BLACKROCK NEW YORK INSURED MUNICIPAL 2008 TERM TRUST INC
Form DEF 14A
April 19, 2006

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [_]

Check the appropriate box:

[_] Preliminary Proxy Statement
[_] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[_] Definitive Additional Materials
[_] Soliciting Material Under Rule 14a-12

THE BLACKROCK INVESTMENT QUALITY MUNICIPAL TRUST INC. (“BKN”)
THE BLACKROCK INSURED MUNICIPAL 2008 TERM TRUST INC. (“BRM”)
THE BLACKROCK CALIFORNIA INSURED MUNICIPAL 2008 TERM TRUST INC. (“BFC”)
THE BLACKROCK FLORIDA INSURED MUNICIPAL 2008 TERM TRUST (“BRF”)
THE BLACKROCK NEW YORK INSURED MUNICIPAL 2008 TERM TRUST INC. (“BLN”)
THE BLACKROCK BROAD INVESTMENT GRADE 2009 TERM TRUST INC. (“BCT”)
THE BLACKROCK INCOME TRUST INC. (“BKT”)
THE BLACKROCK HIGH YIELD TRUST (“BHY”)
THE BLACKROCK MUNICIPAL TARGET TERM TRUST INC. (“BMN”)
THE BLACKROCK CALIFORNIA INVESTMENT QUALITY MUNICIPAL TRUST INC. (“RAA”)
THE BLACKROCK FLORIDA INVESTMENT QUALITY MUNICIPAL TRUST (“RFA”)
THE BLACKROCK NEW JERSEY INVESTMENT QUALITY MUNICIPAL TRUST INC. (“RNJ”)
THE BLACKROCK NEW YORK INVESTMENT QUALITY MUNICIPAL TRUST INC. (“RNY”)
THE BLACKROCK INCOME OPPORTUNITY TRUST INC. (““BNA”)
THE BLACKROCK INSURED MUNICIPAL TERM TRUST INC. (“BMT”)
THE BLACKROCK PENNSYLVANIA STRATEGIC MUNICIPAL TRUST (“BPS”)
THE BLACKROCK STRATEGIC MUNICIPAL TRUST (“BSD”)
BLACKROCK FLORIDA MUNICIPAL INCOME TRUST (“BBF”)
BLACKROCK MUNICIPAL INCOME TRUST (“BFK”)
BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST (“BFZ”)
BLACKROCK NEW JERSEY MUNICIPAL INCOME TRUST (“BNJ”)
BLACKROCK NEW YORK MUNICIPAL INCOME TRUST (“BNY”)
BLACKROCK CALIFORNIA MUNICIPAL 2018 TERM TRUST (“BJZ”)
BLACKROCK MUNICIPAL 2018 TERM TRUST (“BPK ”)
BLACKROCK NEW YORK MUNICIPAL 2018 TERM TRUST (“BLH”)
BLACKROCK CORE BOND TRUST (“BHK”)
BLACKROCK STRATEGIC BOND TRUST (“BHD”)
BLACKROCK MUNICIPAL BOND TRUST (“BBK”)
BLACKROCK CALIFORNIA MUNICIPAL BOND TRUST (“BZA”)
BLACKROCK FLORIDA MUNICIPAL BOND TRUST (“BIE”)

