

KONINKLIJKE PHILIPS NV
Form SC 13G/A
February 13, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13G
UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. 3)*

KONINKLIJKE PHILIPS NV

(Name of Issuer)

NY Registered Shares and Ordinary Shares

(Title of Class of Securities)

500472303

(CUSIP Number)

December 31, 2014

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

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“ Rule 13d-1(c)

“ Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page. The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP NO. 500472303

13G

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

2 Dodge & Cox 94-1441976
CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) " (b) "

3 N/A
SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

California - U.S.A.
5 SOLE VOTING POWER

NUMBER OF

SHARES

12,047,723 NY Registered Shares and 46,222,968 Ordinary Shares

6 BENEFICIALLY SHARED VOTING POWER

OWNED BY

EACH

0

7 SOLE DISPOSITIVE POWER

REPORTING

PERSON

13,143,445 NY Registered Shares and 46,222,968 Ordinary Shares

8 WITH SHARED DISPOSITIVE POWER

0

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

13,143,445 NY Registered Shares and 46,222,968 Ordinary Shares

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*

11 N/A
PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

12 6.3%
TYPE OF REPORTING PERSON*

IA

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Item 1(a) Name of Issuer:
KONINKLIJKE PHILIPS NV

Item 1(b) Address of Issuer's Principal Executive Offices:
Breitner Center, Amstelplein 2

1096 BC Amsterdam

The Netherlands

Item 2(a) Name of Person Filing:
Dodge & Cox

Item 2(b) Address of the Principal Office or, if none, Residence:
555 California Street, 40th Floor

San Francisco, CA 94104

Item 2(c) Citizenship:
California - U.S.A.

Item 2(d) Title of Class of Securities:
NY Registered Shares and Ordinary Shares

Item 2(e) CUSIP Number:
500472303

Item 3 If the Statement is being filed pursuant to Rule 13d-1(b), or 13d-2(b), check whether the person filing is a:

(e) Investment Advisor registered under section 203 of the Investment Advisors Act of 1940

Item 4 Ownership:

(a) Amount Beneficially Owned:
13,143,445 NY Registered Shares and 46,222,968 Ordinary Shares

6.3% (b) Percent of Class:

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(c) Number of shares as to which such person has:

(i) sole power to vote or direct the vote: 12,047,723 NY Registered Shares and 46,222,968 Ordinary Shares

(ii) shared power to vote or direct the vote: 0

(iii) sole power to dispose or to direct the disposition of: 13,143,445 NY Registered Shares and 46,222,968 Ordinary Shares

(iv) shared power to dispose or to direct the disposition of: 0

Item 5 Ownership of Five Percent or Less of a Class:

Not applicable.

Item 6 Ownership of More than Five Percent on Behalf of Another Person:

The clients of Dodge & Cox, including investment companies registered under the Investment Company Act of 1940 and other managed accounts, have the right to receive or power to direct the receipt of dividends from, and the proceeds from the sale of, KONINKLIJKE PHILIPS NV.

Item 7 Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company:

Not applicable.

Item 8 Identification and Classification of Members of the Group:

Not applicable.

Item 9 Notice of Dissolution of a Group:

Not applicable.

Item 10 Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 13, 2015

DODGE & COX

By: /S/ THOMAS M. MISTELE
Name: Thomas M. Mistele
Title: COO & Senior Counsel

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400 390 200 990 455,000 443,625 227,500 1,126,125

Travelport LLC (FKA Travelport, Inc.), 5.15%, 9/01/14 (b)

665 665 1,330 340,812 340,812 681,624

Travelport LLC (FKA Travelport, Inc.), 9.88%, 9/01/14

145 150 295 83,013 85,875 168,888

Tropicana Entertainment LLC, Series WI, 9.63%, 12/15/14 (c)(h)

120 120

1,767,177 1,480,035 1,514,477 4,761,689

Household Durables - 0.3%

Beazer Homes USA, Inc., 12.00%, 10/15/17

1,200 500 1,700 1,308,000 545,000 1,853,000

Independent Power Producers & Energy Traders - 1.9%

Calpine Corp., 7.25%, 10/15/17 (a)

1,180 575 625 2,380 1,250,800 609,500 662,500 2,522,800

Energy Future Holdings Corp., 10.00%, 1/15/20

935 370 470 1,775 1,010,969 400,062 508,187 1,919,218

Energy Future Intermediate Holding Co. LLC, 10.00%, 12/01/20

2,760 1,355 1,455 5,570 2,998,050 1,471,869 1,580,494 6,050,413

5,259,819 2,481,431 2,751,181 10,492,431

Industrial Conglomerates - 0.6%

Sequa Corp., 13.50%, 12/01/15 (a)

1,557 722 679 2,958 1,662,456 770,275 724,477 3,157,208

Machinery - 0.1%

UR Financing Escrow Corp., 5.75%, 7/15/18 (a)(e)

175 85 90 350 179,813 87,338 92,475 359,626

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

		Pro Forma Combined Fund (DVF and FRB into FRA)				Pro Forma Combined Fund (DVF and FRB into FRA)			
	FRA	DVF	FRB	into FRA)	FRA	DVF	FRB	into FRA)	
	Par (000)				Value				
Corporate Bonds									
Media - 2.7%									
AMC Networks, Inc., 7.75%, 7/15/21 (a)	USD	225	110	120	455	\$ 250,875	\$ 122,650	\$ 133,800	\$ 507,325
CCH II LLC, 13.50%, 11/30/16		1,050	500	550	2,100	1,207,500	575,000	632,500	2,415,000
Checkout Holding Corp., 10.68%, 11/15/15 (a)(f)		665	325	350	1,340	299,250	146,250	157,500	603,000
Clear Channel Worldwide Holdings, Inc., 9.25%, 12/15/17		401		212	613	439,095		232,140	671,235
Clear Channel Worldwide Holdings, Inc., Series B, 9.25%, 12/15/17		1,834	884	967	3,685	2,017,400	972,400	1,063,700	4,053,500
CSC Holdings LLC, 8.50%, 4/15/14		420	180	230	830	466,200	199,800	255,300	921,300
NAI Entertainment Holdings LLC, 8.25%, 12/15/17 (a)		615	300	330	1,245	676,500	330,000	363,000	1,369,500
Unitymedia Hessen GmbH & Co. KG (FKA UPC Germany GmbH), 8.13%, 12/01/17 (a)		2,000	1,000	1,000	4,000	2,170,000	1,085,000	1,085,000	4,340,000
					7,526,820	3,431,100	3,922,940	14,880,860	
Metals & Mining - 0.0%									
RathGibson, Inc., 11.25%, 2/15/14 (c)(h)			1,390		1,390				
Multiline Retail - 0.2%									
Dollar General Corp., 11.88%, 7/15/17 (b)		445	215	235	895	488,392	235,965	257,915	982,272
Oil, Gas & Consumable Fuels - 0.1%									
Coffeyville Resources LLC, 9.00%, 4/01/15 (a)		275	135	144	554	294,250	144,450	154,080	592,780
Paper & Forest Products - 0.4%									
Ainsworth Lumber Co. Ltd., 11.00%, 7/29/15 (a)(g)		562	296		858	409,981	215,867		625,848
Clearwater Paper Corp., 10.63%, 6/15/16			190		190		215,887		215,887
Longview Fibre Paper & Packaging, Inc., 8.00%, 6/01/16 (a)		340	165	180	685	349,350	169,538	184,950	703,838
Verso Paper Holdings LLC, 11.50%, 7/01/14			144		144		146,880		146,880
Verso Paper Holdings LLC, Series B, 4.30%, 8/01/14 (b)		340	170	180	690	235,450	117,725	124,650	477,825
					994,781	865,897	309,600	2,170,278	
Pharmaceuticals - 0.2%									
Valeant Pharmaceuticals International, 6.50%, 7/15/16 (a)		395	195	210	800	402,900	198,900	214,200	816,000
Real Estate Management & Development - 0.1%									
Realty Corp., 7.63%, 1/15/20 (a)		365	175	190	730	376,862	180,687	196,175	753,724

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	FRA	DVF	FRB		FRA	DVF	FRB		
		Par (000)				Value			
Corporate Bonds									
Wireless Telecommunication Services - 2.2%									
Cricket Communications, Inc., 7.75%, 5/15/16	USD	1,700	850	825	3,375	\$ 1,810,500	\$ 905,250	\$ 878,625	\$ 3,594,375
Digicel Group Ltd., 9.13%, 1/15/15 (a)		278	279	399	956	283,560	284,580	406,980	975,120
Digicel Group Ltd., 8.25%, 9/01/17 (a)		315	255	265	835	333,900	270,300	280,900	885,100
iPCS, Inc., 2.67%, 5/01/13 (b)		1,500	200	500	2,200	1,443,750	192,500	481,250	2,117,500
Sprint Nextel Corp., 9.00%, 11/15/18 (a)		780	390	410	1,580	869,700	434,850	457,150	1,761,700
Sprint Nextel Corp., 7.00%, 3/01/20 (a)		1,195	585	630	2,410	1,214,419	594,506	640,237	2,449,162
						5,955,829	2,681,986	3,145,142	11,782,957
Total Corporate Bonds - 16.7%						46,154,048	21,000,922	23,960,069	91,115,039
Floating Rate Loan Interests (b)									
Aerospace & Defense - 1.6%									
DynCorp International, Term Loan B, 6.25% - 6.75%, 7/07/16	USD	757	324	415	1,496	754,760	322,665	413,857	1,491,282
SI Organization, Inc., New Term Loan B, 4.50%, 11/22/16		836	418	467	1,721	801,310	400,118	447,675	1,649,103
TransDigm, Inc., Add on Term Loan B2, 4.00%, 2/14/17		445	190	225	860	445,369	190,158	225,187	860,714
TransDigm, Inc., Term Loan (First Lien), 4.00%, 2/14/17		1,782	891	941	3,614	1,780,432	890,216	939,672	3,610,320
Wesco Aircraft Hardware Corp., Term Loan B, 4.25%, 4/07/17		650	337	356	1,343	649,195	336,469	355,870	1,341,534
						4,431,066	2,139,626	2,382,261	8,952,953
Airlines - 0.8%									
Delta Air Lines, Inc., Credit New Term Loan B, 5.50%, 4/20/17		2221	1063	1180	4,464	2,167,640	1,037,421	1,152,045	4,357,106

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Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

		FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)
			Par (000)				Value		
Floating Rate Loan Interests (b)									
Auto Components - 2.6%									
Allison Transmission, Inc., Term Loan B, 2.75%, 8/07/14	USD	2,801	1,467	1,629	5,897	\$ 2,769,342	\$ 1,450,330	\$ 1,611,038	\$ 5,830,710
Autoparts Holdings Ltd., First Lien Term Loan, 6.50%, 7/28/17		1,446	698	748	2,892	1,449,991	699,996	749,996	2,899,983
Federal-Mogul Corp., Term Loan B, 2.19%-2.20%, 12/29/14		597	313	320	1,230	570,622	299,323	305,631	1,175,576
Federal-Mogul Corp., Term Loan C, 2.19%-2.20%, 12/28/15		304	160	163	627	291,134	152,716	155,934	599,784
GPX International Tire Corp., 2.00%, 3/31/12 (c)(h)		549			549				
GPX International Tire Corp., 7.25%, 3/31/12 (c)(h)		9			9				
GPX International Tire Corp., 8.37%, 3/31/12 (c)(h)				9	9				
GPX International Tire Corp., 12.00%, 3/31/12 (c)(h)				549	549				
Schaeffler AG, Term Loan C2, 6.00%, 1/27/17		990	480	540	2,010	992,891	481,402	541,577	2,015,870
UCI International, Inc., Term Loan, 5.50%, 7/26/17		743	347	396	1,486	744,356	347,366	396,990	1,488,712
						6,818,336	3,431,133	3,761,166	14,010,635
Biotechnology - 0.7%									
Grifols SA, Term Loan B, 4.5%, 6/01/17	USD	1,890	918	998	3,806	1,887,596	916,374	996,288	3,800,258
Building Products - 3.0%									
Armstrong World Industries, Inc., Term Loan B, 4.00%, 3/09/18		1,166	571	620	2,357	1,161,453	568,370	617,794	2,347,617
CPG International, Inc., Term Loan B, 6.00%, 2/18/17		1,782	842	941	3,565	1,683,990	795,217	888,772	3,367,979
Goodman Global, Inc., Initial Term Loan (First Lien), 5.75%, 10/28/16		4,421	2,094	2,327	8,842	4,442,947	2,104,554	2,338,393	8,885,894
Momentive Performance Materials, Inc. (Blitz 06-103 GmbH), Tranche B-2B Term Loan, 4.08%, 5/05/15	EUR	645	315	340	1,300	813,276	397,326	428,367	1,638,969
						8,101,666	3,865,467	4,273,326	16,240,459
Capital Markets - 1.8%									
American Capital Ltd., Term Loan B, 7.50%, 12/31/13	USD	138	70	70	278	138,317	70,154	70,153	278,624
HarbourVest Partners, Term Loan (First Lien), 6.25%, 12/16/16		1,677	838	838	3,353	1,677,706	838,853	838,853	3,355,412
Nuveen Investments, Inc., Extended Term Loan, 5.74% - 5.83%, 5/12/17		1,753	862	916	3,531	1,748,176	859,685	913,423	3,521,284
Nuveen Investments, Inc., Incremental Term Loan, 7.25%, 5/13/17		345	85	180	610	347,415	85,595	181,260	614,270

