612,560
Credit Suisse Securties (USA) LLC	0.65%	10/26/12	Open	1,147,006	1,149,616
UBS Securities LLC	(0.50%)	10/26/12	Open	885,588	884,038
UBS Securities LLC	0.10%	10/26/12	Open	1,922,460	1,923,133
UBS Securities LLC	0.60%	10/26/12	Open	2,222,700	2,227,368

See Notes to Financial Statements.

Reverse repurchase agreements outstanding as of February 28, 2013 were as follows (continued):

Counterparty	Interest Rate	Trade Date	Maturity Date	Face Value	Face Value Including Accrued Interest
UBS Securities LLC	0.65%	10/26/12	Open	$ 2,533,800	$ 2,539,564
Credit Suisse Securties (USA) LLC	0.70%	10/30/12	Open	1,168,738	1,171,487
Credit Suisse Securties (USA) LLC	0.65%	11/01/12	Open	4,156,238	4,165,243
Barclays Capital, Inc.	0.50%	11/06/12	Open	244,531	244,922
Barclays Capital, Inc.	0.60%	11/07/12	Open	921,444	923,195
Barclays Capital, Inc.	0.60%	11/16/12	Open	688,185	689,390
Credit Suisse Securties (USA) LLC	0.65%	11/19/12	Open	2,713,226	2,718,224
Credit Suisse Securties (USA) LLC	0.75%	11/19/12	Open	1,048,125	1,050,352
Credit Suisse Securties (USA) LLC	0.65%	11/19/12	12/31/22	204,500	204,873
UBS Securities LLC	0.65%	11/20/12	Open	527,590	528,552
Citigroup Global Markets, Inc.	(1.50%)	11/28/12	Open	635,050	632,616
Barclays Capital, Inc.	0.60%	12/05/12	Open	567,956	568,770
UBS Securities LLC	0.65%	12/06/12	Open	585,612	586,511
Credit Suisse Securities (USA) LLC	0.75%	12/10/12	Open	1,107,000	1,108,868
Barclays Capital, Inc.	0.35%	12/11/12	Open	3,672,816	3,675,637
Barclays Capital, Inc.	0.40%	12/11/12	Open	16,527,760	16,542,267
Barclays Capital, Inc.	0.60%	12/11/12	Open	9,235,815	9,247,976
Barclays Capital, Inc.	0.65%	12/11/12	Open	2,243,392	2,246,592
UBS Securities LLC	(0.25%)	12/13/12	Open	890,514	890,032
Barclays Capital, Inc.	0.60%	12/14/12	Open	221,530	221,815
Credit Suisse Securities (USA) LLC	0.37%	12/17/12	Open	44,388,958	44,422,262
UBS Securities LLC	0.70%	12/19/12	Open	2,314,600	2,317,795
Citigroup Global Markets, Inc.	(0.38%)	1/09/13	Open	528,592	528,312
Barclays Capital, Inc.	0.55%	1/15/13	Open	1,107,636	1,108,398
Barclays Capital, Inc.	0.65%	1/15/13	Open	594,529	595,012
Deutsche Bank Securities, Inc.	(2.75%)	1/15/13	Open	452,000	450,481
Deutsche Bank Securities, Inc.	(1.00%)	1/15/13	Open	581,000	580,290
Deutsche Bank Securities, Inc.	(0.63%)	1/15/13	Open	2,335,000	2,333,216

Deutsche Bank Securities, Inc.	(0.50%)	1/15/13	Open	851,000	850,480
Deutsche Bank Securities, Inc.	0.50%	1/15/13	Open	1,416,000	1,416,865
Deutsche Bank Securities, Inc.	0.55%	1/15/13	Open	13,413,000	13,422,016
Deutsche Bank Securities, Inc.	0.57%	1/15/13	Open	8,261,000	8,266,754
Deutsche Bank Securities, Inc.	0.58%	1/15/13	Open	5,435,000	5,438,853
Deutsche Bank Securities, Inc.	0.60%	1/15/13	Open	6,431,000	6,435,716
Deutsche Bank Securities, Inc.	0.65%	1/15/13	Open	3,825,000	3,828,039
Deutsche Bank Securities, Inc.	0.70%	1/15/13	Open	4,224,000	4,227,614
Deutsche Bank Securities, Inc.	0.57%	1/17/13	Open	1,400,729	1,401,682
Deutsche Bank Securities, Inc.	0.65%	1/17/13	Open	900,900	901,599
Deutsche Bank Securities, Inc.	0.70%	1/17/13	Open	1,677,645	1,679,015
Deutsche Bank Securities, Inc.	(0.10%)	1/18/13	Open	1,123,744	1,123,613
UBS Securities LLC	(0.50%)	1/23/13	Open	324,205	324,043
Deutsche Bank Securities, Inc.	0.58%	1/30/13	Open	2,229,565	2,230,643
Deutsche Bank Securities, Inc.	0.65%	1/30/13	Open	1,122,900	1,123,508
UBS Securities LLC	0.50%	1/30/13	Open	2,833,920	2,835,101
UBS Securities LLC	0.60%	1/30/13	Open	1,981,206	1,982,197
Deutsche Bank Securities, Inc.	0.55%	1/31/13	Open	1,685,000	1,685,747
UBS Securities LLC	0.65%	1/31/13	Open	547,200	547,487
Deutsche Bank Securities, Inc.	0.58%	1/31/13	Open	2,316,270	2,317,315
Deutsche Bank Securities, Inc.	0.58%	2/01/13	Open	3,268,860	3,270,334
Credit Suisse Securities (USA) LLC	0.70%	2/06/13	Open	1,151,700	1,152,215
Deutsche Bank Securities, Inc.	(0.75%)	2/06/13	Open	408,000	407,813
UBS Securities LLC	0.54%	2/06/13	Open	646,747	646,961
Deutsche Bank Securities, Inc.	0.55%	2/06/13	Open	473,417	473,569
Barclays Capital, Inc.	0.35%	2/07/13	Open	4,294,439	4,295,316
Barclays Capital, Inc.	0.60%	2/07/13	Open	13,883,962	13,888,819
Credit Suisse Securities (USA) LLC	0.60%	2/07/13	Open	407,469	407,611
Credit Suisse Securities (USA) LLC	0.65%	2/07/13	Open	4,201,990	4,203,583

UBS Securities LLC	0.00%	2/07/13	Open	576,600	576,600
UBS Securities LLC	0.00%	2/07/13	Open	442,225	442,225
UBS Securities LLC	0.25%	2/07/13	Open	1,048,688	1,048,840
UBS Securities LLC	0.34%	2/07/13	Open	3,334,275	3,334,936
UBS Securities LLC	0.35%	2/07/13	Open	3,594,088	3,594,821
UBS Securities LLC	0.45%	2/07/13	Open	866,250	866,477
UBS Securities LLC	0.55%	2/07/13	Open	8,414,156	8,416,854

See Notes to Financial Statements.

Reverse repurchase agreements outstanding as of February 28, 2013 were as follows (concluded):

Counterparty	Interest Rate	Trade Date	Maturity Date	Face Value	Face Value Including Accrued Interest
UBS Securities LLC	0.60%	2/07/13	Open	$ 3,038,725	$ 3,039,789
UBS Securities LLC	0.65%	2/07/13	Open	2,396,200	2,397,109
Barclays Capital, Inc.	0.55%	2/08/13	Open	1,938,969	1,939,591
Deutsche Bank Securities, Inc.	0.58%	2/08/13	Open	483,060	483,223
Deutsche Bank Securities, Inc.	0.58%	2/08/13	Open	1,170,163	1,170,502
Credit Suisse Securities (USA) LLC	0.35%	2/11/13	3/1/13	354,275	354,337
Barclays Capital, Inc.	0.30%	2/11/13	3/12/13	36,329,327	36,333,932
Barclays Capital, Inc.	0.60%	2/15/13	Open	606,506	606,648
UBS Securities LLC	0.60%	2/15/13	Open	1,329,437	1,329,747
UBS Securities LLC	0.65%	2/19/13	Open	166,058	166,088
Credit Suisse Securities (USA) LLC	0.35%	2/20/13	Open	520,569	520,614
Deutsche Bank Securities, Inc.	0.55%	2/20/13	Open	3,318,929	3,319,386
UBS Securities LLC	0.55%	2/20/13	Open	1,204,613	1,204,778
UBS Securities LLC	0.57%	2/20/13	Open	773,500	773,610
UBS Securities LLC	0.65%	2/20/13	Open	1,163,323	1,163,512
Credit Suisse Securities (USA) LLC	0.60%	2/20/13	Open	650,177	650,264
Deutsche Bank Securities, Inc.	0.58%	2/20/13	Open	2,512,000	2,512,325
Credit Suisse Securities (USA) LLC	0.25%	2/22/13	Open	779,512	779,550
Deutsche Bank Securities, Inc.	0.55%	2/22/13	Open	6,335,577	6,336,256
UBS Securities LLC	0.55%	2/25/13	Open	978,510	978,555
UBS Securities LLC	0.65%	2/27/13	Open	1,855,622	1,855,656
Credit Suisse Securities (USA) LLC	0.25%	2/28/13	Open	690,357	690,362
Deutsche Bank Securities, Inc.	0.55%	2/28/13	Open	4,527,554	4,527,625
Total				$311,588,502	$ 311,806,087

Financial futures contracts as of February 28, 2013 were as follows:

Contracts Purchased	Issue	Exchange	Expiration	Notional Value		Unrealized Appreciation
8	90-Day Euro-Dollar	Chicago Mercantile	March 2013	USD	1,994,100	$ 31,378
6	90-Day Euro-Dollar	Chicago Mercantile	June 2013	USD	1,495,350	27,434
6	90-Day Euro-Dollar	Chicago Mercantile	September 2013	USD	1,495,050	30,809
6	90-Day Euro-Dollar	Chicago Mercantile	December 2013	USD	1,494,675	34,108
6	90-Day Euro-Dollar	Chicago Mercantile	March 2014	USD	1,494,300	37,033
Total						$160,762

Foreign currency exchange contracts as of February 28, 2013 were as follows:

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
CAD	1,690,000	USD	1,644,305	BNP Paribas SA	4/17/13	$ (7,186)
GBP	688,000	USD	1,083,683	Citigroup, Inc.	4/17/13	(40,199)
USD	27,106	CAD	27,000	Citigroup, Inc.	4/17/13	951
USD	3,290,121	CAD	3,246,000	Deutsche Bank AG	4/17/13	145,690
USD	1,964,811	GBP	1,270,000	Barclays Plc	4/17/13	38,612
USD	789,025	GBP	517,000	BNP Paribas SA	4/17/13	4,896
USD	1,056,722	GBP	655,000	BNP Paribas SA	4/17/13	63,289
USD	3,248,701	GBP	2,142,000	Citigroup, Inc.	4/17/13	(53)
USD	1,308,571	GBP	845,000	Citigroup, Inc.	4/17/13	26,967
USD	37,116,486	GBP	23,170,000	Goldman Sachs Group, Inc.	4/17/13	1,974,741
USD	160,147	GBP	101,000	Royal Bank of Scotland Group Plc	4/17/13	6,961
USD	1,255,848	EUR	940,000	BNP Paribas SA	4/23/13	28,189
USD	132,496	EUR	101,000	Citigroup, Inc.	4/23/13	588
USD	212,334	EUR	157,000	Citigroup, Inc.	4/23/13	7,289
USD	25,093,640	EUR	18,832,000	Citigroup, Inc.	4/23/13	498,681
USD	133,466	EUR	100,178	Deutsche Bank AG	4/23/13	2,632
USD	346,441	EUR	260,000	Goldman Sachs Group, Inc.	4/23/13	6,876
USD	134,959	EUR	100,000	Royal Bank of Scotland Group Plc	4/23/13	4,357
USD	285,556	EUR	213,000	Royal Bank of Scotland Group Plc	4/23/13	7,373
USD	83,120	EUR	63,000	UBS AG	4/23/13	841
USD	90,189	EUR	67,000	UBS AG	4/23/13	2,686
USD	135,284	EUR	101,000	UBS AG	4/23/13	3,376
Total						$ 2,777,557

See Notes to Financial Statements.