BLACKROCK MARYLAND MUNICIPAL BOND TRUST (BZM)
BLACKROCK NEW JERSEY MUNICIPAL BOND TRUST (BLJ)
BLACKROCK NEW YORK MUNICIPAL BOND TRUST (BQH)
BLACKROCK VIRGINIA MUNICIPAL BOND TRUST (BHV)
BLACKROCK MUNICIPAL INCOME TRUST II (BLE)
BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST II (BCL)
BLACKROCK NEW YORK MUNICIPAL INCOME TRUST II (BFY)
BLACKROCK INSURED MUNICIPAL INCOME TRUST (BYM)
BLACKROCK CALIFORNIA INSURED MUNICIPAL INCOME TRUST (BCK)
BLACKROCK FLORIDA INSURED MUNICIPAL INCOME TRUST (BAF)
BLACKROCK NEW YORK INSURED MUNICIPAL INCOME TRUST (BSE)
BLACKROCK PREFERRED OPPORTUNITY TRUST (BPP)
BLACKROCK LIMITED DURATION INCOME TRUST (BLW)
BLACKROCK MUNICIPAL 2020 TERM TRUST (BKK)
BLACKROCK FLORIDA MUNICIPAL 2020 TERM TRUST (BFO)
BLACKROCK DIVIDEND ACHIEVERS(TM) TRUST (BDV)
BLACKROCK STRATEGIC DIVIDEND ACHIEVERS(TM) TRUST (BDT)
BLACKROCK S&P QUALITY RANKINGS GLOBAL EQUITY MANAGED TRUST (BQY)
BLACKROCK GLOBAL FLOATING RATE INCOME TRUST (BGT)
BLACKROCK GLOBAL ENERGY AND RESOURCES TRUST (BGR)
BLACKROCK HEALTH SCIENCES TRUST (BME)
BLACKROCK HIGH INCOME SHARES (HIS)
BLACKROCK GLOBAL OPPORTUNITIES EQUITY TRUST (BOE)
BLACKROCK ENHANCED DIVIDEND ACHIEVERS (TM) TRUST (BDJ)
BLACKROCK WORLD INVESTMENT TRUST (BWC)
BLACKROCK LONG-TERM MUNICIPAL ADVANTAGE TRUST (BTA)

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
[_] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

____

2) Aggregate number of securities to which transaction applies:

____

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

____

4) Proposed maximum aggregate value of transaction:

____

5) Total fee paid:

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[_] Fee paid previously with preliminary materials:

[_] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

BLACKROCK CLOSED-END FUNDS
100 BELLEVUE PARKWAY
WILMINGTON, DELAWARE 19809

NOTICE OF JOINT ANNUAL MEETING OF
STOCKHOLDERS/SHAREHOLDERS
TO BE HELD ON MAY 23, 2006

Notice is hereby given to the Stockholders/Shareholders of each of the BlackRock Closed-End Funds listed on Appendix A to the Proxy Statement accompanying this notice (collectively, the Trusts) that:

The Joint Annual Meeting of Stockholders/Shareholders of the Trusts (the Annual Meeting) will be held at the New York East Side Marriott, 525 Lexington Avenue, New York, New York, on Tuesday, May 23, 2006, at 10:00 a.m. (New York City time). For the sake of convenience and clarity, individual Trusts are identified throughout this notice and the attached Proxy Statement by their trading symbols. A list of the Trusts setting forth each Trust s full name and trading symbol is attached to the Proxy Statement accompanying this notice as Appendix A. The Annual Meeting is being held for the following purposes:

1. For shareholders of all Trusts, to elect nominees for the Board of Directors of each Trust in which they own shares.

2. For each of the following Trusts, to amend its respective Declaration of Trust to expand the authority of the executive committee of the Board of Directors:

BHY	BPS	BSD

3. For each of the following Trusts, to amend its respective Certificate of Designation or Statement of Preferences, as appropriate, to revise the language regarding preferred shares to allow the Trusts to follow the most recent guidelines of Standard & Poor s (S&P), Moody s Investors Service, Inc. (Moody s) and/or Fitch Ratings (Fitch), as appropriate, for credit rating criteria in effect from time to time to maintain a AAA rating on preferred shares:

RAA	BFC	BMT
RFA	BRM	
RNJ	BLN	
RNY	BSD	
BKN	BRF	

4. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

THE BOARD OF DIRECTORS (THE BOARD) OF EACH TRUST, INCLUDING THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EACH OF THE PROPOSALS.

We encourage you to contact BlackRock toll free at (800) 882-0052 from 9:00 a.m. to 6:00 p.m. EST if you have any questions.

The Board of each Trust has fixed the close of business on February 28, 2006 as the record date for the determination of Stockholders/Shareholders entitled to notice of, and to vote at, the Annual Meeting. We urge you to mark, sign, date, and mail the enclosed proxy in the postage-paid envelope provided or record your voting instructions via telephone or the internet (for those Trusts that permit voting by telephone or internet) so you will be represented at the Annual Meeting.