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Nuveen Investments, Inc., Term Loan (First Lien), 3.30% -3.58%, 11/13/14	897	438	459	1,794	891,243	435,132	456,111	1,782,486
					4,802,857	2,289,419	2,459,800	9,552,076

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for
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Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

		Pro Forma Combined Fund (DVF and FRB into FRA)			Pro Forma Combined Fund (DVF and FRB into FRA)				
	FRA	DVF	FRB	FRA	DVF	FRB			
		Par (000)				Value			
Floating Rate Loan Interests (b)									
Chemicals - 4.8%									
American Rock Salt Holdings LLC, Term Loan B, 5.50%, 4/25/17	USD	1,216	605	715	2,536	\$ 1,129,842	\$ 562,615	\$ 664,071	\$ 2,356,528
Ashland, Inc., Term Loan B, 3.75%, 8/23/18		932	419	459	1,810	935,741	420,333	460,365	1,816,439
Chemtura Corp., Exit Term Loan B, 5.50%, 8/27/16		1,400	700	800	2,900	1,404,382	702,191	802,504	2,909,077
Gentek, Inc., Term Loan B, 5.00% - 5.75%, 10/06/15		1,068	518	563	2,149	1,060,636	514,752	558,973	2,134,361
MDI Holdings LLC (FKA MacDermid, Inc.), Tranche C Term Loan, 2.76%, 4/11/14	EUR	503	219	262	984	652,479	283,687	340,424	1,276,590
Nexeo Solutions LLC, Term Loan B, 5.00%, 9/08/17	USD	1,191	596	620	2,407	1,172,635	586,317	610,747	2,369,699
Polyone Corp., Term Loan, 5.00%, 12/20/17		405	195	215	815	405,608	195,293	215,322	816,223
PQ Corp., Original Term Loan (First Lien), 3.50%, 7/30/14		1,590	697		2,287	1,550,821	679,573		2,230,394
PQ Corp., (FKA Niagara Acquisition, Inc.), Term Loan B (First Lien), 3.50%, 7/30/14 (a)				840	840			819,588	819,588
Styron Sarl LLC, Term Loan B, 6.00% - 6.75%, 8/02/17		1,106	541	585	2,232	996,999	487,487	527,376	2,011,862
Tronox Worldwide LLC, Delayed Draw Term Loan, 1.00%, 2/09/18		380	185	200	765	379,931	185,150	200,133	765,214
Tronox Worldwide LLC, Term Loan B, 4.25%, 2/08/18		1,395	680	735	2,810	1,393,081	678,882	733,820	2,805,783
Univar, Inc., Term Loan B, 5.00%, 6/30/17		2,030	988	1,072	4,090	2,013,246	979,784	1,063,144	4,056,174
						13,095,401	6,276,064	6,996,467	26,367,932
Commercial Services & Supplies - 3.8%									
Altegrity, Inc. (FKA US Investigations Services, Inc.), Tranche D Term Loan, 7.75%, 2/20/15		1,627	790	930	3,347	1,624,600	789,091	928,343	3,342,034
ARAMARK Corp., Letter of Credit, 3.55%, 7/26/16		40	17	22	79	39,482	16,503	21,615	77,600
ARAMARK Corp., Term Loan B, 3.83%, 7/26/16		560	234	307	1,101	555,162	231,786	303,939	1,090,887
AWAS Finance Luxembourg Sarl, Term Loan B, 5.25%, 6/10/16		849	413	484	1,746	846,096	411,650	482,246	1,739,992
Delos Aircraft, Inc., Term Loan B2, 7.00%, 3/17/16		1,875	925	1,000	3,800	1,877,006	925,990	1,001,070	3,804,066
International Lease Finance Corp., Term Loan B1, 6.75%, 3/17/15		75	40	40	155	75,125	40,067	40,067	155,259
KAR Auction Services, Inc., Term Loan B, 5.00%, 5/19/17		2,587	1,244	1,343	5,174	2,583,766	1,242,195	1,341,571	5,167,532
Synagro Technologies, Inc., Term Loan B, 2.25% - 2.26%, 4/02/14		1,512	636	859	3,007	1,353,043	568,892	768,985	2,690,920
Volume Services America, Inc., Term Loan B, 10.50% - 10.75%, 9/16/16		988	494	518	2,000	991,618	495,809	520,599	2,008,026
		152		68	220	152,408		67,737	220,145

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West Corp., Term Loan B4, 4.49% - 4.78%,

7/15/16

West Corp., Term Loan B5, 4.49% - 4.51%,

7/15/16

294

131

425

294,270

130,786

425,056

10,392,576

4,721,983

5,606,958

20,721,517

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and

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			Par (000)				Value		
Floating Rate Loan Interests (b)									
Communications Equipment - 1.2%									
Avaya, Inc., Term Loan B1, 3.24%, 10/24/14	USD	1,151	548	612	2,311	\$ 1,126,204	\$ 535,749	\$ 598,511	\$ 2,260,464
Avaya, Inc., Term Loan B3, 4.99%, 10/26/17		680	330	360	1,370	659,443	320,024	349,117	1,328,584
CommScope, Inc., Term Loan B, 5.00%, 1/14/18		1,587	768	768	3,123	1,585,838	768,024	768,025	3,121,887
						3,371,485	1,623,797	1,715,653	6,710,935
Construction & Engineering - 0.9%									
BakerCorp. International, Inc., Term Loan B, 5.00%, 6/01/18		861	433	428	1,722	859,384	432,176	427,208	1,718,768
Safway Services, LLC, First Out Tranche Loan, 9.00%, 12/16/17		1,700	800	900	3,400	1,700,000	800,000	900,000	3,400,000
						2,559,384	1,232,176	1,327,208	5,118,768
Consumer Finance - 1.6%									
Springleaf Finance Corp. (FKA AGFS Funding Co.), Term Loan, 5.50%, 5/10/17		4,665	2,270	2,435	9,370	4,252,661	2,069,355	2,219,770	8,541,786
Containers & Packaging - 0.7%									
Berry Plastics Holding Corp., Term Loan C, 2.25%, 4/03/15		275		137	412	267,778		133,643	401,421
Sealed Air Corp., Term Loan B, 4.75%, 10/03/18		1,566	763	827	3,156	1,581,279	770,749	835,392	3,187,420
						1,849,057	770,749	969,035	3,588,841
Diversified Consumer Services - 3.1%									
Coinmach Service Corp., Term Loan B, 3.41%, 11/20/14		2,465	1,336	1,341	5,142	2,270,482	1,230,110	1,234,644	4,735,236
Laureate Education, Inc., Extended Term Loan, 5.25%, 8/15/18		3,765	1,903	2,029	7,697	3,594,143	1,816,711	1,936,218	7,347,072
ServiceMaster Co., Delayed Draw Term Loan, 2.75%, 7/24/14		216	103	110	429	213,607	101,514	108,583	423,704
ServiceMaster Co., Term Loan, 2.77% - 3.03%, 7/24/14		2,171	1,032	1,104	4,307	2,144,976	1,019,372	1,090,358	4,254,706
						8,223,208	4,167,707	4,369,803	16,760,718
Diversified Financial Services - 1.5%									
Reynolds Group Holdings, Inc., Tranche B Term Loan, 6.50%, 2/09/18		1,404	565	687	2,656	1,416,641	569,629	693,461	2,679,731
Reynolds Group Holdings, Inc., Tranche C Term Loan, 5.25% - 6.50%, 8/09/18		2,368	1,382	1,480	5,230	2,392,986	1,395,908	1,495,616	5,284,510
						3,809,627	1,965,537	2,189,077	7,964,241

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	
		Par (000)				Value			
Floating Rate Loan Interests (b)									
Diversified Telecommunication Services - 4.3%									
Hawaiian Telcom Communications, Inc., Term Loan B, 7.00% - 9.00%, 2/25/17	USD	1,095	1,105	565	2,765	\$ 1,092,262	\$ 1,102,238	\$ 563,587	\$ 2,758,087
Integra Telecom Holdings, Inc., Term Loan, 9.25%, 4/15/15		1,601	813	788	3,202	1,408,550	715,110	693,440	2,817,100
Level 3 Financing, Inc., Term Loan B2, 5.75%, 9/03/18		3,450	1,700	2,000	7,150	3,473,736	1,711,696	2,013,760	7,199,192
Level 3 Financing, Inc., Term Loan B3, 5.75%, 8/31/18		1,475	750	650	2,875	1,485,148	755,160	654,472	2,894,780
Level 3 Financing, Inc., Tranche A Term Loan, 2.50% -2.83%, 3/13/14		2,525	1,175	1,300	5,000	2,483,337	1,155,612	1,278,550	4,917,499
US Telepacific Corp., Term Loan B, 5.75%, 2/23/17		1,490	745	894	3,129	1,411,690	705,845	847,014	2,964,549
						11,354,723	6,145,661	6,050,823	23,551,207
Electronic Equipment, Instruments & Components - 1.2%									
CDW LLC, Extended Term Loan, 3.75% - 4.00%, 7/14/17		1,766	851	930	3,547	1,725,940	831,620	908,773	3,466,333
Flextronics International Ltd., Delayed Draw, Term Loan A-2, 2.49%, 10/01/14		45	24	24	93	44,558	23,590	23,590	91,738
Flextronics International Ltd., Delayed Draw, Term Loan A-3, 2.52%, 10/01/14		39	20	20	79	38,193	20,220	20,220	78,633
Sensata Technologies Finance Co. LLC, Term Loan, 4.00%, 5/11/18		1,545	740	810	3,095	1,541,272	738,453	807,808	3,087,533
						3,349,963	1,613,883	1,760,391	6,724,237
Energy Equipment & Services - 2.9%									
CCS Corp., Incremental Term Loan, 6.50%, 10/17/14		765	370	405	1,540	765,765	370,370	405,405	1,541,540
CCS Corp., Term Loan B, 3.24%, 11/14/14		1,609	796	871	3,276	1,556,820	770,516	842,719	3,170,055
Dynergy Midwest Generation LLC, Coal Co., Term Loan, 9.25%, 8/04/16		937	484	520	1,941	931,388	481,730	516,777	1,929,895
Dynergy Power LLC, Gas Co., Term Loan, 9.25%, 8/04/16		1,258	613	677	2,548	1,297,470	632,101	698,638	2,628,209
MEG Energy Corp., Term Loan B, 4.00%, 3/16/18		3,342	1,596	1,746	6,684	3,334,775	1,592,728	1,742,046	6,669,549
						7,886,218	3,847,445	4,205,585	15,939,248

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

Pro Forma Condensed Combined Consolidated Schedule of Investments for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

		FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)
			Par (000)				Value		
Floating Rate Loan Interests (b)									
Food & Staples Retailing - 1.8%									
AB Acquisitions UK Topco 2 Ltd. (FKA Alliance Boots), Facility B1, 3.60%, 7/09/15	GBP	1,825	750	675	3,250	\$ 2,651,930	\$ 1,089,834	\$ 980,851	\$ 4,722,615
B&G Foods, Inc., Term Loan B, 4.50%, 11/30/18	USD	375	185	200	760	375,844	185,416	200,450	761,710
Bolthouse Farms, Inc., Term Loan (First Lien), 5.50% - 5.75%, 2/11/16		481	245	270	996	480,893	245,122	269,971	995,986
U.S. Foodservice, Inc., Term Loan B, 2.74% - 2.75%, 7/03/14		1,709	834	904	3,447	1,648,835	805,262	872,026	3,326,123
						5,157,502	2,325,634	2,323,298	9,806,434
Food Products - 3.2%									
Advance Pierre Foods, Term Loan (First Lien), 7.00%, 9/30/16		1,205	919	655	2,779	1,206,000	918,536	655,544	2,780,080
Advance Pierre Foods, Term Loan (Second Lien), 11.25%, 9/29/17		1,946	550	1,027	3,523	1,945,709	550,456	1,027,173	3,523,338
Del Monte Corp., Term Loan, 4.50%, 3/08/18		2,544	1,235	1,339	5,118	2,494,457	1,210,716	1,312,843	5,018,016
Michaels Foods Group, Inc. (FKA M-Foods Holdings, Inc.), Term Loan B, 4.25%, 2/23/18		281	107	83	471	280,974	106,843	82,795	470,612
Pinnacle Foods Finance LLC, Tranche B Term Loan, 2.76% - 3.08%, 4/02/14		90	45	50	185	89,030	44,515	49,461	183,006
Pinnacle Foods Finance LLC, Tranche D Term Loan, 6.00% - 6.50%, 4/02/14		1,031	494	537	2,062	1,036,589	496,950	539,283	2,072,822
Solvest Ltd. (Dole), Tranche B-2 Term Loan, 5.00% - 6.00%, 7/06/18		555	266	299	1,120	557,309	267,241	300,492	1,125,042
Solvest Ltd. (Dole), Tranche C-2 Term Loan, 5.00% - 6.00%, 7/06/18		1,032	495	556	2,083	1,035,001	496,306	558,057	2,089,364
						8,645,069	4,091,563	4,525,648	17,262,280
Health Care Equipment & Supplies - 1.8%									
Biomet, Inc., Term Loan B, 3.24% - 3.57%, 3/25/15		681	194	363	1,238	673,850	191,826	359,059	1,224,735
DJO Finance LLC (FKA M-Foods Holdings, Inc.), Term Loan B, 3.24%, 5/20/14		1,070	488	545	2,103	1,055,062	481,261	537,349	2,073,672
Hupah Finance, Inc., Term Loan B, 6.25%, 1/21/19		775	380	410	1,565	774,519	379,764	409,746	1,564,029
Iasis Healthcare LLC, Term Loan, 5.00%, 5/03/18		763	369	404	1,536	758,449	367,063	401,323	1,526,835
Immucor, Inc., Term Loan B, 7.25%, 8/17/18		1,800	873	953	3,626	1,812,641	878,704	959,043	3,650,388
						5,074,521	2,298,618	2,666,520	10,039,659