BlackRock Limited Duration Income Trust (BLW)

Consolidated Schedule of Investments (continued)

Over-the-counter options purchased as of February 28, 2013 were as follows:

Description	Counterparty	Put/ Call	Strike Price	Expiration Date	Contracts	Market Value
Marsico Parent Superholdco LLC	Goldman Sachs Group, Inc.	Call	USD 942.86	12/14/19	46	

Credit default swaps buy protection outstanding as of February 28, 2013 were as follows:

Issuer/Index	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
Dow Jones CDX North America Investment Grade Index Series 16, Version 1	1.00%	Morgan Stanley	6/20/16	USD 7,700	$ (83,509)
Australia & New Zealand Banking Group Ltd.	1.00%	Deutsche Bank AG	9/20/17	USD 1	(17)
Westpac Banking Corp.	1.00%	Deutsche Bank AG	9/20/17	USD 1	(17)
Total					$ (83,543)

Credit default swaps sold protection outstanding as of February 28, 2013 were as follows:

Issuer/Index	Receive Fixed Rate	Counterparty	Expiration Date	Credit Rating[1]	Notional Amount (000)[2]	Unrealized Appreciation (Depreciation)
Caesars Entertainment Operating Co., Inc.	5.00%	Citigroup, Inc.	12/20/15	CCC	USD 357	$ 46,667
Caesars Entertainment Operating Co., Inc.	5.00%	Citigroup, Inc.	12/20/15	CCC	USD 172	16,862
Caesars Entertainment Operating Co., Inc.	5.00%	JPMorgan Chase & Co.	12/20/15	CCC	USD 145	17,635
Caesars Entertainment Operating Co., Inc.	5.00%	JPMorgan Chase & Co.	12/20/15	CCC	USD 580	65,188
Caesars Entertainment Operating Co., Inc.	5.00%	JPMorgan Chase & Co.	12/20/15	CCC	USD 626	105,388
Caesars Entertainment Operating Co., Inc.	5.00%	UBS AG	12/20/15	CCC	USD 840	78,752
Caesars Entertainment Operating Co., Inc.	5.00%	Barclays Plc	3/20/16	CCC	USD 75	3,445
Caesars Entertainment Operating Co., Inc.	5.00%	Barclays Plc	3/20/16	CCC	USD 72	1,263
Caesars Entertainment Operating Co., Inc.	5.00%	Citigroup, Inc.	3/20/16	CCC	USD 79	1,761

Caesars Entertainment Operating Co., Inc.	5.00%	Goldman Sachs Group, Inc.	3/20/16	CCC	USD	247	19,234
Caesars Entertainment Operating Co., Inc.	5.00%	Goldman Sachs Group, Inc.	3/20/16	CCC	USD	739	47,639
Caesars Entertainment Operating Co., Inc.	5.00%	Goldman Sachs Group, Inc.	3/20/16	CCC	USD	165	8,440
Caesars Entertainment Operating Co., Inc.	5.00%	Goldman Sachs Group, Inc.	3/20/16	CCC	USD	634	622
Caesars Entertainment Operating Co., Inc.	5.00%	Goldman Sachs Group, Inc.	3/20/16	CCC	USD	247	19,234
Caesars Entertainment Operating Co., Inc.	5.00%	JPMorgan Chase & Co.	3/20/16	CCC	USD	82	3,005
Caesars Entertainment Operating Co., Inc.	5.00%	Goldman Sachs Group, Inc.	6/20/16	CCC	USD	499	29,460
Caesars Entertainment Operating Co., Inc.	5.00%	Goldman Sachs Group, Inc.	6/20/16	CCC	USD	970	48,181
Dow Jones CDX North America Investment Grade Index Series 16, Version 1	1.00%	Morgan Stanley	6/20/16	BB	USD	7,700	175,559
Caesars Entertainment Operating Co., Inc.	5.00%	Barclays Plc	3/20/17	CCC	USD	72	541
Caesars Entertainment Operating Co., Inc.	5.00%	Goldman Sachs Group, Inc.	3/20/17	CCC	USD	147	1,829
Caesars Entertainment Operating Co., Inc.	5.00%	Goldman Sachs Group, Inc.	3/20/17	CCC	USD	453	(3,447)
Total							$ 687,258

[1] Using S&P s rating of the issuer.

[2] The maximum potential amount the Fund may pay should a negative event take place as defined under the terms of agreement.

Interest rate swaps outstanding as of February 28, 2013 were as follows:

Fixed Rate	Floating Rate	Counterparty/Exchange	Expiration Date	Notional Amount (000)		Unrealized Depreciation
1.10%[3]	3-month LIBOR	Deutsche Bank AG	5/14/17	USD	14,500	$ (219,310)

[3] Fund pays the fixed rate and receives the floating rate.

For Fund compliance purposes, the Fund s industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 unadjusted price quotations in active markets/exchanges for identical assets and liabilities that the Fund has the ability to access

Level 2 other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund s own assumptions used in determining the fair value of investments and derivative financial instruments)

See Notes to Financial Statements.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund s policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period.

The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund s policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the Fund s investments and derivative financial instruments categorized in the disclosure hierarchy as of February 28, 2013:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities		$ 31,649,123	$27,924,393	$ 59,573,516
Common Stocks		2,474,286	3,774,315	6,248,601
Corporate Bonds		464,854,049	7,850,062	472,704,111
Floating Rate Loan Interests		288,929,192	41,742,378	330,671,570
Non-Agency Mortgage-Backed Securities		75,124,644	1,338,313	76,462,957
Other Interests			912,943	912,943
Preferred Securities	$3,229,511	1,306,669		4,536,180
Taxable Municipal Bonds		1,853,036		1,853,036
US Government Sponsored Agency Securities		51,632,349		51,632,349
Short-Term Securities	2,366,919			2,366,919
Total	$5,596,430	$ 917,823,348	$83,542,404	$1,006,962,182

	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments[1]				

Assets:				
Interest rate contracts	$ 160,762			$ 160,762
Foreign currency exchange contracts		$ 2,824,995		2,824,995
Credit contracts		690,705		690,705
Liabilities:				
Interest rate contracts		(219,310)		(219,310)
Foreign currency exchange contracts		(47,438)		(47,438)
Credit contracts		(86,990)		(86,990)
Total	$ 160,762	$ 3,161,962		$ 3,222,724

Derivative financial instruments are swaps, financial futures contracts and foreign currency exchange contracts.
[1] Swaps, financial futures contracts and foreign currency exchange contracts are valued at the unrealized appreciation/depreciation on the instrument and options are shown at value.

Certain of the Fund s assets and liabilities are held at carrying amount or face value, which approximates fair value for financial statement purposes. As of February 28, 2013, such assets and liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash pledged as collateral for financial futures contracts	$ 15,500			$ 15,500
Liabilities:				
Bank overdraft		$ (940,679)		(940,679)
Bank overdraft on foreign currency at value		(1,618,646)		(1,618,646)
Cash received as collateral for swaps		(1,200,000)		(1,200,000)
Reverse repurchase agreements		(311,588,502)		(311,588,502)
Total	$ 15,500	$(315,347,827)		$ (315,332,327)

There were no transfers between Level 1 and Level 2 during the six months ended February 28, 2013.
See Notes to Financial Statements.

A reconciliation of Level 3 investments and derivative financial instruments is presented when the Fund had a significant amount of Level 3 investments and derivatives at the beginning and/or end of the period in relation to net assets. The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used in determining fair value:

	Asset-Backed Securities	Common Stocks	Corporate Bonds	Floating Rate Loan Interests	Non-Agency Mortgage Backed	Other Interests	Total
alance, as of 2012	$9,845,241	$2,007,283	$1,727	$38,594,979		$1,608,923	$52,
nto Level 3[1]		22,945	9,145,125	6,470,114			15,
ut of Level 3[2]				(7,121,367)			(7,1
scounts/premiums	(470,911)		(17,982)	65,449		18,810	(40
d gain (loss)	65,279		11,578	(108,690)			(31
in unrealized n/depreciation[3]	1,072,279	1,474,842	(2,203,610)	962,859	$16,283	136,210	1,4
	18,975,721	269,245	1,175,000	11,423,588	1,322,030	10,000	33,
	(1,563,216)		(261,776)	(8,544,554)		(861,000)	(11
lance, as of 28, 2013	$27,924,393	$3,774,315	$7,850,062	$41,742,378	$1,338,313	$912,943	$83,

1 As of August 31, 2012, the Fund used observable inputs in determining the value of certain investments. As of February 28, 2013, the Fund used significant unobservable inputs in determining the value of the same investments. As a result, investments with a beginning of period value of $7,121,367 transferred from Level 2 to Level 3 in the disclosure hierarchy.

2 As of August 31, 2012, the Fund used significant unobservable inputs in determining the value of certain investments. As of February 28, 2013, the Fund used observable inputs in determining the value of the same investments. As a result, investments with a beginning of period value of $15,638,184 transferred from Level 3 to Level 2 in the disclosure hierarchy.

3 Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations. The change in unrealized appreciation/depreciation on investments still held as of February 28, 2013 was $ 1,096,578.

The following table summarizes the valuation techniques used and unobservable inputs developed by the Global Valuation Committee to determine the value of certain of the Fund s Level 3 investments as of February 28, 2013. The table does not include Level 3 investments with values derived utilizing third party pricing information without adjustment. A significant change in third party pricing information could result in a significantly lower or higher value of such Level 3 investments. The value of Level 3 investments derived using third party pricing information is $72,727,794.

	Value	Valuation Techniques	Unobservable Inputs[4]	Range of Unobservable Inputs Utilized
Assets:				
Common Stocks	$ 2,594,787			6.56x

		Market Comparable Companies	EBITDA Multiple	
Corporate Bonds	1,727	Estimated Final Distribution	Recovery Rate	0.05%
	1,175,000	Cost[5]	N/A	
Floating Rate Loan Interests	3,293,096	Discounted Cash Flow	Yield	9.50%
	3,750,000	Cost[5]	N/A	
Total	$ 10,814,610			

4 A change to the unobservable input may result in significant change to the value of the investment as follows:

Unobservable Input	**Impact to Value if Input Increases**	**Impact to Value if Input Decreases**
EBITDA Multiple	Increase	Decrease
Recovery Rate	Increase	Decrease
Yield	Decrease	Increase

5 The Fund fair values certain of its Level 3 investments using prior transaction prices (acquisition cost), although the transaction may not have occurred during the current reporting period. In such cases, these investments are generally privately held investments. There may not be a secondary market, and/or there are a limited number of investors. The determination to fair value such investments at cost is based upon factors consistent with the principles of fair value measurement that are reasonably available to the Global Valuation Committee, or its delegate. Valuations are reviewed utilizing available market information to determine if the carrying value should be adjusted. Such market data may include, but is not limited to, observations of the trading multiples of public companies considered comparable to the private companies being valued, financial or operational information released by the company, and/or news or corporate events that affect the investment. Valuations may be adjusted to account for company-specific issues, the lack of liquidity inherent in a nonpublic investment and the fact that comparable public companies are not identical to the investments being fair valued by the Fund.

See Notes to Financial Statements.