By order of the
Board of each Trust

Vincent B. Tritto, Secretary of each Trust

New York, New York
April 19, 2006

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING IN PERSON OR BY PROXY. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE BY TELEPHONE, INTERNET OR MAIL. (NOT EVERY TRUST PERMITS VOTING BY INTERNET AND TELEPHONE. PLEASE CHECK YOUR PROXY CARD.) IF VOTING BY MAIL PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE. IF YOU ATTEND THE ANNUAL MEETING AND WISH TO VOTE IN PERSON, YOU WILL BE ABLE TO DO SO AND YOUR VOTE AT THE ANNUAL MEETING WILL REVOKE ANY PROXY YOU MAY HAVE SUBMITTED. YOUR VOTE IS EXTREMELY IMPORTANT. NO MATTER HOW MANY OR HOW FEW SHARES YOU OWN, PLEASE SEND IN YOUR PROXY CARD TODAY.

BLACKROCK CLOSED-END FUNDS
PROXY STATEMENT
FOR
JOINT ANNUAL MEETING OF STOCKHOLDERS/SHAREHOLDERS
TO BE HELD ON MAY 23, 2006

This document will give you the information you need to vote on the matters listed on the accompanying Notice of Joint Annual Meeting of Stockholders/Shareholders (Notice of Annual Meeting). Much of the information in this joint proxy statement (Proxy Statement) is required under rules of the Securities and Exchange Commission (SEC); some of it is technical. If there is anything you don t understand, please contact us at our toll-free number, (800) 882-0052.

This Proxy Statement is furnished in connection with the solicitation by the respective Board of Directors or Trustees, as the case may be (the Board), of each of the Trusts (as defined in the Notice of Annual Meeting) of proxies to be voted at the Joint Annual Meeting of Stockholders/Shareholders of the Trusts to be held on Tuesday, May 23, 2006, and any adjournment or postponement thereof (the Annual Meeting). The Annual Meeting will be held at the New York East Side Marriott, 525 Lexington Avenue, New York, New York, on May 23, 2006, at 10:00 a.m. (New York City time). As used in the Notice of Annual Meeting and as used herein, the term Board of Directors shall include Board of Trustees, Directors shall include Trustees, the term shareholders shall include stockholders and the term share shall include stock where the use of the terms Board of Trustees or Trustees or stockholders or stock would otherwise be appropriate. This Proxy Statement, the Notice of Annual Meeting and the enclosed proxy card are first being sent to the Trusts shareholders on or about April 19, 2006.

*** WHY IS A SHAREHOLDER MEETING BEING HELD?**

Because the common shares of each Trust are listed on a nationally recognized stock exchange that requires each Trust to hold an annual meeting of shareholders.

*** WHAT PROPOSALS WILL BE VOTED ON?**

In the first proposal (the First Proposal or Proposal 1), shareholders of all Trusts are being asked to elect nominees for the Board of Directors of each Trust in which they own shares.

In the second proposal (the Second Proposal or Proposal 2), shareholders of the following Trusts are being asked to approve an amendment to the Declaration of Trust of each such Trust to allow the Trustees to expand the authority of the executive committee of the Board of Directors:

BHY	BPS	BSD

In the third proposal (the Third Proposal or Proposal 3), shareholders of the following Trusts are being asked to approve an amendment to the Certificate of Designation or Statement of Preferences, as appropriate, to revise the language regarding preferred shares to allow the Trusts to follow the most recent guidelines of Standard & Poor s (S&P), Moody s Investors Service, Inc. (Moody s) and/or Fitch Ratings (Fitch), as appropriate, for credit rating criteria in effect from time to time to maintain a AAA rating on preferred shares:

RAA	BFC	BMT
RFA	BRM	
RNJ	BLN	
RNY	BSD	
BKN	BRF	

Summary:

PROPOSALS	TRUST	
#1 To elect Directors	All Trusts	
#2 To amend the Trusts Declaration of Trust	BHY	BPS BSD
#3 To amend the Trusts Certificate of Designation or Statement of Preferences, as appropriate	RAA	BFC BMT
	RFA	BRM
	RNJ	BLN
	RNY	BSD
	BKN	BRF

* **WILL MY VOTE MAKE A DIFFERENCE?**

YES! Your vote is important and will make a difference in the governance of the Trust(s), no matter how many shares you own.