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for

Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and

Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	
		Par (000)				Value			
Floating Rate Loan Interests (b)									
Health Care Providers & Services - 4.6%									
CHS/Community Health Systems, Inc., Non-Extended Delayed Draw Term Loan, 3.25%, 7/25/14	USD	72	28	40	140	\$ 71,424	\$ 27,718	\$ 39,609	\$ 138,751
CHS/Community Health Systems, Inc., Non-Extended Term Loan, 2.49% - 4.50%, 7/25/14		1,397	545	742	2,684	1,378,212	537,660	732,318	2,648,190
ConvaTec, Inc., Term Loan, 5.75%, 12/22/16		1,287	594	693	2,574	1,283,383	592,331	691,053	2,566,767
DaVita, Inc., Term Loan B, 4.50%, 10/20/16		1,683	792	891	3,366	1,686,854	793,814	893,040	3,373,708
Emergency Medical Services, Term Loan, 5.25%, 5/25/18		1,680	813	887	3,380	1,675,032	810,117	884,128	3,369,277
Harden Healthcare LLC, Term Loan, 8.50%, 3/02/15		656	328	328	1,312	642,650	321,325	321,325	1,285,300
Harden Healthcare LLC, Tranche A Additional Term Loan, 7.75%, 3/02/15		1,070	523	576	2,169	1,049,074	512,432	564,886	2,126,392
HCA, Inc., Tranche B-1 Term Loan, 3.49%, 5/01/18		306	104	136	546	300,911	101,827	133,271	536,009
HCA, Inc., Tranche B-2 Term Loan, 3.83%, 3/31/17		787	57	368	1,212	776,468	55,951	362,826	1,195,245
Health Management Associates, Inc., Term Loan B, 4.50%, 11/16/18		580	275	300	1,155	576,230	273,212	298,050	1,147,492
inVentiv Health, Inc. (FKA Ventive Health, Inc.), Combined Term Loan B, 6.50%, 8/04/16		1,317	579	696	2,592	1,266,174	556,606	668,802	2,491,582
inVentiv Health, Inc. (FKA Ventive Health, Inc.), Incremental Term Loan B-3, 6.75%, 5/15/18		898	496	452	1,846	862,535	476,400	433,655	1,772,590
Medpace, Inc., Term Loan, 6.50% - 7.25%, 6/16/17		1,244	597	647	2,488	1,194,000	573,120	620,880	2,388,000
Vanguard Health Holding Co. II, LLC (Vanguard Health Systems, Inc.), Term Loan B, 5.00%, 1/29/16		135	65	70	270	134,326	64,675	69,650	268,651
						12,897,273	5,697,188	6,713,493	25,307,954
Health Care Technology - 1.3%									
IMS Health, Inc., Term Loan B, 4.50%, 8/25/17		1,201	583	637	2,421	1,201,217	583,711	637,340	2,422,268
Kinetic Concepts, Inc., Term Loan B, 7.00%, 5/04/18		1,580	765	835	3,180	1,605,675	777,431	848,569	3,231,675
MedAssets, Inc., Term Loan, 5.25%, 11/16/16		775	395	426	1,596	775,062	394,666	425,969	1,595,697
						3,581,954	1,755,808	1,911,878	7,249,640

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

Pro Forma Condensed Combined Consolidated Schedule of Investments for

Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and

Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	
		Par (000)				Value			
Floating Rate Loan Interests (b)									
Hotels, Restaurants & Leisure - 5.7%									
Ameristar Casinos, Inc., Term Loan B, 4.00%, 4/13/18	USD	1,240	595	645	2,480	\$ 1,242,408	\$ 596,341	\$ 646,067	\$ 2,484,816
Boyd Gaming Corp., Incremental Term Loan, 6.00%, 12/17/15		860	425	450	1,735	862,012	425,995	451,053	1,739,060
Caesars Entertainment Operating Co., Inc., Incremental Term Loan B4, 9.50%, 10/31/16		1,105	637	671	2,413	1,137,070	655,050	690,360	2,482,480
Caesars Entertainment Operating Co., Inc., Term Loan B1, 3.24%, 1/28/15		402	103	238	743	377,035	96,899	223,225	697,159
Caesars Entertainment Operating Co., Inc., Term Loan B3, 3.00% - 3.58%, 1/28/15		5,345	2,556	2,734	10,635	5,008,601	2,395,108	2,561,924	9,965,633
Dunkin' Brands, Inc., Term Loan B, 4.00% - 5.25%, 11/23/17		1,933	917	1,006	3,856	1,927,077	914,582	1,002,653	3,844,312
Golden Living, Term Loan, 5.00%, 5/04/18		325	153	167	645	305,566	143,500	157,361	606,427
OSI Restaurant Partners LLC, Revolver, 2.56% - 2.79%, 6/14/13		9	4	5	18	9,194	4,378	4,816	18,388
OSI Restaurant Partners LLC, Term Loan B, 2.56%, 6/14/14		96	46	50	192	93,266	44,412	48,854	186,532
Seaworld Parks & Entertainment, Inc. (FKA SW Acquisitions Co., Inc.), Term Loan B, 4.00%, 8/17/17		1,351	657	713	2,721	1,349,939	656,133	712,200	2,718,272
Six Flags Theme Parks, Inc., Tranche B Term Loan (First Lien), 4.25%, 12/20/18		1,510	735	800	3,045	1,503,401	731,788	796,504	3,031,693
Station Casinos, Inc., Term Loan B1, 3.24%, 6/17/16		1,025	500	550	2,075	924,212	450,835	495,918	1,870,965
Twin River Worldwide Holdings, Inc., Term Loan, 8.50%, 11/05/15		757	363	402	1,522	757,635	363,484	401,745	1,522,864
						15,497,416	7,478,505	8,192,680	31,168,601
Household Products - 0.5%									
Prestige Brands International, Inc., Term Loan, 5.25%, 1/31/19		1,500	725	790	3,015	1,505,625	727,719	792,962	3,026,306
Independent Power Producers & Energy									
Traders - 1.0%									
AES Corp., Term Loan, 4.25%, 6/01/18		1,985	993	993	3,971	1,983,015	991,508	991,507	3,966,030
Texas Competitive Electric Holdings Co. LLC (FKA TXU), Extended Term Loan, 4.76%, 10/10/17		1,238	594	655	2,487	690,554	331,427	365,590	1,387,571
						2,673,569	1,322,935	1,357,097	5,353,601
Industrial Conglomerates - 1.4%									
Sequa Corp., Incremental Term Loan, 6.25%, 12/03/14		660	320	350	1,330	662,198	321,066	351,165	1,334,429
Sequa Corp., Term Loan, 3.76% - 3.84%, 12/03/14		3,318	1,597	1,671	6,586	3,281,806	1,579,316	1,653,163	6,514,285

3,944,004	1,900,382	2,004,328	7,848,714
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See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	
		Par (000)				Value			
Floating Rate Loan Interests (b)									
Insurance - 0.6%									
CNO Financial Group, Inc., Term Loan, 6.25%, 9/30/16	USD	1,650	817	834	3,301	\$ 1,657,780	\$ 820,345	\$ 837,436	\$ 3,315,561
Internet Software & Services - 0.4%									
Web.com Group, Inc., Term Loan B, 7.00%, 10/27/17		1,185	575	625	2,385	1,156,897	561,507	609,912	2,328,316
IT Services - 5.1%									
Ceridian Corp., Term Loan, 3.24%, 11/10/14		1,231	694	749	2,674	1,164,760	656,062	708,146	2,528,968
First Data Corp., Extended Term Loan B, 4.24%, 3/23/18		6,706	3,284	3,559	13,549	6,017,255	2,947,233	3,194,007	12,158,495
First Data Corp., Term Loan B-1, 2.99%, 9/24/14		870	407	467	1,744	831,787	389,471	446,270	1,667,528
First Data Corp., Term Loan B-3, 2.99%, 9/24/14		115	80	78	273	109,593	76,022	74,959	260,574
infoGROUP, Inc., Term Loan B, 5.75%, 5/25/18		707	345	376	1,428	661,297	322,382	351,314	1,334,993
iPayment, Inc., Term Loan B, 5.75%, 5/08/17		681	330	358	1,369	677,936	329,013	355,891	1,362,840
NeuStar, Inc., Term Loan B, 5.00%, 11/08/18		888	434	469	1,791	889,994	434,997	469,997	1,794,988
SunGard Data Systems, Inc. (Solar Capital Corp.), Tranche B Term Loan, 3.99% - 5.88%, 2/26/16		307	150	161	618	306,311	149,593	160,279	616,183
TransUnion LLC, Term Loan B, 4.75%, 2/12/18		3,211	1,457	1,729	6,397	3,213,592	1,458,472	1,730,348	6,402,412
						13,872,525	6,763,245	7,491,211	28,126,981
Leisure Equipment & Products - 0.3%									
Eastman Kodak Co., DIP Term Loan B, 8.59%, 7/20/13		595	290	315	1,200	602,253	293,535	318,840	1,214,628
EB Sports Corp., Term Loan, 11.50%, 12/31/15			531		531		520,750		520,750
						602,253	814,285	318,840	1,735,378
Machinery - 1.5%									
Terex Corp., Term Loan, 6.00%, 4/28/17	EUR	135	65	70	270	178,065	85,735	92,330	356,130
Terex Corp., Term Loan B, 5.50%, 4/28/17	USD	1,313	639	694	2,646	1,321,793	643,272	698,536	2,663,601
Tomkins LLC, Term Loan B, 4.25%, 9/29/16		2,697	1,349	1,349	5,395	2,694,905	1,347,453	1,347,452	5,389,810
						4,194,763	2,076,460	2,138,318	8,409,541