Statements of Assets and Liabilities

February 28, 2013 (Unaudited)	BlackRock Defined Opportunity Credit Trust (BHL)	BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)[1]	BlackRock Limited Duration Income Trust (BLW)[1]
Assets			
Investments at value unaffiliated[2]	$ 195,768,037	$ 857,521,624	$ 1,004,595,263
Investments at value affiliated[3]	4,275,893	14,430,590	2,366,919
Cash		1,844,191	
Cash pledged as collateral for financial futures contracts			15,500
Cash pledged as collateral for swaps		620,000	
Investments sold receivable	5,597,631	24,518,124	31,944,064
Principal paydown receivable	1,367,275	2,437,814	3,009,233
Interest receivable	984,724	4,463,851	9,455,794
Unrealized appreciation on foreign currency exchange contracts	156,557	616,559	2,824,995
Foreign currency at value[4]	141,316	12,535	
Unrealized appreciation on swaps	66,901	372,158	690,705
Swaps receivable	8,062	47,187	214,966
Unrealized appreciation on unfunded loan commitments	180	777	
Variation margin receivable			909
Swap premiums paid			29
Prepaid expenses	3,510	7,070	34,234
Income tax refund receivable		18,024	
Other assets			799,178
Total assets	208,370,086	906,910,504	1,055,951,789
Liabilities			
Bank overdraft	313,625		940,679
Reverse repurchase agreements			311,588,502
Loan payable	48,000,000	208,000,000	
Investments purchased payable	28,933,304	124,472,087	75,753,058
Swap premiums received	245,055	1,351,778	2,146,236
Bank overdraft on foreign currency[4]			1,618,646
Cash received as collateral for swaps			1,200,000
Investment advisory fees payable	136,848	451,308	405,372
Interest expense payable	35,371	137,005	213,489
Officer s and Directors fees payable	742	10,500	240,363
Unrealized depreciation on swaps	682	2,961	306,300
Swaps payable			62,649
Unrealized depreciation on foreign currency exchange contracts		14,902	47,438
Deferred capital gains tax payable		18,096	
Income dividends payable			11
Reorganization costs payable		298,422	
Other accrued expenses payable	153,558	495,895	291,447

Total liabilities	77,819,185	335,252,954	394,814,190
Net Assets	$ 130,550,901	$ 571,657,550	$ 661,137,599
Net Assets Consist of			
Paid-in capital[5,6,7]	$ 128,180,168	$ 633,990,230	$ 703,095,036
Undistributed net investment income	1,564,291	825,502	4,181,077
Accumulated net realized loss	(2,931,966)	(68,255,838)	(66,262,971)
Net unrealized appreciation/depreciation	3,738,408	5,097,656	20,124,457
Net Assets	$ 130,550,901	$ 571,657,550	$ 661,137,599
Net asset value per share	$ 14.45	$ 15.37	$ 17.87
[1] Consolidated Statement of Assets and Liabilities			
[2] Investments at cost affiliated	$ 4,275,893	$ 14,430,590	$ 2,366,919
[3] Investments at cost unaffiliated	$ 192,279,003	$ 853,531,682	$ 987,827,761
[4] Foreign currency at cost	$ 143,436	$ 12,749	$ (1,623,727)
[5] Par value per share	$ 0.001	$ 0.10	$ 0.001
[6] Shares outstanding	9,034,519	37,196,872	36,988,668
[7] Shares authorized	unlimited	200 million	unlimited

See Notes to Financial Statements.

Statements of Operations

Six Months Ended February 28, 2013 (Unaudited)	BlackRock Defined Opportunity Credit Trust (BHL)	BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)[1]	BlackRock Limited Duration Income Trust (BLW)[1]
Investment Income			
Interest	$ 5,244,389	$ 21,028,649	$ 28,195,437
Dividends unaffiliated			6,000
Dividends affiliated	492	1,622	4,226
Total income	5,244,881	21,030,271	28,205,663
Expenses			
Investment advisory	872,674	2,582,894	2,605,732
Custodian	38,840	119,369	97,178
Professional	36,671	68,922	62,276
Borrowing costs[2]	32,562	122,569	
Accounting services	18,878	50,910	59,563
Transfer agent	12,145	39,725	39,936
Reorganization		67,096	
Officer and Directors	5,687	17,042	39,668
Registration	4,677	9,146	6,268
Printing	2,617	30,058	13,473
Miscellaneous	12,611	51,058	27,008
Total expenses excluding interest expense and income tax	1,037,362	3,158,789	2,951,102
Interest expense	219,735	887,229	713,564
Income tax		60,285	
Total expenses	1,257,097	4,106,303	3,664,666
Less fees waived by Manager	(227)	(730)	(2,252)
Total expenses after fees waived	1,256,870	4,105,573	3,662,414
Net investment income	3,988,011	16,924,698	24,543,249
Realized and Unrealized Gain (Loss)			
Net realized gain (loss) from:			
Investments	1,759,796	7,130,780	11,759,735
Investments affiliated			115
Financial futures contracts			(468,285)
Foreign currency transactions	(348,994)	(953,853)	(2,466,231)
Options written			75,600
Swaps	(117,714)	(183,697)	(898,791)
	1,293,088	5,993,230	8,002,143
Net change in unrealized appreciation/depreciation on:			
Investments	1,223,657	4,271,556[3]	8,658,250
Financial futures contracts			240,726
Foreign currency translations	314,797	947,370	3,121,043
Options written			(3,222)
Swaps	132,539	515,904	864,664

Unfunded loan commitments	180	777	
	1,671,173	5,735,607	12,881,461
Total realized and unrealized gain	2,964,261	11,728,837	20,883,604
Net Increase in Net Assets Resulting from Operations	$ 6,952,272	$ 28,653,535	$ 45,426,853

[1] Consolidated Statement of Operations.

[2] See Note 6 of the Notes to Financial Statements for details of short-term borrowings.

[3] Net of capital gain tax of $18,096.

See Notes to Financial Statements.

Statements of Changes in Net Assets

	BlackRock Defined Opportunity Credit Trust (BHL)	
Increase (Decrease) in Net Assets:	**Six Months Ended February 28, 2013 (Unaudited)**	**Year Ended August 31, 2012**
Operations		
Net investment income	$ 3,988,011	$ 7,715,971
Net realized gain	1,293,088	341,628
Net change in unrealized appreciation/depreciation	1,671,173	7,717,270
Net increase in net assets resulting from operations	6,952,272	15,774,869
Dividends to Shareholders From		
Net investment income	(3,963,060)	(7,217,171)[1]
Capital Share Transactions		
Reinvestment of dividends	107,096	
Net Assets		
Total increase in net assets	3,096,308	8,557,698
Beginning of period	127,454,593	118,896,895
End of period	$ 130,550,901	$ 127,454,593
Undistributed net investment income	$ 1,564,291	$ 1,539,340

[1] Dividends are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

Consolidated Statements of Changes in Net Assets

	BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)		BlackRock Limited Du[r] Income Trust (BLW	
Increase (Decrease) in Net Assets:	**Six Months Ended February 28, 2013 (Unaudited)**	**Year Ended August 31, 2012**	**Six Months Ended February 28, 2013 (Unaudited)**	**Year [E] Augu[st] 20**
Operations				
Net investment income	$ 16,924,698	$ 17,932,502	$ 24,543,249	$ 48,53
Net realized gain (loss)	5,993,230	(4,997,420)	8,002,143	(1,70
Net change in unrealized appreciation/depreciation	5,735,607	21,658,016	12,881,461	34,08
Net increase in net assets resulting from operations	28,653,535	34,593,098	45,426,853	80,91
Dividends to Shareholders From				
Net investment income	(17,732,665)	(17,066,400)[1]	(27,283,003)	(48,93
Capital Share Transactions				
Proceeds issued resulting from reorganization	283,047,261			
Reinvestment of dividends	699,419	258,718	602,467	59
Net increase in net assets derived from capital share transactions	283,746,680	258,718	602,467	59
Net Assets				
Total increase in net assets	294,667,550	17,785,416	18,746,317	32,57
Beginning of period	276,990,000	259,204,584	642,391,282	609,81
End of period	$ 571,657,550	$ 276,990,000	$ 661,137,599	$ 642,39
Undistributed net investment income	$ 825,502	$ 1,633,469	$ 4,181,077	$ 6,92

[1] Dividends are determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

Statements of Cash Flows

Six Months Ended February 28, 2013	BlackRock Defined Opportunity Credit Trust (BHL)	BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)[1]	BlackRock Limited Duration Income Trust (BLW)[1]
Cash Provided by Operating Activities			
Net increase in net assets resulting from operations	$ 6,952,272	$ 28,624,527	$ 45,426,853
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:			
Decrease in interest receivable	169,325	176,165[2]	280,590
Increase in swap receivable	(8,062)	(47,187)	(195,014)
Increase in income tax refund receivable		(18,024)	
Increase in cash pledged as collateral for swaps		(620,000)	
Decrease in variation margin receivable			4,066
Decrease in cash pledged as collateral for financial futures contracts			430,000
Decrease in cash received as collateral for reverse repurchase agreements			(1,137,000)
Increase in cash received as collateral for swaps			1,200,000
Decrease in other assets			2,276
Increase in prepaid expenses	(2,486)	(1,791)[2]	(8,369)
Decrease in investment advisory fees payable	(13,175)	(97,188)[2]	(16,278)
Increase (decrease) in interest expense payable	(5,097)	47,279[2]	(80,657)
Increase (decrease) in other accrued expenses payable	(42,015)	16,191[2]	(62,560)
Decrease in swaps payable	(17,243)	(38,143)	(97,586)
Decrease in reorganization costs payable		(416,536)[2]	
Increase in deferred capital gains tax payable		18,096	
Increase (decrease) in Officer s and Directors fees payable	(301)	(7,876)[2]	96,162
Net periodic and termination payments of swaps	222,997	1,379,683	1,853,123
Net realized and unrealized gain on investments	(3,257,574)	(12,325,095)	(21,957,598)
Amortization of premium and accretion of discount on investments	(292,813)	(1,018,667)	489,463
Proceeds from sales of long-term investments	80,894,890	343,971,292	335,657,178
Purchases of long-term investments	(71,908,318)	(310,963,706)	(353,195,605)
Net proceeds from sales (purchases) of short-term securities	(1,949,452)	(4,070,471)	(43,652)
Cash provided by operating activities	10,742,948	44,608,549	8,645,392
Cash Used for Financing Activities			

Cash receipts from borrowings	56,000,000	223,000,000	
Cash payments on borrowings	(63,000,000)	(249,000,000)	
Net borrowings of reverse repurchase agreements			15,112,867
Cash dividends paid to shareholders	(3,925,300)	(17,033,246)	(26,680,525)
Increase in bank overdraft	313,625		2,559,325
Cash used for financing activities	(10,611,675)	(43,033,246)	(9,008,333)
Cash Impact from Foreign Exchange Fluctuations			
Cash impact from foreign exchange fluctuations	(2,249)	(3,352)	(1,658)
Cash and Foreign Currency			
Net increase (decrease) in cash and foreign currency	129,024	1,571,951	(364,599)
Cash and foreign currency at beginning of period	12,292	284,775	364,599
Cash and foreign currency at end of period	$ 141,316	$ 1,856,726	
Cash Flow Information			
Cash paid during the period for interest	$ 224,832	$ 839,950	$ 794,221
Non-cash Financing Activities			
Fair value of investments acquired through reorganization		$ 426,639,591	
Capital shares issued in reorganization		$ 283,047,261	
Capital shares issued in reinvestment of dividends	$ 107,096	$ 699,419	$ 602,467

[1] Consolidated Statement of Cash Flows.

[2] Includes assets and liabilities acquired in reorganization.

See Notes to Financial Statements.

Financial Highlights — BlackRock Defined Opportunity Credit Trust (BHL)

	Six Months Ended February 28, 2013 (Unaudited)	Year Ended August 31, 2012	2011	2010	2009	Period January 31, 2008[1] to August 31, 2008
Per Share Operating Performance						
Net asset value, beginning of period	$ 14.12	$ 13.17	$ 13.55	$ 12.53	$ 14.31	$ 14.33[2]
Net investment income[3]	0.44	0.85	0.86	0.85	0.87	0.47
Net realized and unrealized gain (loss)	0.33	0.90	(0.45)	0.87	(1.55)	0.21
Net increase (decrease) from investment operations	0.77	1.75	0.41	1.72	(0.68)	0.68
Dividends and distributions from:						
Net Investment income	(0.44)	(0.80)[4]	(0.79)[4]	(0.70)[4]	(1.09)[4]	(0.62)[4]
Tax return of capital					(0.01)[4]	(0.06)[4]
Total dividends and distributions	(0.44)	(0.80)	(0.79)	(0.70)	(1.10)	(0.68)
Capital changes with respect to issuance of shares						(0.02)
Net asset value, end of period	$ 14.45	$ 14.12	$ 13.17	$ 13.55	$ 12.53	$ 14.31
Market price, end of period	$ 14.75	$ 13.94	$ 12.65	$ 12.86	$ 11.03	$ 12.66
Total Investment Return[5]						
	5.55%[6]	13.94%	2.93%	14.39%	(2.16)%	4.79%[6]

Based on net asset value						
Based on market price	9.13%[6]	17.12%	4.17%	23.33%	(2.65)%	(11.44)%[6]
Ratios to Average Net Assets						
Total expenses	1.96%[7]	1.91%	2.02%	1.91%	2.39%	1.78%[7]
Total expenses after fees waived and paid indirectly	1.96%[7]	1.91%	2.02%	1.90%	2.39%	1.78%[7]
Total expenses after fees waived and paid indirectly and excluding interest expense	1.62%[7,8]	1.61%[8]	1.71%	1.65%	1.94%	1.48%[7]
Net investment income	6.23%[7]	6.24%	6.10%	6.40%	8.11%	5.52%[7]
Supplemental Data						
Net assets, end of period (000)	$ 130,551	$ 127,455	$ 118,897	$ 122,062	$ 112,862	$ 127,695
Borrowings outstanding, end of period (000)	$ 48,000	$ 55,000	$ 43,000	$ 24,000	$ 27,000	$ 38,500
Average borrowings outstanding, during the period (000)	$ 46,967	$ 39,077	$ 36,369	$ 24,633	$ 31,141	$ 13,788
Portfolio turnover	46%	53%	91%	102%	41%	18%
Asset coverage, end of period per $1,000	$ 3,720	$ 3,317	$ 3,765	$ 6,086	$ 5,180	$ 4,317

[1] Commencement of operations.