* **WHO IS ASKING FOR YOUR VOTE?**

The enclosed proxy is solicited by the Board of each Trust for use at the Annual Meeting to be held on Tuesday, May 23, 2006, and, if the Annual Meeting is adjourned or postponed, at any later meetings, for the purposes stated in the Notice of Annual Meeting (see previous pages). The Notice of Annual Meeting, the proxy and this Proxy Statement are being mailed on or about April 19, 2006.

* **HOW DO THE TRUSTS BOARDS RECOMMEND THAT SHAREHOLDERS VOTE ON THE PROPOSALS?**

Each Board unanimously recommends that you vote **FOR** each respective Proposal on which you are entitled to vote.

* **WHO IS ELIGIBLE TO VOTE?**

Shareholders of record of each Trust at the close of business on February 28, 2006 are entitled to be present and to vote at the Annual Meeting or any adjourned or postponed meeting.

Each share is entitled to one vote. Shares represented by duly executed proxies will be voted in accordance with your instructions. If you sign the proxy, but don t fill in a vote, your shares will be voted in accordance with your Board s recommendation. If any other business is brought before your Trust s Annual Meeting, your shares will be voted at your Board s discretion.

* **HOW MANY SHARES OF EACH TRUST WERE OUTSTANDING AS OF THE RECORD DATE?**

Appendix B sets forth the number of outstanding shares for each Trust at the close of business on February 28, 2006.

* **WHAT IS A QUORUM FOR PURPOSES OF THE PROPOSALS BEING VOTED ON AT THE MEETING?**

The holders of a majority of outstanding common shares and preferred shares, taken together, present at the Annual Meeting in person or by proxy will constitute a quorum for (i) for the election of directors, other than Kathleen F. Feldstein and Frank J. Fabozzi, and (ii) Proposal 2.

The holders of a majority of outstanding preferred shares present at the Annual Meeting in person or by proxy will constitute a quorum for (i) the election of Kathleen F. Feldstein and Frank J. Fabozzi as directors elected by the owners of preferred shares, and (ii) Proposal 3.

* **WHY DOES THIS PROXY STATEMENT LIST SEVERAL CLOSED-END FUNDS?**

The Trusts have similar proposals and it is cost-efficient to have a joint proxy statement and one annual meeting. In the event that any shareholder present at the Annual Meeting objects to the holding of a joint meeting and moves for an adjournment of his or her Trust s meeting to a time immediately after the Annual Meeting so that such Trust s meeting may be held separately, the persons named as proxies will vote in favor of such adjournment. Shareholders of each Trust will vote separately on the respective Proposals relating to their Trust. In any event, an unfavorable vote on any Proposal by the shareholders of one Trust will not affect the implementation of such Proposal by another Trust if the Proposal is approved by the shareholders of that Trust.

The Proposals

* **FIRST PROPOSAL: TO ELECT DIRECTORS**

WHO ARE THE NOMINEES FOR DIRECTORS?

The Directors of the Trusts are classified into three classes of Directors: Class I, Class II and Class III. Each class has a term of three years. The term of office of one class of Directors is expiring for each Trust and the Directors of the respective Trust whose terms are expiring are being nominated for election at the Annual Meeting.

Some of the Trusts have issued preferred shares. As required by the 1940 Act, owners of preferred shares, voting as a separate class, are entitled to elect two directors. Historically, Messrs. Cavanagh and Fabozzi have been the directors elected by the owners of preferred shares. The Governance Committee has recommended that Mr. Cavanagh resign from the role of preferred share director because it is anticipated that he will become the lead independent director when Dr. Brimmer retires and the committee believes it is more appropriate for the lead independent director to be elected by all of the shareholders. The Governance Committee has nominated Kathleen F. Feldstein to replace Mr. Cavanagh as the second director elected by owners of preferred shares. Accordingly, the Boards of those Trusts issuing preferred shares here nominated Kathleen F. Feldstein and Frank J. Fabozzi to be elected by the owners of preferred shares.