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB Par (000)	Pro Forma Combined Fund (DVF and FRB into FRA)			FRA	DVF	FRB Value	Pro Forma Combined Fund (DVF and FRB into FRA)
Floating Rate Loan Interests (b)										
Media - 18.0%										
Acosta, Inc., Term Loan, 4.75%, 3/01/18	USD	675	327	352	1,354	\$ 669,616	\$ 324,943	\$ 349,577	\$ 1,344,136	
Affinion Group, Inc., Term Loan B, 5.00%, 10/10/16		1,596	761	810	3,167	1,492,930	711,790	757,867	2,962,587	
AMC Entertainment, Inc., Term Loan B3, 4.25%, 2/22/18		700	350	375	1,425	690,683	345,341	370,009	1,406,033	
AMC Networks, Inc., Term Loan B, 4.00%, 12/31/18		1,692	796	896	3,384	1,680,928	791,025	889,903	3,361,856	
Atlantic Broadband Finance LLC, Term Loan B, 4.00%, 3/08/16		941	438	481	1,860	936,924	435,779	479,357	1,852,060	
Bresnan Telecommunications Co., LLC, Term Loan B, 4.50% - 5.25%, 12/14/17		2,896	1,361	1,584	5,841	2,886,107	1,356,717	1,578,725	5,821,549	
Capsugel Healthcare Ltd., Term Loan, 5.25%, 8/01/18		1,297	633	698	2,628	1,304,154	636,866	702,237	2,643,257	
Catalina Marketing Corp., Term Loan B, 2.99%, 10/01/14		1,376	668	728	2,772	1,337,148	649,193	707,330	2,693,671	
Cengage Learning Acquisitions, Inc., Term Loan, 2.49%, 7/03/14		993	160	352	1,505	921,743	148,300	326,427	1,396,470	
Cengage Learning Acquisitions, Inc., Tranche 1 Incremental Term Loan, 7.50%, 7/03/14		763	477	494	1,734	738,243	461,868	478,112	1,678,223	
Cequel Communications LLC, Term Loan B, 4.00%, 2/11/19		2,385	1,155	1,255	4,795	2,360,601	1,143,184	1,242,161	4,745,946	
Charter Communications Operating LLC, Term Loan B, 7.25%, 3/06/14		28	14	14	56	28,022	14,353	14,353	56,728	
Charter Communications Operating LLC, Term Loan C, 3.83%, 9/06/16		2,124	1,021	1,155	4,300	2,107,508	1,012,963	1,145,838	4,266,309	
Clarke American Corp., Term Facility B, 2.74% - 3.08%, 6/30/14		439	197	264	900	401,288	179,625	240,975	821,888	
Clear Channel Communications, Term Loan B, 3.89%, 1/28/16		2,600	1,565	1,410	5,575	2,133,769	1,284,349	1,157,157	4,575,275	
Clear Channel Communications, Term Loan C, 3.89%, 1/28/16		345	170	185	700	273,413	134,725	146,612	554,750	
Cumulus Media, Inc., Term Loan, 5.75%, 9/17/18		1,400	550	705	2,655	1,401,162	550,456	705,585	2,657,203	
Gray Television, Inc., Term Loan B, 3.77%, 12/31/14		1,395	680	735	2,810	1,378,254	671,972	725,914	2,776,140	
HMH Publishing Co. Ltd., Term Loan, 6.51%, 6/12/14		1,441	718	735	2,894	890,248	443,796	454,325	1,788,369	
Hubbard Broadcasting, Term Loan B (Second Lien), 5.25%, 4/28/17		995	498	498	1,991	995,826	497,913	497,913	1,991,652	
Intelsat Jackson Holdings SA (FKA Intelsat Jackson Holdings Ltd.), Tranche B Term Loan, 5.25%, 4/02/18		6,451	2,978	3,474	12,903	6,440,283	2,972,438	3,467,845	12,880,566	
Interactive Data Corp., New Term Loan B, 4.50%, 2/12/18		2,903	1,414	1,538	5,855	2,896,531	1,411,130	1,534,914	5,842,575	
Kabel Deutschland GmbH, Term Loan F, 4.25%, 2/01/19		1,390	675	735	2,800	1,383,050	671,625	731,325	2,786,000	

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

		FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)
		Par (000)				Value			
Floating Rate Loan Interests (b)									
Media (continued)									
Knology, Inc., Term Loan B, 4.00%, 8/18/17	USD	616	320	345	1,281	\$ 610,038	\$ 317,338	\$ 341,730	\$ 1,269,106
Lavena Holding 4 GmbH (Prosiebensat.1 Media AG), Term Loan B, 3.81%, 3/06/15	EUR	304	304	304	912	351,749	351,749	351,749	1,055,247
Lavena Holding 4 GmbH (Prosiebensat.1 Media AG), Term Loan C, 4.06%, 3/04/16		304			304	353,773			353,773
LIN Television Corp., Term Loan B, 5.00%, 12/21/18	USD	705	345	375	1,425	708,525	346,725	376,875	1,432,125
Newsday LLC, Fixed Rate Term Loan, 10.50%, 8/01/13		2,500	2,000	1,325	5,825	2,571,875	2,057,500	1,363,094	5,992,469
Nielsen Finance LLC, Class B Dollar Term Loan, 4.01%, 5/02/16		1,384	675	728	2,787	1,388,016	676,875	730,085	2,794,976
Sinclair Television Group, Inc., Incremental Term Loan B3, 1.00%, 10/28/16		285	140	150	575	283,663	139,343	149,296	572,302
Sinclair Television Group, Inc., New Tranche B Term Loan, 4.00%, 10/28/16		1,010	579	589	2,178	1,005,037	576,149	586,102	2,167,288
Univision Communications, Inc., Extended First Lien Term Loan, 4.49%, 3/31/17		2,113	1,034	1,116	4,263	1,962,673	960,620	1,036,492	3,959,785
UPC Broadband Holding B.V., Term Loan U, 4.72%, 12/29/17	EUR	494	209	210	913	645,797	273,794	275,005	1,194,596
UPC Financing Partnership, Term Loan, 4.75%, 12/29/17		165	88	95	348	162,236	86,860	93,409	342,505
UPC Financing Partnership, Term Loan T, 3.77%, 12/30/16	USD	895	415	530	1,840	893,434	414,274	529,072	1,836,780
WC Luxco Sarl, Term Loan B3, 4.25%, 3/15/18		437	218	250	905	435,674	217,837	248,956	902,467
Weather Channel, Term Loan B, 4.25%, 2/13/17		2,103	1,027	1,111	4,241	2,104,648	1,027,556	1,111,817	4,244,021
						48,825,569	24,296,971	25,898,143	99,020,683
Metals & Mining - 2.6%									
Novelis, Inc., Term Loan, 4.00%, 3/10/17		2,836	1,420	1,514	5,770	2,821,500	1,413,225	1,506,780	5,741,505
SunCoke Energy, Inc., Term Loan B, 4.00% - 5.25%, 7/26/18		945	448	498	1,891	942,887	446,631	496,256	1,885,774
Walter Energy, Inc., Term Loan B, 4.00%, 4/02/18		3,289	1,566	1,737	6,592	3,273,740	1,558,824	1,729,179	6,561,743
						7,038,127	3,418,680	3,732,215	14,189,022
Multi-Utilities - 0.1%									
FirstLight Power Resources, Inc. (FKA NE Energy, Inc.), Term B Advance (First		329	174	151	654	309,763	163,466	141,943	615,172

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for

Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and

Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

		FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)
			Par (000)				Value		
Floating Rate Loan Interests (b)									
Multiline Retail - 1.4%									
99 Cents Only Stores, Term Loan B, 6.00% - 7.00%, 1/11/19	USD	1,135	550	600	2,285	\$ 1,142,298	\$ 553,536	\$ 603,858	\$ 2,299,692
Dollar General Corp., Tranche B-2 Term Loan, 3.00% - 3.33%, 7/07/14		616	270	360	1,246	616,394	270,423	360,609	1,247,426
Hema Holding BV, Second Lien Term Loan, 5.69%, 1/05/17	EUR		1,400		1,400		1,622,741		1,622,741
Hema Holding BV, Term Loan B, 2.69%, 7/05/15		399		205	604	511,674		263,590	775,264
Hema Holding BV, Term Loan C, 3.44%, 7/06/16		399		205	604	509,017		262,221	771,238
Neiman Marcus Group, Inc., Term Loan, 4.75%, 5/16/18	USD	380	185	200	765	376,960	183,520	198,400	758,880
						3,156,343	2,630,220	1,688,678	7,475,241
Oil, Gas & Consumable Fuels - 1.9%									
EquiPower Resources Holdings LLC, Term Loan B, 5.75%, 1/26/18		1,590	771	819	3,180	1,494,630	724,669	769,961	2,989,260
Gibson Energy, Term Loan B, 5.75%, 6/15/18		1,791	846	945	3,582	1,792,863	846,629	946,233	3,585,725
Obsidian Natural Gas Trust, Term Loan, 7.00%, 11/02/15		1,863	914	980	3,757	1,872,132	919,049	985,077	3,776,258
						5,159,625	2,490,347	2,701,271	10,351,243
Paper & Forest Products - 0.5%									
NewPage Corp., DIP Term Loan, 8.00%, 3/07/13		450	200	250	900	453,375	201,500	251,875	906,750
Verso Paper Finance Holdings LLC, Term Loan, 6.79% - 7.54%, 2/01/13		2,346		1,469	3,815	1,173,190		734,309	1,907,499
						1,626,565	201,500	986,184	2,814,249
Pharmaceuticals - 3.9%									
Aptalis Pharma, Inc., Term Loan B, 0.75% - 5.50%, 2/10/17		2,178	1,040	1,139	4,357	2,159,487	1,030,664	1,128,823	4,318,974
Endo Pharmaceuticals Holdings, Inc., Term Loan B, 4.00%, 6/18/18		353	172	187	712	353,649	171,820	186,833	712,302
Pharmaceutical Products Development, Inc., Term Loan B, 6.25%, 12/05/18		1,800	875	950	3,625	1,815,750	882,656	958,313	3,656,719
Quintiles Transnational Corp., Term Loan B, 5.00%, 6/08/18		1,353	687	677	2,717	1,344,255	682,012	672,128	2,698,395
RPI Finance Trust, Term Loan Tranche 2, 4.00%, 5/09/18		995	498	498	1,991	993,249	496,624	496,624	1,986,497
Tamino Global Chemical Corp., New Term Loan, 6.25%, 2/15/19		635	305	335	1,275	637,610	306,254	336,377	1,280,241

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Valeant Pharmaceuticals International, Add-on Term Loan B, 3.75%, 2/08/19	2,290	1,115	1,210	4,615	2,282,855	1,111,521	1,206,225	4,600,601
Warner Chilcott Corp., Term Loan B-1, 4.25%, 3/15/18	635	318	363	1,316	633,707	316,854	362,118	1,312,679
Warner Chilcott Corp., Term Loan B-2, 4.25%, 3/15/18	318	159	181	658	316,854	158,427	181,059	656,340
					10,537,416	5,156,832	5,528,500	21,222,748

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	
		Par (000)				Value			
Floating Rate Loan Interests (b)									
Professional Services - 1.4%									
Booz Allen Hamilton, Inc., Tranche B Term Loan, 4.00%, 8/03/17	USD	620	132	336	1,088	\$ 621,561	\$ 132,136	\$ 336,482	\$ 1,090,179
Emdeon, Inc., Term Loan B, 6.75%, 11/02/18		1,900	925	1,000	3,825	1,921,717	935,573	1,011,430	3,868,720
Fifth Third Processing Solutions LLC, Term Loan B (First Lien), 4.50%, 11/03/16		1,335	623	712	2,670	1,335,976	623,455	712,521	2,671,952
						3,879,254	1,691,164	2,060,433	7,630,851
Real Estate Investment Trusts (REITs) - 0.7%									
iStar Financial, Inc., Term Loan (Second Lien), 5.00%, 6/28/13		1,830	877	983	3,690	1,821,302	873,021	978,385	3,672,708
Real Estate Management & Development - 0.9%									
Mattamy Funding Partnership, Term Loan B, 2.75%, 4/11/13		403		226	629	382,400		214,517	596,917
Realogy Corp., Delayed Draw Term Loan, 3.25%, 10/10/13		55	27	29	111	52,155	25,194	27,404	104,753
Realogy Corp., Extended Letter of Credit Term Loan, 4.53%, 10/10/16		9	24	45	78	8,118	21,809	41,787	71,714
Realogy Corp., Extended Term Loan B, 4.77%, 10/10/16		2,338	1,133	1,230	4,701	2,168,912	1,051,026	1,140,830	4,360,768
						2,611,585	1,098,029	1,424,538	5,134,152
Road & Rail - 0.8%									
Avis Budget Car Rental LLC, Incremental Term Loan, 6.25%, 9/21/18		1,057	514	559	2,130	1,067,659	518,721	564,046	2,150,426
RailAmerica, Inc., Term Loan B, 4.00%, 2/27/19		1,030	500	545	2,075	1,027,425	498,750	543,638	2,069,813
						2,095,084	1,017,471	1,107,684	4,220,239
Semiconductors & Semiconductor Equipment - 0.7%									
Freescale Semiconductor, Inc., Extended Term Loan B, 4.52%, 12/01/16		848	365	464	1,677	826,286	355,652	451,646	1,633,584
NXP B.V., Term Loan A-2, 5.50%, 3/03/17		1,143	554	599	2,296	1,134,142	549,733	594,309	2,278,184
						1,960,428	905,385	1,045,955	3,911,768

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

Pro Forma Condensed Combined Consolidated Schedule of Investments for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

		FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)
		Par (000)				Value			
Floating Rate Loan Interests (b)									
Software - 1.5%									
Blackboard, Inc., Term Loan B, 7.50%, 10/04/18	USD	555	245	295	1,095	\$ 547,602	\$ 241,734	\$ 291,067	\$ 1,080,403
Datatel, Inc., Term Loan B, 6.25%, 7/19/18				600	600			606,252	606,252
Infor Enterprise Solutions Holdings, Inc., Extended Delayed Draw Term Loan, 0.00%, 7/28/15		38	19	21	78	37,297	18,648	20,344	76,289
Infor Enterprise Solutions Holdings, Inc., Extended Initial Term Loan, 1.00%, 7/28/15		72	36	39	147	70,228	35,114	38,306	143,648
Infor Enterprise Solutions Holdings, Inc., Extended Initial Term Loan, 1.00%, 7/28/15	EUR	425	205	225	855	533,669	257,417	282,531	1,073,617
Rovi Corp., Tranche B Term Loan, 4.00%, 2/07/18	USD	993	496	546	2,035	991,259	495,630	545,193	2,032,082
Sophia, LP, Term Loan B, 6.25%, 7/19/18		1,150	555		1,705	1,161,983	560,783		1,722,766
Vertafore, Inc., Term Loan B, 5.25%, 7/29/16		678	332	356	1,366	672,388	328,832	353,372	1,354,592
						4,014,426	1,938,158	2,137,065	8,089,649
Specialty Retail - 4.6%									
Academy Ltd., Term Loan, 6.00%, 8/03/18		1,700	900	900	3,500	1,699,813	899,901	899,901	3,499,615
Bass Pro Group LLC, Term Loan, 5.25%, 6/13/17		135	65	70	270	134,421	64,721	69,700	268,842
Burlington Coat Factory Warehouse Corp., Term Loan B, 6.25%, 2/23/17		910	407	455	1,772	909,625	406,937	454,812	1,771,374
Claire s Stores, Inc., Term Loan B, 2.99% - 3.30%, 5/29/14		436	212	232	880	412,597	200,827	219,642	833,066
General Nutrition Centers, Inc., Term Loan B, 4.25%, 3/02/18		1,770	895	940	3,605	1,764,761	892,351	937,218	3,594,330
Gymboree Corp., Term Loan B, 5.00%, 2/23/18		650	310	345	1,305	611,162	291,477	324,386	1,227,025
Jo-Ann Stores, Inc., Term Loan B, 4.75%, 3/16/18		659	283	372	1,314	650,545	278,770	366,867	1,296,182
Michaels Stores, Inc., Extended Term Loan B3, 5.13%, 7/29/16		736	223	392	1,351	731,634	221,228	389,800	1,342,662
Michaels Stores, Inc., Term Loan B-2, 5.13%, 7/29/16		1,470	791	711	2,972	1,461,262	786,045	706,910	2,954,217
Petco Animal Supplies, Inc., Term Loan B, 4.50%, 11/24/17		2,048	992	1,080	4,120	2,038,102	987,447	1,075,043	4,100,592
Toys R Us Delaware, Inc., Term Loan B1, 6.00%, 9/01/16		1,734	813	921	3,468	1,736,121	813,815	922,306	3,472,242
Toys R Us Delaware, Inc., Term Loan B2, 5.25%, 5/25/18		397	199	298	894	392,288	196,144	294,216	882,648
						12,542,331	6,039,663	6,660,801	25,242,795

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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Pro Forma Condensed Combined Consolidated Schedule of Investments for

Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and

Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	
	Par (000)				Value				
Floating Rate Loan Interests (b)									
Wireless Telecommunication Services - 2.3%									
Crown Castle International Corp., Term Loan B, 4.00%, 1/25/19	USD	2,060	985	1,075	4,120	\$ 2,050,627	\$ 980,518	\$ 1,070,109	\$ 4,101,254
MetroPCS Wireless, Inc., Term Loan B-3, 4.00% - 4.06%, 3/16/18		246	148	147	541	244,229	146,784	145,551	536,564
MetroPCS Wireless, Inc., Tranche B-2 Term Loan, 4.07% - 4.13%, 11/03/16		976	501	476	1,953	967,724	496,666	472,207	1,936,597
Vodafone Americas Finance 2, Inc., Term Loan, 6.88%, 8/11/15 (g)		722	206	309	1,237	720,070	205,734	308,602	1,234,406
Vodafone Americas Finance 2, Inc., Term Loan B, 6.25%, 7/11/16		2,093	1,211	1,211	4,515	2,093,387	1,211,003	1,211,003	4,515,393
						6,076,037	3,040,705	3,207,472	12,324,214
Total Floating Rate Loan Interests - 107.0%						290,468,470	141,709,603	153,618,544	585,796,617
Other Interests (i)									
Auto Components - 0.0%									
Internet Liquidating Trust, Class A (c)			256		256				
Chemicals - 0.0%									
Wellman Holdings, Inc., Litigation Trust Certificate		4,750	3,000	2,000	9,750	48	30	20	98
Diversified Financial Services - 0.3%									
J.G. Wentworth LLC Preferred Equity Interests (c)		(j)	(j)	(j)	(j)	711,907	620,752	311,526	1,644,185
Hotels, Restaurants & Leisure - 0.0%									
Buffets, Inc. (c)			360		360		4		4
Household Durables - 0.2%									
Stanley Martin, Class B Membership Units			1		1		1,206,250		1,206,250
Total Other Interests - 0.5%						711,955	1,827,036	311,546	2,850,537
Preferred Securities									
Preferred Stocks									
Diversified Financial Services - 0.0%									
Ally Financial, Inc. (a)			50		50		43,384		43,384

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Pro Forma Condensed Combined Consolidated Schedule of Investments for
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Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)
		Shares				Value		
Preferred Securities								
Trust Preferred - 0.0%								
Diversified Financial Services - 0.0%								
GMAC Capital Trust I, Series 2, 8.13%, 2/15/40 (b)(n)		79		79		\$ 73,913		\$ 73,913
Total Preferred Securities - 0.0%						117,297		117,297
Warrants (k)								
Hotels, Restaurants & Leisure - 0.0%								
Buffets Restaurants Holdings, Inc. (Expires 4/29/14)		304		304				
Software - 0.0%								
Bankruptcy Management Solutions, Inc. (Expires 9/29/17)		357		357				
HMH Holdings/EduMedia (Expires 3/09/17)	11,690	4,970	5,330	21,990				
Total Warrants - 0.0%								
Total Long-Term Investments (Cost - \$718,567,049) - 128.9%					\$ 350,269,669	171,554,843	\$ 183,712,687	705,537,199
Short-Term Securities								
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.11% (l)(m)	3,253,818	1,820,693	2,382,746	7,457,257	3,253,818	1,820,693	2,382,746	7,457,257
Total Short-Term Securities (Cost - \$7,457,257) - 1.4%					3,253,818	1,820,693	2,382,746	7,457,257

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Pro Forma Condensed Combined Consolidated Schedule of Investments for

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Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)
Option Purchased								
Over-the-Counter Call Option								
Marsico Parent Superholdco LLC, Strike Price USD 942.86, Expires 12/14/19, Broker Goldman Sachs Bank USA	20	13	11	44				
Total Option Purchased (Cost - \$43,022) - 0.0%								
Total Investments (Cost - \$726,067,328) - 130.3%					\$ 353,523,487	\$ 173,375,536	\$ 186,095,433	\$ 712,994,456
Liabilities in Excess of Other Assets - (30.3)%					(80,871,597)	(40,975,549)	(42,322,482)	(165,814,318) (p)
Net Assets - 100.0%					\$ 272,651,890	\$ 132,399,987	\$ 143,772,951	\$ 547,180,138

* As of February 29, 2012, gross unrealized appreciation and gross unrealized depreciation based on cost for federal income tax purposes were as follows:

	FRA	DVF	FRB	Pro Forma Combined Fund (DVF and FRB into FRA)
Tax cost	\$ 356,083,778	\$ 178,945,341	\$ 187,218,661	\$ 722,247,780
Gross unrealized appreciation	\$ 7,938,098	\$ 3,784,963	\$ 4,060,662	\$ 15,783,723
Gross unrealized depreciation	(10,498,389)	(9,354,768)	(5,183,890)	(25,037,047)
Net unrealized depreciation	\$ (2,560,291)	\$ (5,569,805)	\$ (1,123,228)	\$ (9,253,324)

- (a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. 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) Restricted security as to resale. As of report date the Pro Forma Combined Fund held 0.8% of its net assets, with a current value of \$4,249,977 and an original cost of \$775,542 in this security.
- (e) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation
Morgan Stanley Co.	\$ 267,151	\$ 7,151

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- (f) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (g) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (h) Issuer filed for bankruptcy and/or is in default of interest payments.
- (i) Other interests represent beneficial interests in liquidation trusts and other reorganization or private entities.
- (j) Amount is less than \$500.
- (k) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

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(l) Investments in companies considered to be an affiliate of the Fund during the period, for purposes of Section 2(a)(3) of the 1940 Act were as follows:

Affiliate	Fund	Shares Held at February 28, 2011	Net Activity	Shares Held at February 29, 2012	Income
BlackRock Liquidity Funds,	FRA	2,358,167	895,651	3,253,818	\$ 2,563
TempFund, Institutional Class	DVF	3,037,317	(1,216,624)	1,820,693	\$ 1,426
	FRB	2,714,267	(331,521)	2,382,746	\$ 1,960
Pro Forma Combined Fund (DVF and FRB into FRA)		8,109,751	(652,494)	7,457,257	\$ 5,949

(m) Represents the current yield as of report date.

(n) Convertible security.

(o) 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.

(p) Reflects pro forma adjustments of \$1,644,690 of which \$830,000 is due to the charge for estimated reorganization expenses of \$230,000, \$300,000 and \$300,000 attributable to FRA, DVF and FRB, respectively, and \$814,690 is due to the distribution of undistributed net investment income attributable to FRB.

Foreign currency exchange contracts as of February 29, 2012 were as follows:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD 203,186	CAD 207,500	Royal Bank of Scotland Plc	4/11/2012	\$ (6,340)
USD 2,395,189	GBP 1,562,500	UBS AG	4/11/2012	(89,886)
USD 983,369	GBP 641,500	UBS AG	4/11/2012	(36,904)
USD 878,364	GBP 573,000	UBS AG	4/11/2012	(32,963)
EUR 250,000	USD 336,583	Deutsche Bank AG	4/18/2012	(3,443)
EUR 410,000	USD 543,569	Deutsche Bank AG	4/18/2012	2,781
EUR 312,000	USD 406,665	Royal Bank of Scotland Plc	4/18/2012	9,094
EUR 189,000	USD 250,572	Deutsche Bank AG	4/18/2012	1,282
EUR 198,000	USD 258,076	Royal Bank of Scotland Plc	4/18/2012	5,771
EUR 218,000	USD 288,382	Citibank NA	4/18/2012	2,116
EUR 213,000	USD 282,391	Deutsche Bank AG	4/18/2012	1,444
USD 5,965,860	EUR 4,644,500	Citibank NA	4/18/2012	(223,218)
USD 543,822	EUR 410,000	Citibank NA	4/18/2012	(2,528)
USD 3,766,154	EUR 2,932,000	Citibank NA	4/18/2012	(140,914)
USD 397,919	EUR 300,000	Citibank NA	4/18/2012	(1,850)
USD 3,065,459	EUR 2,386,500	Citibank NA	4/18/2012	(114,697)
USD 285,175	EUR 215,000	Citibank NA	4/18/2012	(1,326)
Total				\$ (631,581)

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 rating 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.

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

Pro Forma Condensed Combined Consolidated Statement of Assets and Liabilities for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Adjustments	Pro Forma Combined Fund (DVF and FRB into FRA)
Assets					
Investments at value - unaffiliated (1)	\$ 350,269,669	\$ 171,554,843	\$ 183,712,687	\$	\$ 705,537,199
Investments at value - affiliated (2)	3,253,818	1,820,693	2,382,746		7,457,257
Cash	8,173	50,310	8,173		66,656
Foreign currency at value (3)	17,751	16,791	243,187		277,729
Investments sold receivable	12,150,475	6,817,838	5,781,774		24,750,087
Interest receivable	894,417	421,713	1,189,686		2,505,816
Principal paydown receivable	1,496,277	755,147	765,743		3,017,167
Unrealized appreciation on foreign currency exchange contracts	11,875	7,053	3,560		22,488
Prepaid expenses	6,103	8,227	16,929		31,259
Total assets	368,108,558	181,452,615	194,104,485		743,665,658
Liabilities					
Loan payable	78,000,000	40,000,000	41,000,000		159,000,000
Investments purchased payable	16,590,429	8,633,751	8,839,049		34,063,229
Unrealized depreciation on foreign currency exchange contracts	325,415	179,668	148,986		654,069
Interest expense payable	127,051	18,359	66,295		211,705
Investment advisory fees payable	206,092	101,252	108,236		415,580
Deferred income	7,908	3,863	4,161		15,932
Income dividends payable	73,968	37,493	37,907	814,690(5)	964,058
Officer s and Directors fees payable	15,585	7,874	281		23,740
Reorganization expenses payable				830,000(6)	830,000
Other accrued expenses payable	110,220	70,368	126,619		307,207
Total liabilities	95,456,668	49,052,628	50,331,534	1,644,690	196,485,520
Net Assets	\$ 272,651,890	\$ 132,399,987	\$ 143,772,951	\$ (1,644,690)	\$ 547,180,138

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

Pro Forma Condensed Combined Consolidated Statement of Assets and Liabilities for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)

As of February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Adjustments	Pro Forma Combined Fund (DVF and FRB into FRA)
Net Assets Consist of					
Paid-in capital (4)	\$ 349,984,847	\$ 229,202,981	\$ 199,569,197	\$ (830,000)(6)	\$ 777,927,025
Undistributed (distributions in excess of) net investment income	104,370	(533,657)	814,690	(814,690)(5)	(429,287)
Accumulated net realized loss	(73,186,170)	(88,649,784)	(54,801,468)		(216,637,422)
Net unrealized appreciation/depreciation	(4,251,157)	(7,619,553)	(1,809,468)		(13,680,178)
Net Assets	\$ 272,651,890	132,399,987	\$ 143,772,951	\$ (1,644,690)	\$ 547,180,138
Net asset value per share	\$ 14.76	\$ 10.68	\$ 13.60		\$ 14.75
(1) Investments at cost - unaffiliated	\$ 354,213,500	\$ 179,013,961	\$ 185,382,610	\$	\$ 718,610,071
(2) Investments at cost - affiliated	\$ 3,253,818	\$ 1,820,693	\$ 2,382,746	\$	\$ 7,457,257
(3) Foreign currency at cost	\$ 17,503	\$ 16,557	\$ 240,452	\$	\$ 274,512
(4) Shares outstanding, 200 million shares authorized, par value \$0.10 per share	18,467,299	12,401,086	10,574,327	(4,349,732)(7)	37,092,980

(5) Reflects the distribution of undistributed net investment income of \$814,690 attributable to FRB.