[2]

Net asset value, beginning of period, reflects a deduction of $0.675 per share sales charge from initial offering price of $15.00 per share.

[3] Based on average shares outstanding.

[4] Dividends and distributions are determined in accordance with federal income tax regulations.

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

[6] Aggregate total investment return.

[7] Annualized.

[8] For the six months ended February 28, 2013 and the year ended August 31, 2012, the total expense ratio after fees waived and paid indirectly and excluding interest expense and borrowing costs was 1.57% and 1.52%, respectively.

See Notes to Financial Statements.

Financial Highlights **BlackRock Floating Rate Income Strategies Fund, Inc. (FRA)**

	Six Months Ended February 28, 2013[1] (Unaudited)	Year Ended August 31,				
		2012[1]	2011	2010	2009	2008
Per Share Operating Performance						
Net asset value, beginning of period	$ 14.98	$ 14.04	$ 14.36	$ 12.93	$ 16.12	$ 18.25
Net investment income[2]	0.50	0.97	0.96	0.91	1.14	1.45
Net realized and unrealized gain (loss)	0.46	0.90	(0.36)	1.48	(3.04)	(2.03)
Net increase (decrease) from investment operations	0.96	1.87	0.60	2.39	(1.90)	(0.58)
Dividends and distributions from:						
Net investment income	(0.57)	(0.93)[3]	(0.86)[3]	(0.94)[3]	(1.29)[3]	(1.55)[3]
Tax return of capital			(0.06)[3]	(0.02)[3]		
Total dividends and distributions	(0.57)	(0.93)	(0.92)	(0.96)	(1.29)	(1.55)
Net asset value, end of period	$ 15.37	$ 14.98	$ 14.04	$ 14.36	$ 12.93	$ 16.12
Market price, end of period	$ 16.47	$ 15.20	$ 13.33	$ 14.61	$ 12.26	$ 14.49
Total Investment Return[4]						
Based on net asset value	6.53%[5]	13.91%	4.04%	18.91%	(8.88)%	(2.56)%
Based on market price	12.50%[5]	21.74%	(2.91)%	27.59%	(3.88)%	(4.28)%

Ratios to Average Net Assets						
Total expenses	1.63%[6,7]	1.67%[8]	1.60%	1.45%	1.96%	2.61%
Total expenses after fees waived and paid indirectly	1.63%[6,7]	1.67%[8]	1.60%	1.45%	1.96%	2.60%
Total expenses after fees waived and paid indirectly and excluding interest expense and income tax	1.25%[6,7,9]	1.35%[8,10]	1.30%	1.22%	1.31%	1.18%
Net investment income	6.72%[6]	6.67%	6.44%	6.43%	10.18%	8.49%
Supplemental Data						
Net assets, end of period (000)	$ 571,629	$ 276,900	$ 259,205	$ 264,379	$ 237,160	$ 295,005
Borrowings outstanding, end of period (000)	$ 208,000	$ 117,000	$ 93,000	$ 53,000	$ 38,000	$ 101,500
Average borrowings outstanding, during the period (000)	$ 189,558	$ 88,197	$ 79,195	$ 48,258	$ 50,591	$ 102,272
Portfolio turnover	51%	53%	91%	96%	58%	49%
Asset coverage, end of period per $1,000	$ 3,748	$ 3,367	$ 3,787	$ 5,988	$ 7,241	$ 3,906

1 Consolidated Financial Highlights.

2 Based on average shares outstanding.

3 Dividends and distributions are determined in accordance with federal income tax regulations.

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

5 Aggregate total investment return.

[6] Annualized.

[7] Includes reorganization costs associated with the Fund s merger. Without these costs, total expenses, total expenses after fees waived and paid indirectly, and total expenses after fees waived and paid indirectly and excluding interest expense would have been 1.60%, 1.60%, and 1.23%, respectively.

[8] Includes reorganization costs associated with the Fund s merger. Without these costs, total expenses, total expenses after fees waived and paid indirectly, and total expenses after fees waived and paid indirectly and excluding interest expense would have been 1.61%, 1.61%, and 1.29%, respectively.

[9] For the six months ended February 28, 2013, the total expense ratio after fees waived and paid indirectly and excluding interest expense, borrowing costs and income tax was 1.20%.

[10] For the year ended August 31, 2012, the total expense ratio after fees waived and paid indirectly and excluding interest expense and borrowing costs was 1.26%.

See Notes to Financial Statements.

Financial Highlights **BlackRock Limited Duration Income Trust (BLW)**

	Six Months Ended February 28, 2013[1] (Unaudited)	Year Ended August 31,				Period November 1, 2007 to August 31, 2008	Yea Oct 200
		2012[1]	2011	2010	2009		
Per Share Operating Performance							
Net asset value, beginning of period	$ 17.38	$ 16.52	$ 16.79	$ 14.95	$ 16.71	$ 18.52	$
Net investment income	0.66[2]	1.31[2]	1.34[2]	1.12[2]	1.01[2]	1.14[2]	
Net realized and unrealized gain (loss)	0.57	0.88	(0.37)	1.62	(1.61)	(1.76)	
Net increase (decrease) from investment operations	1.23	2.19	0.97	2.74	(0.60)	(0.62)	
Dividends and distributions from:							
Net investment income	(0.74)	(1.33)[3]	(1.24)[3]	(0.90)[3]	(1.16)[3]	(1.19)[3]	
Net realized gain							
Tax return of capital							
Total dividends and distributions	(0.74)	(1.33)	(1.24)	(0.90)	(1.16)	(1.19)	
Net asset value, end of period	$ 17.87	$ 17.38	$ 16.52	$ 16.79	$ 14.95	$ 16.71	$
Market price, end of period	$ 18.84	$ 18.00	$ 16.01	$ 16.76	$ 14.09	$ 14.57	$
Total Investment Return[4]							
Based on net asset value	7.17%[5]	13.86%	5.85%	19.00%	(1.57)%	(2.60)%[5]	
	9.10%[5]	21.68%	2.77%	26.04%	6.40%	(5.70)%[5]	(4.

Based on market price

Ratios to Average Net Assets							
Total expenses	1.13%[6]	1.05%	1.01%	0.82%	0.72%	1.39%[6]	
Total expenses after fees waived and paid indirectly	1.13%[6]	1.05%	1.00%	0.81%	0.71%	1.38%[6]	
Total expenses after fees waived and paid indirectly and excluding interest expense	0.91%[6]	0.89%	0.87%	0.73%	0.69%	0.76%[6]	
Net investment income	7.58%[6]	7.82%	7.75%	6.90%	7.42%	7.84%[6]	
Supplemental Data							
Net assets, end of period (000)	$ 661,138	$ 642,391	$ 609,818	$ 619,381	$ 551,505	$ 616,393	$ 6
Borrowings outstanding, end of period (000)	$ 311,589	$ 296,476	$ 244,120	$ 123,233		$ 64,538	$ 1
Average borrowings outstanding, during the period (000)	302,037	$ 242,396	$ 191,303	$ 44,160	$ 11,705	$ 120,295	$ 1
Portfolio turnover	38%	54%	106%[7]	248%[8]	287%[9]	191%[10]	
Asset coverage, end of period per $1,000	$ 3,122	$ 3,167	$ 3,498	$ 6,026		$ 10,551	$

1 Consolidated Financial Highlights.

2 Based on average shares outstanding.

3 Dividends and distributions are determined in accordance with federal income tax regulations.

4 Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns. Where applicable, total investment returns exclude the effects of any

sales charges and include the reinvestment of dividends and distributions.

[5] Aggregate total investment return.

[6] Annualized.

[7] Includes mortgage dollar roll and to-be-announced (TBA) transactions. Excluding these transactions, the portfolio turnover would have been 87%.

[8] Includes mortgage dollar roll transactions. Excluding these transactions, the portfolio turnover would have been 113%.

[9] Includes mortgage dollar roll transactions. Excluding these transactions, the portfolio turnover would have been 79%.

[10] Includes TBA transactions. Excluding these transactions, the portfolio turnover would have been 24%.

See Notes to Financial Statements.

Notes to Financial Statements (Unaudited)

1. Organization and Significant Accounting Policies:

BlackRock Defined Opportunity Credit Trust (BHL), BlackRock Floating Rate Income Strategies Fund, Inc. (FRA) and BlackRock Limited Duration Income Trust (BLW) (collectively, the Funds or individually as a Fund) are registered under the 1940 Act, as diversified, closed-end management investment companies. BHL and BLW are organized as Delaware Statutory trusts. FRA is organized as Maryland corporation. The Funds financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), which may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. The Boards of Directors and the Boards of Trustees of the Funds are collectively referred to throughout this report as the Board of Directors or the Board , and the directors/trustees thereof are collectively referred to throughout this report as Directors . The Funds determine and make available for publication the NAV of their Common Shares on a daily basis.

Reorganization: The Board and shareholders of FRA and the Board and shareholders of each of BlackRock Diversified Strategies Fund, Inc. (DVF) and BlackRock Floating Rate Income Strategies Fund II, Inc., (FRB) (individually, a Target Fund and collectively the Target Funds) approved the reorganization of its respective Target Fund into FRA pursuant to which FRA acquired substantially all of the assets and substantially all of the liabilities of each Target Fund in exchange for an equal aggregate value of newly-issued shares of FRA.

Each shareholder of a Target Fund received shares of FRA in an amount equal to the aggregate NAV of such shareholder s Target Fund shares, as determined at the close of business on October 5, 2012. Cash was distributed for any fractional shares.

The reorganizations were accomplished by a tax-free exchange of shares of FRA in the following amounts and at the following conversion ratios:

Target Fund	Shares Prior to Reorganization	Conversion Ratio	Shares of FRA
FRB	10,585,281	0.91462449	9,681,549
DVF	12,405,453	0.72423797	8,984,499

Each Target Fund s net assets and composition of net assets on October 5, 2012, the date of the reorganization, were as follows:

	Target Funds	
	FRB	DVF
Net assets	$145,503,247	$135,026,897
Paid-in capital	$199,061,613	$228,382,252
Undistributed (distributions in excess of) net investment income	$ (164,508)	$ (88,960)
Accumulated net realized loss	$ (54,909,880)	$ (89,378,206)
Net unrealized appreciation (depreciation)	$ 1,516,022	$ (3,888,189)

For financial reporting purposes, assets received and shares issued by FRA were recorded at fair value. However, the cost basis of the investments being received from the Target Funds were carried forward to align ongoing reporting of FRA s realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes.

The net assets of FRA before the acquisition were $278,016,037. The aggregate net assets of FRA immediately after the acquisition amounted to $558,546,181. Each Target Fund s fair value and cost of investments prior to the reorganization were as follows:

Target Fund	Fair Value of Investments	Cost of Investments

FRB	$220,588,307	$219,010,017
DVF	$206,051,284	$209,710,937

The purpose of these transactions was to combine three funds managed by the Manager with the same or substantially similar (but not identical) investment objectives, investment policies, strategies, risks and restrictions. Each reorganization was a tax-free event and was effective on October 5, 2012.

Assuming the acquisition had been completed on September 1, 2012 the beginning of the fiscal reporting period of FRA, the pro forma results of operations for the six months ended February 28, 2013, are as follows:

Net investment income: $18,393,758

Net realized and change in unrealized gain/loss on investments: $14,776,513

Net increase/decrease in net assets resulting from operations: $33,170,271

Because the combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Funds that have been included in FRA s Statement of Operations since October 5, 2012.

Reorganization costs incurred in connection with the reorganization were expensed by FRA.