Mr. Cavanagh, a Class I Director, and Ms. Feldstein, a Class II Director, will each stand for election to the Board of each Trust schedule to vote for their respective class at the Annual Meeting. In addition, Mr. Cavanagh will stand for election to Board of each other Trust that has preferred shares outstanding, because the common shareholders of those Trusts previously have not had the opportunity to vote for him. Similarly, Ms. Feldstein will stand for election to the Board of each other Trust that has preferred shares outstanding, because the preferred shareholders of those Trusts, voting as a separate class, previously have not had the opportunity to vote for her as a preferred share Director.

The following table sets forth the class and nominees to be voted on by each Trust. Each nominee s background is described in further detail below. Unless indicated by an asterisk, each Director will be voted on by holders of common shares and preferred shares voting together as a single class and the holders of any preferred shares will have equal voting rights with the holders of common shares (i.e., one vote per share).

TRUST					DIRECTORS STANDING FOR ELECTION	
				Class I Directors	Class II Directors	Class III Directors
BPK BBF BFK	BFZ BNJ BNY	BJZ BLH BMT	BGT	Richard E. Cavanagh	Frank J. Fabozzi* Kathleen F. Feldstein* Ralph L. Schlosstein	—
BDT BOE BKT BGR	BQY BDJ BNA BMN	BHK BHD BWC BTA	BME HIS	—	Frank J. Fabozzi Kathleen F. Feldstein Ralph L. Schlosstein	—
BPS BSD RFA	BPP BKK	BFO RNY	RNJ RAA	Richard E. Cavanagh	Kathleen F. Feldstein*	Andrew F. Brimmer Kent Dixon Robert S. Kapito
BLW	BDV	BCT		—	—	Andrew F. Brimmer Kent Dixon Robert S. Kapito
BBK BQH BZA BZM BCK	BKN BRF BHV BIE BAF	BLE BCL BRM BFY BLN	BYM BLJ BSE BFC	Richard E. Cavanagh R. Glenn Hubbard	Kathleen F. Feldstein*	—
BHY				Richard E. Cavanagh R. Glenn Hubbard	—	—

* Voted on by preferred shareholders only.

Each Director elected will hold office for three years or until their respective class stands for re-election, whichever is shorter, and until their successors shall have been elected and qualified. The other Directors of the Trusts will continue to serve under their current terms. The other classes will be elected at subsequent annual meetings of shareholders.

BCT holds substantially all of its assets in its wholly owned subsidiary, BCT Subsidiary Inc. (BCTS). The Board of the wholly owned subsidiary is identical to the Board of its parent company. Accordingly, nominees elected as Directors of BCT will be appointed by BCT to serve as Directors of BCTS which has investment objectives and policies identical to BCT.

Mr. James Clayburn La Force, Jr. and Mr. Walter F. Mondale retired from the Board of Directors on February 23, 2006.

Certain information concerning the nominees for each of the Trusts is set forth in the table below. All of the nominees are currently Directors of each of the Trusts, including BCTS, and have served in such capacity since each of the Trusts commenced their respective operations, except for the following exceptions:

Mr. Richard E. Cavanagh has served as Director since his appointment by the Boards of BKN, BRM, BFC, BRF, BLN, BCT, BKT, BMN, RAA, RFA, RNJ, RNY, BNA and BMT on August 11, 1994 to fill a vacancy;

Mr. Robert S. Kapito was appointed by the Boards on August 22, 2002 to fill a vacancy for each of the Trusts in existence on such date;

Mr. R. Glenn Hubbard was appointed to the Board of each Trust November 23, 2004 for each of the Trusts in existence on such date; and

Ms. Kathleen F. Feldstein was appointed as a board member to BKT, BNA, BMN, BMT, BGR, RNY, RNJ, RFA, RAA, BSD, BPS, BCT, BKN, BRM, BFC, BRF, BLN and BHY and an Advisory Board member to the other Trusts then in existence as of January 19, 2005. She was elected as a Director to such other Trusts at the annual meeting of shareholders on May 26, 2005.