(6) Reflects the charge for estimated reorganization expenses of \$230,000, \$300,000 and \$300,000 attributable to FRA, DVF and FRB, respectively.

(7) Reflects the capitalization adjustments giving the effect of the transfer of shares of FRA, which DVF and FRB shareholders will receive as if the Reorganization had taken place on February 29, 2012. The foregoing should not be relied upon to reflect the number of shares of FRA that actually will be received on or after such date.

See Notes to Pro Forma Condensed Combined Consolidated Financial Statements.

Pro Forma Condensed Combined Consolidated Statement of Operations for
Floating Rate Income Strategies Fund, Inc. (FRA), Diversified Income Strategies Fund, Inc. (DVF) and
Floating Rate Income Strategies Fund II, Inc. (FRB)
For the Twelve Months Ended February 29, 2012 (Unaudited)

	FRA	DVF	FRB	Adjustments	Pro Forma Combined Fund (DVF and FRB into FRA)(1)
Investment Income					
Interest	\$ 22,558,397	\$ 11,048,555	\$ 11,814,115	\$	\$ 45,421,067
Dividends - unaffiliated	28,114	14,917	13,532		56,563
Dividends - affiliated	2,563	1,426	1,960		5,949
Total income	22,589,074	11,064,898	11,829,607		45,483,579
Expenses					
Investment advisory	2,710,813	1,344,722	1,433,067		5,488,602
Borrowing costs	302,012	121,998	146,485		570,495
Professional	253,282	161,150	142,662	(227,532)(2)	329,562
Custodian	121,255	71,021	73,971		266,247
Printing	53,702	27,135	20,668	(23,720)(2)	77,785
Accounting services	62,515	35,903	42,331	(33,030)(2)	107,719
Officer and Directors	30,972	14,779	15,985		61,736
Registration	9,913	9,242	9,372	(9,080)(2)	19,447
Transfer agent	39,267	28,409	25,440	(53,849)(2)	39,267
Miscellaneous	50,878	33,503	29,132	(56,617)(2)	56,896
Total expenses excluding interest expense	3,634,609	1,847,862	1,939,113	(403,828)	7,017,756
Interest expense	871,057	453,152	464,698		1,788,907
Total expenses	4,505,666	2,301,014	2,403,811	(403,828)	8,806,663
Less fees waived by advisor	(1,435)	(815)	(1,090)		(3,340)
Total expenses after fees waived	4,504,231	2,300,199	2,402,721	(403,828)	8,803,323
Net investment income	18,084,843	8,764,699	9,426,886	403,828	36,680,256
Realized and Unrealized Gain (Loss)					
Net realized gain (loss) from:					
Investments	(4,082,762)	(1,619,638)	(1,950,218)		(7,652,618)
Foreign currency transactions	143,889	39,885	501,271		685,045
	(3,938,873)	(1,579,753)	(1,448,947)		(6,967,573)
Net change in unrealized appreciation/depreciation on:					
Investments	(5,954,723)	(2,441,724)	(3,643,714)		(12,040,161)
Foreign currency transactions	18,414	(1,194)	30,717		47,937
Unfunded loan commitments	(20,177)	(26,247)	(29,966)		(76,390)
	(5,956,486)	(2,469,165)	(3,642,963)		(12,068,614)
Total realized and unrealized gain (loss)	(9,895,359)	(4,048,918)	(5,091,910)		(19,036,187)
	\$ 8,189,484	\$ 4,715,781	\$ 4,334,976	\$ 403,828	\$ 17,644,069

**Net Increase in Net Assets Resulting from
Operations**

- (1) This Pro Forma Condensed Combined Consolidated Statement of Operations excludes non-recurring aggregate estimated reorganization expenses of \$230,000, \$300,000 and \$300,000 attributable to FRA, DVF and FRB, respectively.
- (2) Reflects the estimated savings as a result of the Reorganization due to fewer audits and consolidation of accounting, legal, printing and other services.
See Notes to Pro Forma Condensed Combined Consolidated Financial Statements

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Notes to *Pro Forma* Condensed Combined Consolidated Financial Statements

As of February 29, 2012 (Unaudited)

NOTE 1 Basis of Combination:

The Boards of Directors (the **Boards**), of BlackRock Diversified Income Strategies Fund, Inc. (**DVF**), and BlackRock Floating Rate Income Strategies Fund II, Inc. (**FRB** and together with DVF, each a **Target Fund** and, collectively the **Target Funds**) and BlackRock Floating Rate Income Strategies Fund, Inc. (**FRA** or the **Acquiring Fund** and together with the Target Funds the **Fund** or the **Funds**) at a meeting held on May 22-23, 2012 approved two separate proposed tax-free reorganizations in which the Acquiring Fund will acquire substantially all of the assets of each Target Fund in exchange for the Acquiring Fund Shares and the assumption by the Acquiring Fund of substantially all of the liabilities of each Target Fund (the **Reorganizations**). Following the Reorganizations, each Target Fund will terminate its registration under the Investment Company Act of 1940.

In each Reorganization, the outstanding common shares of each Target Fund will be exchanged for newly issued common shares of the Acquiring Fund, par value \$0.10 per share (**Acquiring Fund Shares**). The aggregate net asset value of Acquiring Fund Shares received by the shareholders of the Target Fund in each Reorganization will equal the aggregate net asset value of Target Fund common shares held by such shareholders immediately prior to such Reorganization, less the direct costs of such Reorganization, as applicable (although shareholders may receive cash for their fractional common shares).

The Reorganizations will be accounted for as a tax-free merger of investment companies. The unaudited pro forma condensed combined consolidated schedule of investments and condensed combined consolidated statement of assets and liabilities reflect the financial position of the Funds at February 29, 2012. The unaudited pro forma condensed combined consolidated statement of operations reflects the results of operations of the Funds for the twelve months ended February 29, 2012. These statements have been derived from the books and records of the Funds utilized in calculating daily net asset value at the dates indicated above in conformity with accounting principles generally accepted in the United States of America (**US GAAP**). As of February 29, 2012, all the securities held by the Target Funds comply with the compliance guidelines and/or investment restrictions of FRA. It is not anticipated that FRA will sell any securities of the Target Funds acquired in the Reorganizations other than in the ordinary course of business. The fiscal year end for FRA and DVF is August 31 and the fiscal year end for FRB is February 29.

The accompanying pro forma condensed combined consolidated financial statements should be read in conjunction with the historical financial statements of the Funds included or incorporated by reference in their respective Statements of Additional Information. Such pro forma condensed combined financial statements are presented for information only and may not necessarily be representative of what the actual combined financial statements would have been had the Reorganizations occurred on February 29, 2012. Following the Reorganizations, FRA will be the accounting survivor.

Regardless of whether the Reorganizations are completed, the costs associated with the proposed Reorganizations, including the costs associated with the stockholder meeting, will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate except that, BlackRock Advisors, LLC has agreed to pay \$100,000 of FRA's costs of the Reorganizations. The estimated expenses of the Reorganizations attributable to each Fund, which include the amount to be paid by BlackRock Advisors, LLC, are as follows:

	Estimated Reorganization Expenses		
FRA	DVF	FRB	
\$330,000	\$300,000	\$300,000	

NOTE 2 Basis of Consolidation:

The accompanying *pro forma* condensed combined consolidated financial statements include the following accounts of FRA JGW SPV, LLC; DVF JGW SPV, LLC; DVF (S-MARTIN) SPV, LLC; and FRB JGW SPV,

LLC (the Taxable Subsidiaries), all of which are wholly owned taxable subsidiaries of each Fund. The Taxable Subsidiaries enable the Funds to hold investments that are organized as an operating partnership 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. An income tax provision for all income, including realized and unrealized gains, if any, is reflected as either a reduction in investment income or as component of realized and unrealized gain (loss) on the pro forma condensed combined consolidated statement of operations. The Funds may invest up to 25% of their total 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.

NOTE 3 FRA Fund 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 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. 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.

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 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 which 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 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 investment advisor and/or the sub-advisor 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 investment advisor and/or sub-advisor deems relevant. The pricing of all Fair Value Assets is subsequently reported to the Board or a committee thereof.

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 each Fund's net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such instruments, those instruments may be Fair Value Assets and be valued at their fair value, as determined in good faith by the investment advisor using a pricing service and/or policies approved by the Board.

NOTE 4 Capital Shares:

The pro forma net asset value per share assumes the issuance of shares of FRA that would have been issued at February 29, 2012 in connection with the proposed Reorganizations. The number of shares of each class assumed to be issued is equal to the net asset value of the shares of DVF and FRB, as of February 29, 2012, divided by the net asset value per share of the shares of FRA as of February 29, 2012. The pro forma number of common shares outstanding for the combined Fund consists of the following at February 29, 2012:

Total Outstanding	Additional Common Shares Assumed Issued in Each Reorganization		Total Outstanding
FRA Shares			FRA Shares
Pre-Combination	DVF	FRB	Post-Combination
18,467,299	8,954,973	9,670,708	37,092,980

NOTE 5 Pro Forma Operating Expenses:

The pro forma condensed combined consolidated statement of operations for the twelve-month period ending February 29, 2012, as adjusted, giving effect to the Reorganizations reflect changes in expenses of FRA as if the Reorganizations were consummated on March 1, 2011. Although it is anticipated that there will be an elimination of certain duplicative expenses because of the Reorganizations, the actual amount of such expenses cannot be determined because it is not possible to predict the cost of future operations.

NOTE 6 Federal Income Taxes:

The Acquiring Fund and each Target Fund has elected to be taxed as a regulated investment company under the Internal Revenue Code of 1986, as amended (the Code). If the Reorganizations are consummated, the Acquiring Fund would seek to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the provisions available to certain investment companies, as defined in applicable sections of the Code, and to make distributions of taxable income sufficient to relieve it from all, or substantially all, U.S. federal income taxes. In addition, the Target Funds will make any required ordinary income or capital gain distributions prior to the consummation of their respective Reorganizations, in accordance with provisions of the Code relating to tax-free mergers of investment companies.

The Acquiring Fund will succeed to capital loss carryforwards (and certain unrealized built-in losses, if any) of each of the acquired Target Funds, which will be subject to the tax loss limitation rules described below because each acquired Target Fund will undergo an ownership change for U.S. federal income tax purposes, and such limitation might be significant. If both Reorganizations are consummated, the Acquiring Fund's own capital loss carryforwards (and certain unrealized built-in losses, if any) may also be subject to the tax loss limitation rules described below because the Acquiring Fund may also undergo an ownership change for U.S.

federal income tax purposes, and such limitation might be significant. For each Fund that undergoes an ownership change, the Code generally limits the amount of pre-ownership change losses that may be used to offset post-ownership change gains to a specific annual loss limitation amount (generally the product of (i) the fair market value of the stock of such Fund, with certain adjustments, immediately prior to the Reorganization and (ii) a rate established by the IRS). Subject to certain limitations, any unused portion of these losses may be available in subsequent years, subject to the remaining portion of any applicable capital loss carryforward limit, as measured from the date of recognition.

Due to the operation of these tax loss limitation rules, it is possible that shareholders of all of the Target Funds and shareholders of the Acquiring Fund (if the Acquiring Fund undergoes an ownership change as described in the preceding paragraph) would receive taxable distributions of short-term and long-term capital gains earlier than they would have in the absence of the Reorganizations. Such taxable distributions will be treated either as ordinary income (and not as favorably taxed qualified dividend income) if such capital gains are short term or as favorably taxed capital gain dividends if such capital gains are long term. The actual financial effect of the loss limitation rules on a shareholder of a Fund whose losses are subject to the loss limitation rules would depend on many variables, including such Fund's expected growth rate if the relevant Reorganization were not to occur (i.e., whether, in the absence of the Reorganization, the Fund would generate sufficient capital gains against which to utilize its capital loss carryforwards prior to their expiration (and certain realized built-in losses), in excess of what would have been the annual loss limitation amount had the relevant Reorganization occurred, the timing and amount of future capital gains recognized by the Combined Fund if the relevant Reorganization were to occur), and the timing of a historic Fund shareholder's disposition of its shares (the tax basis of which might, depending on the facts, reflect that shareholder's share of such Fund's capital losses). Shareholders of all of the Funds should consult their own tax advisors in this regard.