The following is a summary of significant accounting policies followed by the Funds:

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of FRA Subsidiary, LLC and BLW Subsidiary, LLC (the Taxable Subsidiaries), all of which are wholly owned taxable subsidiaries of each Fund. The Taxable Subsidiaries enable the Funds to hold investments in operating companies and still satisfy Regulated Investment Company (RIC) tax requirements. Income earned and gains realized on the investments held by the Taxable Subsidiaries are taxable to such subsidiaries. A tax provision for income, if any, is shown as income tax in the Consolidated Statements of Operations. A tax provision for income from realized and unrealized gains, if any, is included as a reduction of realized and unrealized gain (loss) in the Consolidated Statements of Operations. Each Fund may invest up to 25% of their total

Notes to Financial Statements (continued)

assets in the Taxable Subsidiary. Intercompany accounts and transactions have been eliminated. The Taxable Subsidiary is subject to the same investment policies and restrictions that apply to the Funds.

Valuation: US GAAP defines fair value as the price the Funds would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Funds fair value their financial instruments at market value using independent dealers or pricing services under policies approved by the Board. The Global Valuation Committee is the committee formed by management to develop global pricing policies and procedures and to provide oversight of the pricing function for the Funds for all financial instruments.

The Funds value their bond investments on the basis of last available bid prices or current market quotations provided by dealers or pricing services. Floating rate loan interests are valued at the mean of the bid prices from one or more brokers or dealers as obtained from a pricing service. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures. Asset-backed and mortgage-backed securities are valued by independent pricing services using models that consider estimated cash flows of each tranche of the security, establish a benchmark yield and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche. Financial futures contracts traded on exchanges are valued at their last sale price. Swap agreements are valued utilizing quotes received daily by the Funds pricing service or through brokers, which are derived using daily swap curves and models that incorporate a number of market data factors, such as discounted cash flows, trades and values of the underlying reference instruments. Investments in open-end registered investment companies are valued at NAV each business day. Short-term securities with remaining maturities of 60 days or less may be valued at amortized cost, which approximates fair value.

Municipal investments (including commitments to purchase such investments on a when-issued basis) are valued on the basis of prices provided by dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments and information with respect to various relationships between investments.

Equity investments traded on a recognized securities exchange or the NASDAQ Global Market System (NASDAQ) are valued at the last reported sale price that day or the NASDAQ official closing price, if applicable. For equity investments traded on more than one exchange, the last reported sale price on the exchange where the stock is primarily traded is used. Equity investments traded on a recognized exchange for which there were no sales on that day are valued at the last available bid (long positions) or ask (short positions) price. If no bid or ask price is available, the prior day s price will be used, unless it is determined that such prior day s price no longer reflects the fair value of the security.

Securities and other assets and liabilities denominated in foreign currencies are translated into US dollars using exchange rates determined as of the close of business on the New York Stock Exchange (NYSE). Foreign currency exchange contracts are valued at the mean between the bid and ask prices and are determined as of the close of business on the NYSE. Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available.

Exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade. An exchange-traded option for which there is no mean price is valued at the last bid (long positions) or ask (short positions) price. If no bid or ask price is available, the prior day s price will be used, unless it is determined that the prior day s price no longer reflects the fair value of the option. Over-the-counter (OTC) options and swaptions are valued by an independent pricing service using a mathematical model, which incorporates a number of market data factors, such as the trades and prices of the underlying instruments.

In the event that application of these methods of valuation results in a price for an investment that is deemed not to be representative of the market value of such investment, or if a price is not available, the investment will be valued by the Global Valuation Committee, or its delegate, in accordance with a policy approved by the Board as reflecting fair value (Fair Value Assets). When determining the price for Fair Value Assets, the Global Valuation Committee, or its delegate, seeks to determine the price that each Fund might reasonably expect to receive from the current sale of that asset in an arm s-length transaction. Fair value determinations shall be based upon all available factors that the Global Valuation Committee deem relevant consistent with the principles of fair value measurement, which include the market approach, income approach and/or in the case of recent investments, the cost approach, as appropriate. A market approach generally consists of using comparable market transactions. The income approach generally is used to discount future cash flows to present value and adjusted for liquidity as appropriate. These factors include but are not limited to: (i) attributes specific to the investment or asset; (ii) the principal market for the investment or asset; (iii) the customary participants in the principal market for the investment or asset; (iv) data assumptions by market participants for the investment or asset, if reasonably available; (v) quoted prices for similar investments or assets in active markets; and (vi) other factors, such as future cash flows, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, recovery rates, liquidation amounts and/or default rates. Due to the inherent uncertainty of valuations of such investments, the fair values may differ from the values that would have been used had an active market existed. The Global Valuation Committee, or its delegate, employs various methods for calibrating valuation approaches for investments where an active market does not exist, including regular due diligence of the Funds pricing vendors, a regular review of key inputs and assumptions, transactional back-testing or disposition analysis to compare unrealized gains and losses to realized gains and losses, reviews of missing or stale prices and large movements in market values and reviews of any market related activity. The pricing of all Fair Value Assets is subsequently reported to the Board or a committee thereof on a quarterly basis.

Notes to Financial Statements (continued)

Generally, trading in foreign instruments is substantially completed each day at various times prior to the close of business on the NYSE. Occasionally, events affecting the values of such instruments may occur between the foreign market close and the close of business on the NYSE that may not be reflected in the computation of the Funds net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to affect the value of such instruments materially, those instruments may be Fair Value Assets and be valued at their fair value, as determined in good faith by the Global Valuation Committee using a pricing service and/or policies approved by the Board.

Foreign Currency: The Funds books and records are maintained in US dollars. Purchases and sales of investment securities are recorded at the rates of exchange prevailing on the respective date of such transactions. Generally, when the US dollar rises in value against a foreign currency, the Funds investments denominated in that currency will lose value because that currency is worth fewer US dollars; the opposite effect occurs if the US dollar falls in relative value.

The Funds do not isolate the portion of the results of operations arising as a result of changes in the foreign exchange rates from the changes in the market prices of investments held or sold for financial reporting purposes. Accordingly, the effects of changes in foreign currency exchange rates on investments are not segregated on the Statement of Operations from the effects of changes in market prices of those investments but are included as a component of net realized and unrealized gain (loss) from investments. The Funds report realized currency gains (losses) on foreign currency related transactions as components of net realized gain (loss) for financial reporting purposes, whereas such components are treated as ordinary income for federal income tax purposes.

Asset-Backed and Mortgage-Backed Securities: The Funds may invest in asset-backed securities. Asset-backed securities are generally issued as pass-through certificates, which represent undivided fractional ownership interests in an underlying pool of assets, or as debt instruments, which are also known as collateralized obligations, and are generally issued as the debt of a special purpose entity organized solely for the purpose of owning such assets and issuing such debt. Asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties. The yield characteristics of certain asset-backed securities may differ from traditional debt securities. One such major difference is that all or a principal part of the obligations may be prepaid at any time because the underlying assets (i.e., loans) may be prepaid at any time. As a result, a decrease in interest rates in the market may result in increases in the level of prepayments as borrowers, particularly mortgagors, refinance and repay their loans. An increased prepayment rate with respect to an asset-backed security subject to such a prepayment feature will have the effect of shortening the maturity of the security. In addition, a Fund may have to subsequently reinvest the proceeds at lower interest rates. If a Fund has purchased such an asset-backed security at a premium, a faster than anticipated prepayment rate could result in a loss of principal to the extent of the premium paid.

The Funds may purchase certain mortgage pass-through securities. There are a number of important differences among the agencies and instrumentalities of the US government that issue mortgage-related securities and among the securities that they issue. For example, mortgage-related securities guaranteed by Ginnie Mae are guaranteed as to the timely payment of principal and interest by Ginnie Mae and such guarantee is backed by the full faith and credit of the United States. However, mortgage-related securities issued by Freddie Mac and Fannie Mae, including Freddie Mac and Fannie Mae guaranteed mortgage pass-through certificates, which are solely the obligations of Freddie Mac and Fannie Mae, are not backed by or entitled to the full faith and credit of the United States but are supported by the right of the issuer to borrow from the Treasury.

Collateralized Debt Obligations: Certain Funds may invest in collateralized debt obligations (CDOs), which include collateralized bond obligations (CBOs) and collateralized loan obligations (CLOs). CBOs and CLOs, are types of asset-backed securities. A CDO is a bankruptcy remote entity, which is backed by a diversified pool of debt securities (CBOs) or syndicated bank loans (CLOs). The cash flows of the CDO can be split into multiple segments, called tranches , which will vary in risk profile and yield. The riskiest segment is the subordinated or equity tranche. This tranche bears the greatest risk of defaults from the underlying assets in the CDO and serves to protect the other, more senior, tranches from default in all but the most severe circumstances. Since it is shielded from defaults by the more junior tranches, a senior tranche will typically have higher credit ratings and lower yields than their underlying securities, and often receive investment grade ratings from one or more of the nationally recognized rating agencies. Despite the protection from the more junior tranches, senior tranches can experience substantial losses due to actual defaults, increased sensitivity to future defaults and the disappearance of one or more protecting tranches as a result of changes in the credit profile of the underlying pool of assets.

Multiple Class Pass-Through Securities: Certain Trusts may invest in multiple class pass-through securities, including collateralized mortgage obligations (CMOs) and commercial mortgage-backed securities. These multiple class securities may be issued by Ginnie Mae, US government agencies or instrumentalities or by trusts formed by private originators of, or investors in, mortgage loans. In general, CMOs are debt obligations of a legal entity that are collateralized by, and multiple class pass-through securities represent direct ownership interests in, a pool of residential or commercial mortgage loans or mortgage pass-through securities (the Mortgage Assets), the payments on which are used to make payments on the CMOs or multiple pass-through securities. Classes of CMOs include interest only (IOs), principal only (POs), planned amortization classes and targeted amortization classes. IOs and POs are stripped mortgage-backed securities representing interests in a pool of mortgages, the cash flow from which has been separated into interest and principal components. IOs receive the interest portion of the cash flow while POs receive the principal portion. IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the principal is returned and the yield to

Notes to Financial Statements (continued)

maturity on the PO. When payments on mortgages underlying a PO are slower than anticipated, the life of the PO is lengthened and the yield to maturity is reduced. If the underlying Mortgage Assets experience greater than anticipated pre-payments of principal, the Trusts may not fully recoup their initial investment in IOs.

Stripped Mortgage-Backed Securities: Certain Trusts may invest in stripped mortgage-backed securities issued by the US government, its agencies and instrumentalities. Stripped mortgage-backed securities are usually structured with two classes that receive different proportions of the interest (IOs) and principal (POs) distributions on a pool of Mortgage Assets. The Trusts also may invest in stripped mortgage-backed securities that are privately issued.

Zero-Coupon Bonds: The Funds may invest in zero-coupon bonds, which are normally issued at a significant discount from face value and do not provide for periodic interest payments. Zero-coupon bonds may experience greater volatility in market value than similar maturity debt obligations which provide for regular interest payments.

Capital Trusts: Certain Trusts may invest in capital trusts. These securities are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics, or by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The securities can be structured as either fixed or adjustable coupon securities that can have either a perpetual or stated maturity date. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. Payments on these securities are treated as interest rather than dividends for federal income tax purposes. These securities generally are rated below that of the issuing company s senior debt securities.

Preferred Stock: Certain Funds may invest in preferred stock. Preferred stock has a preference over common stock in liquidation (and generally in receiving dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer s board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Floating Rate Loan Interests: The Funds may invest in floating rate loan interests. The floating rate loan interests the Funds hold are typically issued to companies (the borrower) by banks, other financial institutions, and privately and publicly offered corporations (the lender). Floating rate loan interests are generally non-investment grade, often involve borrowers whose financial condition is troubled or uncertain and companies that are highly leveraged. The Funds may invest in obligations of borrowers who are in bankruptcy proceedings. Floating rate loan interests may include fully funded term loans or revolving lines of credit. Floating rate loan interests are typically senior in the corporate capital structure of the borrower. Floating rate loan interests generally pay interest at rates that are periodically determined by reference to a base lending rate plus a premium. The base lending rates are generally the lending rate offered by one or more European banks, such as the London Interbank Offered Rate (LIBOR), the prime rate offered by one or more US banks or the certificate of deposit rate. Floating rate loan interests may involve foreign borrowers, and investments may be denominated in foreign currencies. The Funds consider these investments to be investments in debt securities for purposes of its investment policies.