In addition, for five years beginning on the Closing Date of a Reorganization, the Combined Fund will not be allowed to offset certain pre-Reorganization built-in gains attributable to a Fund that is a gain corporation with capital loss carryforwards (and certain built-in losses) attributable to another Fund.

NOTE 7 Pro Forma Calculation:

The accompanying pro forma condensed combined consolidated financial statements include *pro forma* calculations that are based on estimates and as such may not necessarily be representative of the actual combined fund financial statements.

NOTE 8 Subsequent Events:

Management has evaluated the impact of all subsequent events on the Funds through the date the pro forma condensed combined consolidated financial statements were issued and has determined that there were no subsequent events requiring adjustment or additional disclosure in the pro forma condensed combined consolidated financial statements.

APPENDIX C

PROXY VOTING POLICIES

FOR THE BLACKROCK U.S. REGISTERED FUNDS

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PROXY VOTING POLICIES BLACKROCK U.S. REGISTERED FUNDS

I. INTRODUCTION

The Trustees/Directors (Directors) of the BlackRock-Advised Funds (the Funds) have the responsibility for voting proxies relating to portfolio securities of the Funds, and have determined that it is in the best interests of the Funds and their stockholders to delegate that responsibility to BlackRock Advisors, LLC and its affiliated U.S. registered investment advisers (BlackRock), the investment adviser to the Funds, as part of BlackRock's authority to manage, acquire and dispose of account assets. The Directors hereby direct BlackRock to vote such proxies in accordance with this Policy, and any proxy voting guidelines that the Adviser determines are appropriate and in the best interests of the Funds stockholders and which are consistent with the principles outlined in this Policy. Individual series of the Funds may be specifically excluded from this Policy by the Directors by virtue of the adoption of alternative proxy voting policy for such series. The Directors have authorized BlackRock to utilize unaffiliated third-parties as its agents to vote portfolio proxies in accordance with this Policy and to maintain records of such portfolio proxy voting.

Rule 206(4)-6 under the Investment Advisers Act of 1940 requires, among other things, that an investment adviser that exercises voting authority over clients' proxy voting adopt policies and procedures reasonably designed to ensure that the adviser votes proxies in the best interests of clients, discloses to its clients information about those policies and procedures and also discloses to clients how they may obtain information on how the adviser has voted their proxies.

BlackRock has adopted guidelines and procedures that are consistent with the principles of this Policy. BlackRock's corporate governance committee structure (the Committee), oversees the proxy voting function on behalf of BlackRock and its clients, including the Funds. The Committee is comprised of senior members of BlackRock's Portfolio Management and Administration Groups and is advised by BlackRock's Legal and Compliance Department.

BlackRock votes (or refrains from voting) proxies for each Fund in a manner that BlackRock, in the exercise of its independent business judgment, concludes is in the best economic interests of such Fund. In some cases, BlackRock may determine that it is in the best economic interests of a Fund to refrain from exercising the Fund's proxy voting rights (such as, for example, proxies on certain non-U.S. securities that might impose costly or time-consuming in-person voting requirements). With regard to the relationship between securities lending and proxy voting, BlackRock's approach is also driven by our clients' economic interests. The evaluation of the economic desirability of recalling loans involves balancing the revenue producing value of loans against the likely economic value of casting votes. Based on our evaluation of this relationship, BlackRock believes that the likely economic value of casting a vote generally is less than the securities lending income, either because the votes will not have significant economic consequences or because the outcome of the vote would not be affected by BlackRock recalling loaned securities in order to ensure they are voted. Periodically, BlackRock analyzes the process and benefits of voting proxies for securities on loan, and will consider whether any modification of its proxy voting policies or procedures are necessary in light of any regulatory changes.

BlackRock will normally vote on specific proxy issues in accordance with BlackRock's proxy voting guidelines. BlackRock's proxy voting guidelines provide detailed guidance as to how to vote proxies on certain important or commonly raised issues. BlackRock may, in the exercise of its business judgment, conclude that the proxy voting guidelines do not cover the specific matter upon which a proxy vote is requested, or that an exception to the proxy voting guidelines would be in the best economic interests of a Fund. BlackRock votes (or refrains from voting) proxies without regard to the relationship of the issuer of the proxy (or any stockholder of such issuer) to the Fund, the Fund's affiliates (if any), BlackRock or BlackRock's affiliates. When voting proxies, BlackRock attempts to encourage companies to follow practices that enhance stockholder value and increase transparency and allow the market to place a proper value on their assets.

II. Proxy Voting Policies

A. Boards of Directors

The Funds generally support the board's nominees in the election of directors and generally support proposals that strengthen the independence of boards of directors. As a general matter, the Funds believe that a company's board of directors (rather than stockholders) is most likely to have access to important, nonpublic information regarding a company's business and prospects, and is therefore best-positioned to set corporate policy and oversee management. The Funds therefore believe that the foundation of good corporate governance is the election of responsible, qualified, independent corporate directors who are likely to diligently represent the interests of stockholders and oversee management of the corporation in a manner that will seek to maximize stockholder value over time. In individual cases, consideration may be given to a director nominee's history of representing stockholder interests as a director of the company issuing the proxy or other companies, or other factors to the extent deemed relevant by the Committee.

B. Auditors

These proposals concern those issues submitted to stockholders related to the selection of auditors. As a general matter, the Funds believe that corporate auditors have a responsibility to represent the interests of stockholders and provide an independent view on the propriety of financial reporting decisions of corporate management. While the Funds anticipate that BlackRock will generally defer to a corporation's choice of auditor, in individual cases, consideration may be given to an auditor's history of representing stockholder interests as auditor of the company issuing the proxy or other companies, to the extent deemed relevant.

C. Compensation and Benefits

These proposals concern those issues submitted to stockholders related to management compensation and employee benefits. As a general matter, the Funds favor disclosure of a company's compensation and benefit policies and oppose excessive compensation, but believe that compensation matters are normally best determined by a corporation's board of directors, rather than stockholders. Proposals to micro-manage a company's compensation practices or to set arbitrary restrictions on compensation or benefits should therefore generally not be supported.

D. Capital Structure

These proposals relate to various requests, principally from management, for approval of amendments that would alter the capital structure of a company, such as an increase in authorized shares. As a general matter, the Funds expect that BlackRock will support requests that it believes enhance the rights of common stockholders and oppose requests that appear to be unreasonably dilutive.

E. Corporate Charter and By-Laws

These proposals relate to various requests for approval of amendments to a corporation's charter or by-laws. As a general matter, the Funds generally vote against anti-takeover proposals and proposals that would create additional barriers or costs to corporate transactions that are likely to deliver a premium to stockholders.

F. Environmental and Social Issues

These are stockholder proposals addressing either corporate social and environmental policies or requesting specific reporting on these issues. The Funds generally do not support proposals on social issues that lack a demonstrable economic benefit to the issuer and the Fund investing in such issuer. BlackRock seeks to make proxy voting decisions in the manner most likely to protect and promote the long-term economic value of the securities held in client accounts. We intend to support economically advantageous corporate practices while

leaving direct oversight of company management and strategy to boards of directors. We seek to avoid micromanagement of companies, as we believe that a company's board of directors is best positioned to represent stockholders and oversee management on stockholders behalf. Issues of corporate social and environmental responsibility are evaluated on a case-by-case basis within this framework.

III. CONFLICTS MANAGEMENT

BlackRock maintains policies and procedures that are designed to prevent any relationship between the issuer of the proxy (or any stockholder of the issuer) and a Fund, a Fund's affiliates (if any), BlackRock or BlackRock's affiliates, from having undue influence on BlackRock's proxy voting activity. In certain instances, BlackRock may determine to engage an independent fiduciary to vote proxies as a further safeguard against potential conflicts of interest or as otherwise required by applicable law. The independent fiduciary may either vote such proxies or provide BlackRock with instructions as to how to vote such proxies. In the latter case, BlackRock votes the proxy in accordance with the independent fiduciary's determination.

IV. REPORTS TO THE BOARD

BlackRock will report to the Directors on proxy votes it has made on behalf of the Funds at least annually.

APPENDIX D

GENERAL CHARACTERISTICS AND RISKS OF STRATEGIC TRANSACTIONS

In order to manage the risk of its securities portfolio each Fund may engage in Strategic Transactions. Each Fund may engage in such activities in the Advisors discretion, and may not necessarily be engaging in such activities when movements in interest rates that could affect the value of the assets of the Fund occur. Each Fund's ability to pursue certain of these strategies may be limited by applicable regulations of the CFTC. Certain Strategic Transactions may give rise to taxable income.

Put And Call Options On Securities

Each Fund may purchase put and call options and sell covered call options on securities. A put option gives the purchaser of the option the right to sell and the writer the obligation to buy the underlying security at the exercise price during the option period. The purchase of a put option on a debt security could protect a Fund's holdings in a security or a number of securities against a substantial decline in the market value. A call option gives the purchaser of the option the right to buy and the seller the obligation to sell the underlying security or index at the exercise price during the option period or for a specified period prior to a fixed date. The purchase of a call option on a security could protect a Fund's against an increase in the price of a security that it intended to purchase in the future. In the case of either put or call options that it has purchased, if the option expires without being sold or exercised, the Fund will experience a loss in the amount of the option premium plus any related commissions. When a Fund sells call options, it receives a premium as the seller of the option. The premium that a Fund receives for selling the option will serve as a partial hedge, in the amount of the option premium, against changes in the value of the securities in its portfolio. During the term of the option, however, a covered call seller has, in return for the premium on the option, given up the opportunity for capital appreciation above the exercise price of the option if the value of the underlying security increases, but has retained the risk of loss should the price of the underlying security decline. Each Fund may engage in options transactions on exchanges and in the over-the-counter markets. Transactions in exchange-listed options and over-the-counter options (OTC Options) are privately negotiated with the counterparty. Listed options are issued by the Options Clearing Corporation (OCC) which guarantees the performance of the obligations of the parties to such options.

A Fund's ability to close out its position of an exchange-listed option is dependent upon the existence of a liquid secondary market on option exchanges. Among the possible reasons for the absence of a liquid secondary market on an exchange are: (i) insufficient trading interest in certain options; (ii) restrictions on transactions imposed by an exchange; (iii) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities; (iv) interruption of the normal operations on an exchange; (v) inadequacy of the facilities of an exchange or OCC to handle current trading volume; or (vi) a decision by one or more exchanges to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options on that exchange that had been listed by the OCC as a result of trades on that exchange would generally continue to be exercisable in accordance with their terms. OTC Options are transacted with dealers, financial institutions or other counterparties which have entered into direct agreements with a Fund. With OTC Options, such variables as expiration date, exercise price and premium will be agreed upon between the Fund and the counterparty, without the intermediation of a third party such as the OCC. If the counterparty fails to make or take delivery of the securities underlying an option it has written, or otherwise settle the transaction in accordance with the terms of that option as written, the Fund would lose the premium paid for the option as well as any anticipated benefit of the transaction.

The hours of trading for options on debt securities may not conform to the hours during which the underlying securities are traded. To the extent that the option markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the option markets.

Futures Contracts And Related Options

Characteristics. The sale of a futures contract creates an obligation by the Fund, as seller, to deliver the specific type of financial instrument called for in the contract at a specified future time for a specified price. Options on futures contracts are similar to options on securities except that an option on a futures contract gives the purchaser the right in return for the premium paid to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put).

Margin Requirements. At the time a futures contract is purchased or sold, a Fund must allocate cash or securities as a deposit payment (initial margin). It is expected that the initial margin that a Fund will pay may range from approximately 1% to approximately 5% of the value of the securities or commodities underlying the contract. In certain circumstances, however, such as periods of high volatility, a Fund may be required by an exchange to increase the level of its initial margin payment. Additionally, initial margin requirements may be increased generally in the future by regulatory action. An outstanding futures contract is valued daily and the payment in case of variation margin may be required, a process known as marking to the market. Transactions in listed options and futures are usually settled by entering into an offsetting transaction, and are subject to the risk that the position may not be able to be closed if no offsetting transaction can be arranged.

Limitations on Use of Futures and Options on Futures. A Fund's use of futures and options on futures will in all cases be consistent with applicable regulatory requirements and in particular the rules and regulations of the CFTC. Under such regulations each Fund currently may enter into such transactions without limit for bona fide hedging purposes, including risk management and duration management and other portfolio strategies. Each Fund reserves the right to comply with such different standard as may be established from time to time by CFTC rules and regulations with respect to the purchase or sale of futures contracts or options thereon.

Segregation and Cover Requirements. Futures contracts and listed or OTC options on securities sold by the Funds are generally subject to earmarking and coverage requirements of either the CFTC or the SEC, with the result that, if a Fund does not hold the security or futures contract underlying the instrument, the Fund will be required to designate on its books and records an ongoing basis, cash, U.S. Government securities, or other liquid high grade debt obligations in an amount at least equal to the Fund's obligations with respect to such instruments. Such amounts fluctuate as the obligations increase or decrease. The earmarking requirement can result in a Fund maintaining securities positions it would otherwise liquidate, segregating assets at a time when it might be disadvantageous to do so or otherwise restrict portfolio management.

Strategic Transactions present certain risks. With respect to hedging and risk management, the variable degree of correlation between price movements of hedging instruments and price movements in the position being hedged create the possibility that losses on the hedge may be greater than gains in the value of a Fund's position. The same is true for such instruments entered into for income or gain. In addition, certain instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, a Fund may not be able to close out a transaction without incurring losses substantially greater than the initial deposit. Although the contemplated use of these instruments predominantly for hedging should tend to minimize the risk of loss due to a decline in the value of the position, at the same time they tend to limit any potential gain which might result from an increase in the value of such position. The ability of a Fund to successfully utilize Strategic Transactions will depend on the Investment Advisor's and the Sub-Advisor's ability to predict pertinent market movements and sufficient correlations, which cannot be assured. Finally, the daily deposit requirements in futures contracts that a Fund has sold create an on going greater potential financial risk than do options transactions, where the exposure is limited to the cost of the initial premium. Losses due to the use of Strategic Transactions will reduce net asset value.

Regulatory Considerations. Each Fund has claimed an exclusion from the term commodity pool operator under the Commodity Exchange Act and, therefore, is not subject to registration or regulation as a commodity pool operator under the Commodity Exchange Act.

PART C: OTHER INFORMATION

ITEM 15. *Indemnification*

Article IV of the Registrant's Amended and Restated Bylaws, a copy of which was filed as an exhibit to the Registrant's 8-K filed on September 21, 2010, provides for indemnification, as set forth below:

ARTICLE IV LIMITATIONS OF LIABILITY AND INDEMNIFICATION

Section 1. No Personal Liability of Directors or Officers. No Director, advisory board member or officer of the Fund shall be subject in such capacity to any personal liability whatsoever to any Person, save only liability to the Fund or its shareholders arising from bad faith, willful misfeasance, gross negligence or reckless disregard for his or her duty to such Person; and, subject to the foregoing exception, all such Persons shall look solely to the assets of the Fund for satisfaction of claims of any nature arising in connection with the affairs of the Fund. If any Director, advisory board member or officer, as such, of the Fund, is made a party to any suit or proceeding to enforce any such liability, subject to the foregoing exception, such person shall not, on account thereof, be held to any personal liability. Any repeal or modification of the Charter or this Article IV Section 1 shall not adversely affect any right or protection of a Director, advisory board member or officer of the Fund existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

Section 2. Mandatory Indemnification.

(a) The Fund hereby agrees to indemnify each person who is or was a Director, advisory board member or officer of the Fund (each such person being an Indemnitee) to the full extent permitted under the Charter. In addition, the Fund may provide greater but not lesser rights to indemnification pursuant to a contract approved by at least a majority of Directors between the Fund and any Indemnitee. Notwithstanding the foregoing, no Indemnitee shall be indemnified hereunder against any liability to any person or any expense of such Indemnitee arising by reason of (i) willful misfeasance, (ii) bad faith, (iii) gross negligence, or (iv) reckless disregard of the duties involved in the conduct of the Indemnitee's position (the conduct referred to in such clauses (i) through (iv) being sometimes referred to herein as Disabling Conduct). Furthermore, with respect to any action, suit or other proceeding voluntarily prosecuted by any Indemnitee as plaintiff, indemnification shall be mandatory only if the prosecution of such action, suit or other proceeding by such Indemnitee (A) was authorized by a majority of the Directors or (B) was instituted by the Indemnitee to enforce his or her rights to indemnification hereunder in a case in which the Indemnitee is found to be entitled to such indemnification.

(b) Notwithstanding the foregoing, unless otherwise provided in any agreement relating to indemnification between an Indemnitee and the Fund, no indemnification shall be made hereunder unless there has been a determination (i) by a final decision on the merits by a court or other body of competent jurisdiction before whom the issue of entitlement to indemnification hereunder was brought that such Indemnitee is entitled to indemnification hereunder or, (ii) in the absence of such a decision, by (A) a majority vote of a quorum of those Directors who are both Independent Directors and not parties to the proceeding (Independent Non-Party Directors), that the Indemnitee is entitled to indemnification hereunder, or (B) if such quorum is not obtainable or even if obtainable, if such majority so directs, a Special Counsel in a written opinion concludes that the Indemnitee should be entitled to indemnification hereunder.

(c) Subject to any limitations provided by the 1940 Act and the Charter, the Fund shall have the power and authority to indemnify and provide for the advance payment of expenses to employees, agents and other Persons providing services to the Fund or serving in any capacity at the request of the Fund to the full extent permitted for corporations organized under the corporations laws of the state in which the Fund was formed, provided that such indemnification has been approved by a majority of the Directors.

(d) Any repeal or modification of the Charter or Section 2 of this Article IV shall not adversely affect any right or protection of a Director, advisory board member or officer of the Fund existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

Section 3. Good Faith Defined; Reliance on Experts. For purposes of any determination under this Article IV, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in the best interests of the Fund, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Fund, or on information supplied to such person by the officers of the Fund in the course of their duties, or on the advice of legal counsel for the Fund or on information or records given or reports made to the Fund by an independent certified public accountant or by an appraiser or other expert or agent selected with reasonable care by the Fund. The provisions of this Article IV Section 3 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in this Article IV. Each Director and officer or employee of the Fund shall, in the performance of his or her duties, be fully and completely justified and protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of the Fund, upon an opinion of counsel selected by the Board of Directors or a committee of the Directors, or upon reports made to the Fund by any of the Fund's officers or employees or by any advisor, administrator, manager, distributor, dealer, accountant, appraiser or other expert or consultant selected with reasonable care by the Board of Directors or a committee of the Directors, officers or employees of the Fund, regardless of whether such counsel or expert may also be a Director.

Section 4. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article IV shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 5. Insurance. The Directors may maintain insurance for the protection of the Fund's property, the shareholders, Directors, officers, employees and agents in such amount as the Directors shall deem adequate to cover possible tort liability, and such other insurance as the Directors in their sole judgment shall deem advisable or is required by the 1940 Act.

Section 6. Subrogation. In the event of payment by the Fund to an Indemnitee under the Charter or these Bylaws, the Fund shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute such documents and do such acts as the Fund may reasonably request to secure such rights and to enable the Fund effectively to bring suit to enforce such rights.

ITEM 16. Exhibits

Exhibit No.	Description of Exhibit
(1)	Articles of Incorporation of the Registrant, dated August 14, 2003 (a)
(2)	Amended and Restated Bylaws of the Registrant, dated September 17, 2010 (b)
(3)	Not applicable
(4)	Form of Agreement and Plan of Reorganization (c)
(5)(a)	Portions of the Articles of Incorporation and the Amended and Restated Bylaws of the Registrant defining the rights of stockholders (d)
(b)	Form of specimen certificate for Shares of Common Stock of the Registrant (e)
(6)	Form of Investment Advisory Agreement between the Registrant and BlackRock Advisors, LLC as successor to Fund Asset Management, L.P. (FAM) (f)
(7)(a)	Form of Purchase Agreement among the Registrant, [BlackRock Advisors, LLC as successor to] FAM, and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch) (g)

Exhibit No.	Description of Exhibit
(b)	Form of Additional Compensation Agreement between [BlackRock Advisors, LLC as successor to] FAM and Merrill Lynch (h)
(c)	Form of Merrill Lynch Standard Dealer Agreement (j)
(d)	Form of Master Agreement among Underwriters (k)
(8)	Form of Second Amended and Restated Deferred Compensation Plan (d)
(9)	Form of Custodian Agreement between the Registrant and State Street Bank and Trust Company (n)
(10)	Not applicable
(11)	Opinion and Consent of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel for the Registrant *
(12)	Tax opinion of Skadden, Arps, Slate, Meagher & Flom LLP *
(13)(a)	Form of Transfer Agency and Service Agreement between the Registrant and EquiServe Trust Company, N.A. and EquiServe L.P. (i)
(b)	Form of Administrative Services Agreement between the Registrant and State Street. (l)
(c)	Form of Securities Lending Agency Agreement. (m)
(14)	Consent of independent registered public accounting firm for the Registrant, BlackRock Floating Rate Income Strategies Fund II, Inc. and BlackRock Diversified Income Strategies Fund, Inc. *
(15)	Not applicable.
(16)	Power of Attorney, dated June 12, 2012 (d)
(17)	Form of Proxy Cards for the Funds (d)

* To be filed by post-effective amendment.

- (a) Filed as Exhibit 99.1(a) to the Registrant's Registration Statement on Form N-2 filed on August 18, 2003.
- (b) Filed as Exhibit 3.1 to the Registrant's Form 8-K filed on October 29, 2010.
- (c) Included in the Statement of Additional Information as Appendix A.
- (d) Filed herewith.
- (e) Filed as Exhibit 99(d)(2) to Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 filed on September 19, 2003.
- (f) Filed as Exhibit 99(g) to Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 filed on September 19, 2003.
- (g) Filed as Exhibit 99(h)(1) to Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 filed on September 19, 2003.
- (h) Filed as Exhibit 99(k)(3) to Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 filed on September 19, 2003.
- (i) Incorporated by reference to Exhibit 13 to Pre-Effective Amendment No. 2 to the Registration Statement on Form N-14 of Corporate High Yield Fund, Inc. (File No. 333-10193), filed on December 31, 2002.
- (j) Incorporated by reference to Exhibit (h)(2) to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 Preferred Income Strategies Fund, Inc. (File No. 333-102712), filed March 25, 2003.
- (k) Incorporated by reference to Exhibit (h)(3) to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 Preferred Income Strategies Fund, Inc. (File No. 333-102712), filed March 25, 2003.
- (l) Incorporated by reference to Exhibit 8(d) to Post-Effective Amendment No. 1 to the Registration Statement on Form N-1A of Merrill Lynch Focus Twenty Fund, Inc. (File No. 333-89775) filed on March 20, 2001.
- (m) Incorporated by reference to Exhibit 8(f) to Post-Effective Amendment No. 5 to the Registration Statement on Form N-1A of Merrill Lynch Global Technology Fund, Inc. (File No. 333-48929), filed on July 24, 2002.
- (n) Incorporated by reference to Exhibit 7 to Post-Effective Amendment No. 10 to the Registration Statement on Form N-1A of Merrill Lynch Municipal Bond Fund of Merrill Lynch Multi-State Municipal Series Trust (File No. 33-49873), filed on October 30, 2001.

ITEM 17. *Undertakings*

(1) The undersigned Registrant agrees that prior to any public reoffering of the securities registered through use of a prospectus which is part of this Registration Statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c) of the Securities Act of 1933, as amended, the reoffering prospectus will contain information called for by the applicable Exchange registration form for reoffering by persons who may be deemed underwriters, in addition to the information called for by other items of the applicable form.

(2) The undersigned Registrant agrees that every prospectus that is filed under paragraph (1) above will be filed as part of an amendment to the registration statement and will not be used until the amendment is effective, and that, in determining any liability under the Securities Act of 1933, as amended, each post-effective amendment shall be deemed to be a new registration statement for the securities offered therein, and the offering of securities at that time shall be deemed to be the initial bona fide offering of them.

(3) The undersigned Registrant agrees to file, by post-effective amendment, opinions of counsel supporting the tax consequences of the Reorganization within a reasonably prompt time after receipt of such opinions.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and the State of New York on the 14th day of June, 2012.

BLACKROCK FLOATING RATE INCOME
STRATEGIES FUND INC.

By: /s/ John M. Perlowski

Name: **John M. Perlowski**

Title: **President and Chief Executive Officer**

As required by the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John M. Perlowski		
John M. Perlowski	President and Chief Executive Officer	June 14, 2012
/s/ Neal J. Andrews		
Neal J. Andrews	Chief Financial Officer	June 14, 2012
*	Director	June 14, 2012
Michael J. Castellano		
*	Director	June 14, 2012
Richard E. Cavanagh		
*	Director	June 14, 2012
Frank J. Fabozzi		
*	Director	June 14, 2012
Kathleen F. Feldstein		
*	Director	June 14, 2012
James T. Flynn		
*	Director	June 14, 2012
Jerrold B. Harris		
*	Director	June 14, 2012
R. Glenn Hubbard		
*	Director	June 14, 2012
W. Carl Kester		
*	Director	June 14, 2012
Karen P. Robards		
*	Director	June 14, 2012
Paul L. Audet		
*	Director	June 14, 2012
Henry Gabbay		

*By:

/s/ John M. Perowski
John M. Perowski
Attorney-in-Fact

June 14, 2012

EXHIBIT INDEX

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