When a Fund purchases a floating rate loan interest it may receive a facility fee and when it sells a floating rate loan interest it may pay a facility fee. On an ongoing basis, the Funds may receive a commitment fee based on the undrawn portion of the underlying line of credit amount of a floating rate loan interest. Facility and commitment fees are typically amortized to income over the term of the loan or term of the commitment, respectively. Consent and amendment fees are recorded to income as earned. Prepayment penalty fees, which may be received by the Funds upon the prepayment of a floating rate loan interest by a borrower, are recorded as realized gains. The Funds may invest in multiple series or tranches of a loan. A different series or tranche may have varying terms and carry different associated risks.

Floating rate loan interests are usually freely callable at the borrower s option. The Funds may invest in such loans in the form of participations in loans (Participations) or assignments (Assignments) of all or a portion of loans from third parties. Participations typically will result in the Funds having a contractual relationship only with the lender, not with the borrower. The Funds will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the Participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing Participations, the Funds generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of offset against the borrower, and the Funds may not benefit directly from any collateral supporting the loan in which it has purchased the Participation. As a result, the Funds will assume the credit risk of both the borrower and the lender that is selling the Participation. The Funds investment in loan participation interests involves the risk of insolvency of the financial intermediaries who are parties to the transactions. In the event of the insolvency of the lender selling the Participation, the Funds may be treated as a general creditor of the lender and may not benefit from any offset between the lender and the borrower. Assignments typically result in the Funds having a direct contractual relationship with the borrower, and the Funds may enforce compliance by the borrower with the terms of the loan agreement.

Forward Commitments and When-Issued Delayed Delivery Securities: The Funds may purchase securities on a when-issued basis and may purchase or sell securities on a forward commitment basis. Settlement of such transactions normally occurs within a month or more after the purchase or

Notes to Financial Statements (continued)

sale commitment is made. The Funds may purchase securities under such conditions with the intention of actually acquiring them, but may enter into a separate agreement to sell the securities before the settlement date. Since the value of securities purchased may fluctuate prior to settlement, the Funds may be required to pay more at settlement than the security is worth. In addition, the Funds are not entitled to any of the interest earned prior to settlement. When purchasing a security on a delayed delivery basis, the Funds assume the rights and risks of ownership of the security, including the risk of price and yield fluctuations. In the event of default by the counterparty, the Funds maximum amount of loss is the unrealized appreciation of unsettled when-issued transactions, which is shown in the Schedules of Investments.

Reverse Repurchase Agreements: Certain Funds may enter into reverse repurchase agreements with qualified third party broker-dealers. In a reverse repurchase agreement, the Funds sell securities to a bank or broker-dealer and agrees to repurchase the same securities at a mutually agreed upon date and price. Securities sold under reverse repurchase agreements are recorded as a liability in the Statement of Assets and Liabilities at face value including accrued interest. Due to the short-term nature of the reverse repurchase agreements, face value approximates fair value. During the term of the reverse repurchase agreement, the Funds continue to receive the principal and interest payments on these securities. Certain agreements have no stated maturity and can be terminated by either party at any time. Interest on the value of the reverse repurchase agreements issued and outstanding is based upon competitive market rates determined at the time of issuance. The Funds may utilize reverse repurchase agreements when it is anticipated that the interest income to be earned from the investment of the proceeds of the transaction is greater than the interest expense of the transaction. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities that the Funds are obligated to repurchase under the agreement may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Funds use of the proceeds of the agreement may be restricted while the other party, or its trustee or receiver, determines whether or not to enforce the Funds obligation to repurchase the securities.

Segregation and Collateralization: In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission (SEC) require that the Funds either deliver collateral or segregate assets in connection with certain investments (e.g., financial futures contracts, foreign currency exchange contracts and swaps), or certain borrowings (e.g., reverse repurchase agreements and loan payable), the Funds will, consistent with SEC rules and/or certain interpretive letters issued by the SEC, segregate collateral or designate on its books and records cash or liquid securities having a market value at least equal to the amount that would otherwise be required to be physically segregated. Furthermore, based on requirements and agreements with certain exchanges and third party broker-dealers, each party to such transactions has requirements to deliver/deposit securities as collateral for certain investments.

Investment Transactions and Investment Income: For financial reporting purposes, investment transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on investment transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Funds are informed of the ex-dividend date. Under the applicable foreign tax laws, a withholding tax at various rates may be imposed on capital gains, dividends and interest. Upon notification from issuers, some of the dividend income received from a real estate investment trust may be redesignated as a reduction of cost of the related investment and/or realized gain. Interest income, including amortization and accretion of premiums and discounts on debt securities, is recognized on the accrual basis.

Dividends and Distributions: Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. The portion of dividends and distributions that exceeds a Fund s current and accumulated earnings and profits, which are measured on a tax basis, may be treated as a tax return of capital. Distributions in excess of a Fund s taxable income and net capital gains, but not in excess of a Fund s earnings and profits, will be taxable to shareholders as ordinary income and will not constitute a nontaxable return of capital. Capital losses carried forward from years beginning before 2011 do not reduce earnings and profits, even if such carried forward losses offset current year realized gains. The character and timing of dividends and distributions are determined in accordance with federal income tax regulations, which may differ from US GAAP.

Income Taxes: It is each Fund s policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required.

Each Fund files US federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Funds US federal tax returns remains open for each of the four years ended August 31, 2012. The statutes of limitations on the Funds state and local tax returns may remain open for an additional year depending upon the jurisdiction. Management does not believe there are any uncertain tax positions that require recognition of a tax liability.

Recent Accounting Standards: In December 2011, the Financial Accounting Standards Board (the FASB) issued guidance that will expand current disclosure requirements on the offsetting of certain assets and liabilities. The new disclosures will be required for investments and derivative financial instruments subject to master netting or similar agreements, which are eligible for offset in the Statements of Assets and Liabilities and will require an entity to disclose both gross and net information about such investments and transactions in the financial statements. In January 2013, the FASB issued guidance that clarifies which investments and transactions are subject to the offsetting disclosure requirements. The scope of the disclosure requirements for offsetting will be limited to derivative instruments, repurchase agreements and reverse

Notes to Financial Statements (continued)

repurchase agreements, and securities borrowing and securities lending transactions. The guidance is effective for financial statements with fiscal years beginning on or after January 1, 2013, and interim periods within those fiscal years. Management is evaluating the impact of this guidance on the Funds financial statement disclosures.

Deferred Compensation Plan: Under the Deferred Compensation Plan (the Plan) approved by each Fund s Board, the independent Directors (Independent Directors) may defer a portion of their annual complex-wide compensation. Deferred amounts earn an approximate return as though equivalent dollar amounts had been invested in common shares of certain other BlackRock Closed-End Funds selected by the Independent Directors. This has the same economic effect for the Independent Directors as if the Independent Directors had invested the deferred amounts directly in certain other BlackRock Closed-End Funds.

The Plan is not funded and obligations thereunder represent general unsecured claims against the general assets of each Fund. Deferred compensation liabilities are included in officer s and directors fees payable in the Statements of Assets and Liabilities and will remain as a liability of the Funds until such amounts are distributed in accordance with the Plan.

Other: Expenses directly related to a Fund are charged to that Fund. Other operating expenses shared by several funds are pro rated among those funds on the basis of relative net assets or other appropriate methods.

The Funds have an arrangement with the custodian whereby fees may be reduced by credits earned on uninvested cash balances, which, if applicable, are shown as fees paid indirectly in the Statements of Operations. The custodian imposes fees on overdrawn cash balances, which can be offset by accumulated credits earned or may result in additional custody charges.

2. Derivative Financial Instruments:

The Funds engage in various portfolio investment strategies using derivative contracts both to increase the returns of the Funds and/or to economically hedge, or protect, their exposure to certain risks such as credit risk, equity risk, interest rate risk, foreign currency exchange rate risk. These contracts may be transacted on an exchange or OTC.

Losses may arise if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument or if the counterparty does not perform under the contract. The Funds maximum risk of loss from counterparty credit risk on OTC derivatives is generally the aggregate unrealized gain netted against any collateral pledged by/posted to the counterparty. For OTC options purchased, the Funds bear the risk of loss in the amount of the premiums paid plus the positive change in market values net of any collateral received on the options should the counterparty fail to perform under the contracts. Options written by the Funds do not give rise to counterparty credit risk, as options written obligate the Funds and not the counterparty to perform. Counterparty risk related to exchange-traded financial futures contracts and options and centrally cleared swaps is deemed to be minimal due to the protection against defaults provided by the exchange on which these contracts trade.

The Funds may mitigate counterparty risk by procuring collateral and through netting provisions included within an International Swaps and Derivatives Association, Inc. master agreement (ISDA Master Agreement) implemented between a Fund and each of its respective counterparties. An ISDA Master Agreement allows each Fund to offset with each separate counterparty certain derivative financial instrument s payables and/or receivables with collateral held. The amount of collateral moved to/from applicable counterparties is generally based upon minimum transfer amounts of up to $500,000. To the extent amounts due to the Funds from their counterparties are not fully collateralized, contractually or otherwise, the Funds bear the risk of loss from counterparty non-performance. See Note 1 Segregation and Collateralization for information with respect to collateral practices. In addition, the Funds manage counterparty risk by entering into agreements only with counterparties that it believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

Certain ISDA Master Agreements allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event the Funds net assets decline by a stated percentage or the Funds fail to meet the terms of its ISDA Master Agreements, which would cause the Funds to accelerate payment of any net liability owed to the counterparty.

Financial Futures Contracts: The Funds purchase or sell financial futures contracts and options on financial futures contracts to gain exposure to, or economically hedge against, changes in interest rates (interest rate risk). Financial futures contracts are agreements between the Funds and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and at a specified date. Depending on the terms of the particular contract, financial futures contracts are settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. Pursuant to the contract, the Funds agree to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Funds as unrealized appreciation or depreciation. When the contract is closed, the Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The use of financial futures contracts involves the risk of an imperfect correlation in the movements in the price of financial futures contracts, interest or foreign currency exchange rates and the underlying assets.

Foreign Currency Exchange Contracts: The Funds enter into foreign currency exchange contracts as an economic hedge against either specific transactions or portfolio instruments or to obtain exposure to foreign currencies (foreign currency exchange rate risk). A foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. Foreign currency exchange contracts, when used by the Funds, help to manage the overall

Notes to Financial Statements (continued)

exposure to the currencies in which some of the investments held by the Funds are denominated. The contract is marked-to-market daily and the change in market value is recorded by the Funds as an unrealized gain or loss. When the contract is closed, the Funds record a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed. The use of foreign currency exchange contracts involves the risk that the value of a foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies and the risk that the counterparty to the contract does not perform its obligations under the agreement.

Options: The Funds purchase and write call and put options to increase or decrease their exposure to underlying instruments (equity and/or interest rate risk) and/or, in the case of options written, to generate gains from options premiums. A call option gives the purchaser (holder) of the option the right (but not the obligation) to buy, and obligates the seller (writer) to sell (when the option is exercised), the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. When the Funds purchase (write) an option, an amount equal to the premium paid (received) by the Funds is reflected as an asset (liability). The amount of the asset (liability) is subsequently marked-to-market to reflect the current market value of the option purchased (written). When an instrument is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the instrument acquired or deducted from (or added to) the proceeds of the instrument sold. When an option expires (or the Funds enter into a closing transaction), the Funds realize a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premiums received or paid). When the Funds write a call option, such option is covered, meaning that the Funds holds the underlying instrument subject to being called by the option counterparty. When the Funds write a put option, such option is covered by cash in an amount sufficient to cover the obligation.

Options on swaps (swaptions) are similar to options on securities except that instead of selling or purchasing the right to buy or sell a security, the writer or purchaser of the swap option is granting or buying the right to enter into a previously agreed upon interest rate or credit default swap agreement (interest rate risk and/or credit risk) at any time before the expiration of the option.

In purchasing and writing options, the Funds bear the risk of an unfavorable change in the value of the underlying instrument or the risk that the Funds may not be able to enter into a closing transaction due to an illiquid market. Exercise of a written option could result in the Funds purchasing or selling a security at a price different from the current market value.

Swaps: The Funds enter into swap agreements, in which the Funds and a counterparty agree either to make periodic net payments on a specified notional amount or a net payment upon termination. Swap agreements are privately negotiated in the OTC market and may be entered into as a bilateral contract or centrally cleared (centrally cleared swaps). In a centrally cleared swap, immediately following execution of the swap agreement, the swap agreement is novated to a central counterparty (the CCP) and the Funds face the CCP through a future commission merchant. Unlike a bilateral swap agreement, for centrally cleared swaps, the Funds have no credit exposure to the counterparty as the CCP stands between the Funds and the counterparty. These payments received or made by the Funds are recorded in the Statements of Operations as realized gains or losses, respectively. Any upfront fees paid are recorded as assets and any upfront fees received are recorded as liabilities and are shown as swap premiums paid and swap premiums received, respectively in the Statements of Assets and Liabilities and amortized over the term of the swap. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of centrally cleared swaps, if any, is recorded as a receivable or payable for variation margin in the Statements of Assets and Liabilities. When the swap is terminated, the Funds will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Funds basis in the contract, if any. Generally, the basis of the contracts is the premium received or paid. Swap transactions involve, to varying degrees, elements of interest rate, credit and market risk in excess of the amounts recognized in the Statements of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavorable changes in interest rates and/or market values associated with these transactions.

Credit default swaps The Funds enter into credit default swaps to manage their exposure to the market or certain sectors of the market, to reduce their risk exposure to defaults of corporate and/or sovereign issuers or to create exposure to corporate and/or sovereign issuers to which they are not otherwise exposed (credit risk). The Funds enter into credit default swap agreements to provide a measure of protection against the default of an issuer (as buyer of protection) and/or gain credit exposure to an issuer to which it is not otherwise exposed (as seller of protection). The Funds may either buy or sell (write) credit default swaps on single-name issuers (corporate or sovereign), a combination or basket of single-name issuers or traded indexes. Credit default swaps on single-name issuers are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a negative credit event take place with respect to the referenced entity (e.g., bankruptcy, failure to pay, obligation accelerators, repudiation, moratorium or restructuring). Credit default swaps on traded indexes are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a write-down, principal or interest shortfall or default of all or individual underlying securities included in the index occurs. As a buyer, if an underlying credit event occurs, the Funds will either receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising the index or receive a net settlement of cash equal to the notional amount of

Notes to Financial Statements (continued)

the swap less the recovery value of the security or underlying securities comprising the index. As a seller (writer), if an underlying credit event occurs, the Funds will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising the index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the index.

Interest rate swaps The Trusts enter into interest rate swaps to gain or reduce exposure to interest rates or to manage duration, the yield curve or interest rate risk by economically hedging the value of the fixed rate bonds, which may decrease when interest rates rise (interest rate risk). Interest rate swaps are agreements in which one party pays a stream of interest payments, either fixed or floating , for another party s stream of interest payments, either fixed or floating, on the same notional amount for a specified period of time. Interest rate floors, which are a type of interest rate swap, are agreements in which one party agrees to make payments to the other party to the extent that interest rates fall below a specified rate or floor in return for a premium. In more complex swaps, the notional principal amount may decline (or amortize) over time.

Derivative Financial Instruments Categorized by Risk Exposure:

Fair Values of Derivative Financial Instruments as of February 28, 2013

	Asset Derivatives			
		BHL	FRA	BLW
	Statements of Assets and Liabilities Location	Value		
Interest rate contracts	Net unrealized appreciation/depreciation[1];			$160,762
Foreign currency exchange contracts	Unrealized appreciation on foreign currency exchange contracts	$156,557	$616,559	2,824,995
Credit contracts	Unrealized appreciation on swaps[1];	66,901	372,158	690,734
Total		$ 223,458	$ 988,717	$ 3,676,491

	Liability Derivatives			
		BHL	FRA	BLW
	Statements of Assets and Liabilities Location	Value		
	Net unrealized appreciation/depreciation[1];			
Interest rate contracts	Unrealized depreciation on swaps[1]			$219,130
Foreign currency exchange contracts	Unrealized depreciation on foreign currency exchange contracts		$14,902	47,438
Credit contracts	Unrealized depreciation on swaps[1];	$245,737	1,354,739	2,233,226
Total		$ 245,737	$ 1,369,641	$ 2,499,794

[1] Includes cumulative appreciation/depreciation on financial futures contracts and centrally cleared swaps, if any, as reported in the Schedules of Investments. Only current day s variation margin is reported within the Statements of Assets and Liabilities.

The Effect of Derivative Financial Instruments in the Statements of Operations
Six Months Ended February 28, 2013

	Net Realized Gain (Loss) From		
	BHL	FRA	BLW

Interest rate contracts:			
Financial futures contracts			$ 6,891
Foreign currency exchange contracts:			
Foreign currency transactions	$ (345,936)	$ (975,272)	(2,576,120)
Credit contracts:			
Swaps	(117,714)	(183,697)	(898,791)
Equity contracts:			
Financial futures contracts			(475,176)
Options[2]			(242,400)
Total	$ (463,650)	$ (1,158,969)	$ (4,185,596)

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Notes to Financial Statements (continued)

	Net Change in Unrealized Appreciation/Depreciation on		
	BHL	FRA	BLW
Interest rate contracts:			
Financial futures contracts			$ (48,162)
Swaps			40,933
Foreign currency exchange contracts:			
Foreign currency translations	$ 288,455	$ 823,650	3,912,751
Credit contracts:			
Swaps	132,539	515,904	823,731
Equity contracts:			
Financial futures contracts			288,888
Options[2]		(23,466)	(2,103)
Total	$ 420,994	$ 1,316,088	$ 5,016,038

[2] Options purchased are included in the net realized gain (loss) from investments and net change in unrealized appreciation/depreciation on investments.

For the six months ended February 28, 2013, the average quarterly balances of outstanding derivative financial instruments were as follows:

	BHL	FRA	BLW
Financial future contracts:			
Average number of contracts purchased			69
Average number of contracts sold			20
Average notional value of contracts purchased			$ 12,524,934
Average notional value of contracts sold			$ 3,410,550
Foreign currency exchange contracts:			
Average number of contracts US dollars purchased	6	6	16
Average number of contracts US dollars sold	2	4	4
Average US dollar amounts purchased	$ 5,981,367	$ 19,441,470	$ 72,124,929
Average US dollar amounts sold	$ 770,116	$ 3,434,348	$ 2,502,768
Options:			
Average number of option contracts purchased		44	46
Average number of option contracts written			6,000[1]
Average notional value of option contracts purchased		$ 41,486	$ 43,372
Average notional value of option contracts written			$ 7,950,000[1]
Credit default swaps:			
Average number of contracts buy protection			4
Average number of contracts sell protection	5	4	12

Average notional value buy protection			$ 12,543,000
Average notional value sell protection	$ 470,780	$ 2,661,797	$ 11,613,292
Interest rate swaps:			
Average number of contracts pays fixed rate			1
Average notional value pays fixed rate			$ 14,500,000

[1] Actual contract amount shown due to limited activity

3. Investment Advisory Agreement and Other Transactions with Affiliates:

The PNC Financial Services Group, Inc. (PNC) is the largest stockholder and an affiliate, for 1940 Act purposes, of BlackRock, Inc. (BlackRock).

Each Fund entered into an Investment Advisory Agreement with BlackRock Advisors, LLC (the Manager), the Funds investment advisor, an indirect, wholly owned subsidiary of BlackRock, to provide investment advisory and administration services. The Manager is responsible for the management of each Fund s portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of each Fund. For such services, each Fund pays the Manager a monthly fee based on a percentage of each Fund s average daily net assets at the following annual rates, plus the proceeds of any outstanding borrowings used for leverage as follows:

BHL	1.00%
FRA	0.75%
BLW	0.55%

The Manager voluntarily agreed to waive its investment advisory fees by the amount of investment advisory fees each Fund pays to the Manager indirectly through its investment in affiliated money market funds. However, the Manager does not waive its investment advisory fees by the amount of investment advisory fees paid in connection with each Fund s investment in other affiliated investment companies, if any. These amounts are included in, fees waived by Manager in the Statements of Operations.

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

Notes to Financial Statements (continued)

The Manager entered into a sub-advisory agreement with BlackRock Financial Management, Inc. (BFM), an affiliate of the Manager. The Manager pays BFM, for services it provides, a monthly fee that is a percentage of the investment advisory fees paid by each Fund to the Manager.

Certain officers and/or Directors of the Funds are officers and/or Directors of BlackRock or its affiliates. The Funds reimburse the Manager for a portion of the compensation paid to the Funds Chief Compliance Officer, which is included in officer and directors in the Statements of Operations.

4. Investments:

Purchases and sales of investments including paydowns and excluding short-term securities and US government securities for the six months ended February 28, 2013, were as follows:

	Purchases	Sales
BHL	$ 95,015,208	$ 86,554,331
FRA	$ 389,340,846	$ 364,351,206
BLW	$ 415,779,704	$ 366,522,355

Purchases and sales of US government securities for BLW for the six months ended February 28, 2013 were $0 and $1,745,676, respectively.

Transactions in options written for the six months ended February 28, 2013 were as follows:

	Puts		
BLW	Contracts	Notional (000)	Premiums Received
Outstanding options, beginning of year	6,000		$ 75,600
Options written			
Options exercised			
Options expired	(6,000)		(75,600)
Outstanding options, end of year			

5. Income Tax Information:

As of August 31, 2012, the Funds had capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates as follows:

Expires August 31,	BHL	FRA	BLW
2013		$ 691,829	
2016		475,453	$ 21,882,229
2017		20,954,032	9,996,868
2018	$ 3,695,649	43,990,722	37,509,275
2019		2,206,081	
No expiration date[1]		4,931,753	4,356,066
Total	$ 3,695,649	$ 73,249,870	$ 73,744,438

[1] Must be utlized prior to losses subject to expiration.

As of February 28, 2013, gross unrealized appreciation and gross unrealized depreciation based on cost for federal income tax purposes were as follows:

	BHL	FRA	BLW

Tax cost	$ 196,810,430	$ 867,114,867	$ 988,955,528
Gross unrealized appreciation	$ 4,169,700	$ 19,322,594	$ 38,037,425
Gross unrealized depreciation	(936,200)	(14,485,247)	(20,030,771)
Net unrealized appreciation	$ 3,233,500	$ 4,837,347	$ 18,006,654

6. Borrowings:

Effective March 3, 2011, the BHL and FRA were party to a senior committed secured, 364-day revolving line of credit and a separate security agreement (the SSB Agreement) with State Street Bank and Trust Company (SSB). The Funds have granted a security interest in substantially all of their assets to SSB. The SSB Agreement allowed for the following maximum commitment amounts:

	Commitment Amounts
BHL	$ 63,300,000
FRA	$137,200,000

Advances were made by SSB to the Funds, at the Funds option of (a) the higher of (i) 0.80% above the Fed Funds rate and (ii) 0.80% above the Overnight LIBOR or (b) 0.80% above 7-day, 30-day, 60-day or 90-day LIBOR.

Effective March 2, 2012, the SSB Agreement was renewed for an additional 364 days. The SSB Agreement allows for the following maximum commitment amounts:

	Commitment Amounts
BHL	$ 63,300,000
FRA	$137,200,000

Advances were be made by SSB to the Funds, at the Funds option of (a) the higher of (i) 0.75% above the Fed Funds rate and (ii) 0.75% above the Overnight LIBOR or (b) 0.75% above 7-day, 30-day, 60-day or 90-day LIBOR.

On March 1, 2013, the SSB Agreement was renewed and amended from a 364-day revolving line of credit to a 360-day rolling facility whereby SSB may elect to terminate its commitment upon 360-days written notice to the Funds at any time after February 24, 2014. The SSB Agreement allows for the following maximum commitment amounts:

	Commitment Amounts
BHL	$ 63,300,000
FRA	$137,200,000

Notes to Financial Statements (continued)

Advances will be made by SSB to the Funds, at the Funds option of (a) the higher of (i) 0.80% above the Fed Funds rate and (ii) 0.80% above the Overnight LIBOR or (b) 0.80% above 7-day, 30-day, 60-day or 90-day LIBOR.

In addition, the Funds pay a facility fee and utilization fee (based on the daily unused portion of the commitments). The commitment fees are waived if the Funds meet certain conditions. The fees associated with each of the agreements are included in the Statements of Operations as borrowing costs. Advances to the Funds as of February 28, 2013 are shown in the Statements of Assets and Liabilities as loan payable. Based on the short-term nature of the borrowings under the line of credit and the variable interest rate, the carrying amount of the borrowings approximates fair value.

The Funds may not declare dividends or make other distributions on shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding short-term borrowings is less than 300%.

For the six months ended February 28, 2013, the daily weighted average interest rates for Funds with loans under the revolving credit agreements were as follows:

	Daily Weighted Average Interest Rate
BHL	0.94%
FRA	0.94%

For the six months ended February 28, 2013, the daily weighted average interest rate for BLW with borrowings, which include reverse repurchase agreements was as follows:

	Daily Weighted Average Interest Rate
BLW	0.48%

7. Commitments:

The Funds may invest in floating rate loan interests. In connection with these investments, the Funds may also enter into unfunded floating rate loan interests (commitments). In connection with these commitments, the Funds earn a commitment fee, typically set as a percentage of the commitment amount. Such fee income, which is included in interest income in the Statements of Operations, is recognized ratably over the commitment period. Unfunded floating rate loan interests are marked-to-market daily, and any unrealized appreciation or depreciation is included in the Statements of Assets and Liabilities and Statements of Operations. As of February 28, 2013, the Funds had the following unfunded floating rate loan interests:

	Borrower	**Unfunded Floating Rate Loan Interest**	**Value of Underlying Floating Rate Loan Interest**	**Unrealized Appreciation**
BHL	Leslie s Poolmart, Inc.	$11,949	$ 12,080	$ 180
FRA	Leslie s Poolmart, Inc.	$51,672	$ 52,240	$ 777

8. Concentration, Market and Credit Risk:

In the normal course of business, the Funds invest in securities and enter into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer of a security to meet all its obligations (issuer credit risk). The value of securities held by the Funds may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Funds; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate and price fluctuations. Similar to issuer credit risk, the Funds may be exposed to counterparty credit risk, or the risk that an entity with which the Funds have unsettled or open transactions may fail to or be unable to perform on its commitments. The Fund manages counterparty credit risk by entering into transactions only with counterparties that it believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Funds to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Funds exposure to market, issuer and counterparty credit risks with respect to these financial assets is generally approximated by their value recorded in Statements of Assets and Liabilities, less any collateral held by the Funds.

The Funds invests a significant portion of its assets in securities backed by commercial or residential mortgage loans or in issuers that hold mortgage and other asset-backed securities. Please see the Schedules of Investments for these securities. Changes in economic conditions, including delinquencies and/or defaults on assets underlying these securities, can affect the value, income and/or liquidity of such positions.

Notes to Financial Statements (concluded)

9. Capital Share Transactions:

BHL and BLW are authorized to issue an unlimited number of shares, par value $0.001, all of which were initially classified as Common Shares. FRA is authorized to issue 200 million shares, par value $0.10, all of which were initially classified as Common Shares. The Board is authorized, however, to reclassify any unissued Common Shares without approval of Common Shareholders.

For the periods shown, shares issued and outstanding increased by the following amounts as a result of dividend reinvestment:

	Six Months Ended February 28, 2013	Year Ended August 31, 2012
BHL	7,413	
FRA	18,712,185[1]	17,388
BLW	33,959	34,642

[1] Includes 18,666,048 shares issued from the reorganization.

10. Subsequent Events:

Management s evaluation of the impact of all subsequent events on the Funds financial statements was completed through the date the financial statements were issued and the following item was noted:

Each Fund paid a net investment income dividend in the following amounts per share on March 28, 2013 to Common Shareholders of record on March 15, 2013:

	Common Dividend Per Share
BHL	$0.0685
FRA	$0.0770
BLW	$0.1095

Additionally, the Funds declared a net investment income dividend on April 1, 2013 payable to Common Shareholders of record on April 15, 2013 for the same amounts noted above.

Officers and Directors

Richard E. Cavanagh, Chairman of the Board and Director
Karen P. Robards, Vice Chairperson of the Board, Chairperson of the Audit Committee and Director
Paul L. Audet, Director
Michael J. Castellano, Director and Member of the Audit Committee
Frank J. Fabozzi, Director and Member of the Audit Committee
Kathleen F. Feldstein, Director
James T. Flynn, Director and Member of the Audit Committee
Henry Gabbay, Director
Jerrold B. Harris, Director
R. Glenn Hubbard, Director
W. Carl Kester, Director and Member of the Audit Committee
John M. Perlowski, President and Chief Executive Officer
Anne Ackerley, Vice President
Brendan Kyne, Vice President
Robert W. Crothers, Vice President
Neal Andrews, Chief Financial Officer
Jay Fife, Treasurer
Brian Kindelan, Chief Compliance Officer and Anti-Money Laundering Officer
Janey Ahn, Secretary

Investment Advisor
BlackRock Advisors, LLC
Wilmington, DE 19809

Sub-Advisor
BlackRock Financial Management, Inc.
New York, NY 10055

Custodian and Accounting Agent
State Street Bank and Trust Company
Boston, MA 02110

Transfer Agent
Common Shares
Computershare Trust Company, N.A.
Canton, MA 02021

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
Boston, MA 02116

Legal Counsel
Skadden, Arps, Slate,
Meagher & Flom LLP
New York, NY 10036

Address of the Funds
100 Bellevue Parkway
Wilmington, DE 19809

Additional Information

Proxy Results

At a special meeting of all shareholders of BlackRock Floating Rate Income Strategies Fund, Inc. held on September 13, 2012, the results were as follows:

With respect to the Proposals, the shares of the Fund were voted as follows:

	Votes For	Votes Against	Abstain
To approve the issuance of additional shares of common stock of the Fund in connection with the Agreement and Plan of Reorganization among BlackRock Floating Rate Income Strategies Fund II, Inc., FRA Merger Subsidiary and the Fund.	10,225,182	503,452	253,747
To approve the issuance of additional shares of common stock of the Fund in connection with the Agreement and Plan of Reorganization among BlackRock Diversified Income Strategies Fund, Inc., FRA Merger Subsidiary and the Fund.	10,097,723	628,903	255,755

Regulation Regarding Derivatives

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

A Fund may also have investments in underlying funds not advised by BlackRock (which for purposes of the no-action letter referenced below may include certain securitized vehicles and/or mortgage REITS that may invest in CFTC Derivatives). BlackRock Advisors, LLC has no transparency into the holdings of these underlying funds because they are not advised by BlackRock. To address this issue of lack of transparency, the CFTC staff issued a no-action letter on November 29, 2012 permitting the adviser of a fund that invests in such underlying funds and that would otherwise have filed a claim of exclusion pursuant to Rule 4.5, to delay registration as a commodity pool operator until June 30, 2013 or six months from the date in which the CFTC issues additional guidance on the treatment of CFTC Derivatives held by underlying funds. BlackRock Advisors, LLC, the adviser of the Funds, has filed a claim with the CFTC to rely on this no-action relief.

Additional Information (continued)

Dividend Policy

Each Fund s dividend policy is to distribute all or a portion of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more stable level of dividend distributions, the dividends paid by the Funds for any particular month may be more or less than the amount of net investment income earned by the Funds during such month. The portion of dividend distributions that exceeds a Fund s current and accumulated earnings and profits, which are measured on a tax basis, will constitute a nontaxable return of capital. Dividend distributions in excess of a Fund s taxable income and net capital gains, but not in excess of a Fund s earnings and profits, will be taxable to shareholders as ordinary income and will not constitute a nontaxable return of capital. The Funds current accumulated but undistributed net investment income, if any, is disclosed in the Statements of Assets and Liabilities, which comprises part of the financial information included in this report.

General Information

The Funds do not make available copies of their Statements of Additional Information because the Funds shares are not continuously offered, which means that the Statement of Additional Information of each Fund has not been updated after completion of the respective Fund s offerings and the information contained in each Fund s Statement of Additional Information may have become outdated.

During the period, there were no material changes in the Funds investment objectives or policies or to the Funds charters or by-laws that would delay or prevent a change of control of the Funds that were not approved by shareholders or in the principal risk factors associated with investment in the Funds. There have been no changes in the persons who are primarily responsible for the day-to-day management of the Funds portfolios.

Quarterly performance, semi-annual and annual reports and other information regarding the Funds may be found on BlackRock s website, which can be accessed at **http://www.blackrock.com**. This reference to BlackRock s website is intended to allow investors public access to information regarding the Funds and does not, and is not intended to, incorporate BlackRock s website in this report.

Electronic Delivery

Electronic copies of most financial reports are available on the Funds web-sites or shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual reports by enrolling in the Funds electronic delivery program.

Shareholders Who Hold Accounts with Investment Advisors, Banks or Brokerages:

Please contact your financial advisor to enroll. Please note that not all investment advisors, banks or brokerages may offer this service.

Householding

The Funds will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called householding and is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please call the Funds at (800) 882-0052.

Availability of Quarterly Schedule of Investments

The Funds files their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds Forms N-Q are available on the SEC s website at http://www.sec.gov and may also be reviewed and copied at the SEC s Public Reference Room in Washington, DC. Information on how to access documents on the SEC s website without charge may be obtained by calling (800) SEC-0330. The Fund s Forms N-Q may also be obtained upon request and without charge by calling (800) 882-0052.

Additional Information (concluded)

General Information (concluded)

Availability of Proxy Voting Policies and Procedures

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling (800) 882-0052; (2) at **http://www.blackrock.com**; and (3) on the SEC s website at http://www.sec.gov.

Availability of Proxy Voting Record

Information about how the Funds voted proxies relating to securities held in the Funds portfolios during the most recent 12-month period ended June 30 is available upon request and without charge (1) at **http://www.blackrock.com** or by calling (800) 882-0052 and (2) on the SEC s website at http://www.sec.gov.

Availability of Fund Updates

BlackRock will update performance and certain other data for the Funds on a monthly basis on its website in the Closed-end Funds section of **http://www.blackrock.com** as well as certain other material information as necessary from time to time. Investors and others are advised to periodically check the website for updated performance information and the release of other material information about the Funds. This reference to BlackRock s website is intended to allow investors public access to information regarding the Funds and does not, and is not intended to, incorporate BlackRock s website in this report.

Section 19(a) Notice

These reported amounts and sources of distributions are estimates and are not being provided for tax reporting purposes. The actual amounts and sources for tax reporting purposes will depend upon each Fund s investment experience during the year and may be subject to changes based on the tax regulations. Each Fund will provide a Form 1099-DIV each calendar year that will explain the character of these dividends and distributions for federal income tax purposes.

February 28, 2013

	Total Fiscal Year-to-Date Cumulative Distributions by Character				Percentage of Fiscal Year-to-Date Cumulative Distributions by Character			
	Net Investment Income	Net Realized Capital Gains	Return of Capital	Total Per Common Share	Net Investment Income	Net Realized Capital Gains	Return of Capital	Total Per Common Share
FRA	$0.570000			$0.570000	100%	0%	0%	100%

BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, Clients) and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

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

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

BlackRock does not sell or disclose to non-affiliated third parties any non- public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

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Item 2 – Code of Ethics – Not Applicable to this semi-annual report

Item 3 – Audit Committee Financial Expert – Not Applicable to this semi-annual report

Item 4 – Principal Accountant Fees and Services – Not Applicable to this semi-annual report

Item 5 – Audit Committee of Listed Registrants – Not Applicable to this semi-annual report

Item 6 – Investments
(a) The registrant's Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this Form.
(b) Not Applicable due to no such divestments during the semi-annual period covered since the previous Form N-CSR filing.

Item 7 – Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies – Not Applicable to this semi-annual report

Item 8 – Portfolio Managers of Closed-End Management Investment Companies

(a) Not Applicable to this semi-annual report

(b) As of the date of this filing, there have been no changes in any of the portfolio managers identified in the most recent annual report on Form N-CSR.

Item 9 – Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers – Not Applicable

Item 10 – Submission of Matters to a Vote of Security Holders – There have been no material changes to these procedures.

Item 11 – Controls and Procedures

(a) – The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

(b) – There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12 – Exhibits attached hereto

(a)(1) – Code of Ethics – Not Applicable to this semi-annual report

(a)(2) – Certifications – Attached hereto (a)(3) – Not Applicable

(b) – Certifications – Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Limited Duration Income Trust

By: /s/ John M. Perlowski

John M. Perlowski

Chief Executive Officer (principal executive officer) of

BlackRock Limited Duration Income Trust

Date: May 1, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ John M. Perlowski

John M. Perlowski

Chief Executive Officer (principal executive officer) of

BlackRock Limited Duration Income Trust

Date: May 1, 2013

By: /s/ Neal J. Andrews

Neal J. Andrews

Chief Financial Officer (principal financial officer) of

BlackRock Limited Duration Income Trust

Date: May 1, 2013