As of February 28, 2006, each Director holds his/her position as to each of the 56 active closed-end funds advised by BlackRock Advisors, Inc. (the Fund Complex). As of February 28, 2006, the Fund Complex consisted of 56 active closed-end funds, each with one investment portfolio. Certain information concerning the nominees for each of the Trusts is set forth in the table below. Except as indicated, each individual has held the office shown or other offices in the same company for the last five years. The interested Directors (as defined in Section 2(a)(19) of the 40 Act) are indicated by an (*). Independent directors are those who are not interested persons of the Trusts or BlackRock Advisors, Inc. for purposes of the Investment Company Act of 1940 and comply with the definition of independent (as defined in Rule 10A-3 under the Securities Exchange Act of 1934) (the Independent Directors). Unless specified otherwise below, the business address of the Directors and officers of each of the Trusts is 40 East 52nd Street, New York, New York 10022, and the address of BlackRock Advisors, Inc. (the Advisor) is 100 Bellevue Parkway, Wilmington, Delaware 19809.

NAME, ADDRESS AND AGE	PRINCIPAL OCCUPATION(S) DURING PAST 5 YEARS	OTHER DIRECTORSHIPS HELD BY DIRECTOR OR NOMINEE FOR DIRECTOR
INTERESTED DIRECTORS:		
Ralph L. Schlosstein* Age 55 Class II	Director since 1999 and President of BlackRock, Inc. since its formation in 1998 and of BlackRock, Inc. s predecessor entities since 1988. Member of the Management Committee and Investment Strategy Group of BlackRock, Inc. Formerly, Managing Director of Lehman Brothers, Inc. and Co-head of its Mortgage and Savings Institutions Group. Chairman and President of the BlackRock Liquidity Funds and Director of several of BlackRock s alternative investment vehicles. Chairman of the Board of Anthracite Capital, Inc. since September 2005.	Member of the Visiting Board of Overseers of the John F. Kennedy School of Government at Harvard University, a member of the board of the Financial Institutions Center of The Wharton School of the University of Pennsylvania, a trustee of the American Museum of Natural History, a trustee of Trinity School in New York City, a member of the Board of Advisors of Marujupu LLC, and a trustee of New Visions for Public Education, the Public Theater in New York City and the James Beard Foundation. Formerly, a director of Pulte Corporation, the nation s largest homebuilder, a Trustee of Denison University and a member of Fannie Mae s Advisory Council.

Robert S. Kapito* Age: 49 Class III	Vice Chairman of BlackRock, Inc. Head of the Portfolio Management Group. Also a member of the Management Committee, the Investment Strategy Group, the Fixed Income and Global Operating Committees and the Equity Investment Strategy Group of BlackRock, Inc. Responsible for the portfolio management of the Fixed Income, Domestic Equity and International Equity, Liquidity, and Alternative Investment Groups of BlackRock.	Chairman of the Hope and Heroes Children s Cancer Fund. President of the Board of Directors of the Periwinkle National Theatre for Young Audiences.
INDEPENDENT DIRECTORS:		
Andrew F. Brimmer P.O. Box 4546 New York, NY 10163 Age: 79 Class III	President of Brimmer & Company, Inc., a Washington D.C.-based economic and financial consulting firm, also Wilmer D. Barrett Professor of Economics, University of Massachusetts - Amherst. Formerly member of the Board of Governors of the Federal Reserve System. Formerly Chairman, District of Columbia Financial Control Board.	Director of CarrAmerica Realty Corporation and Borg-Warner Automotive. Formerly Director of AirBorne Express, BankAmerica Corporation (Bank of America), BellSouth Corporation, College Retirement Equities Fund (Trustee), Commodity Exchange, Inc. (Public Governor), Connecticut Mutual Life Insurance Company, E.I. du Pont de Nemours & Company, Equitable Life Assurance Society of the United States, Gannett Company, Mercedes-Benz of North America, MNC Financial Corporation (American Security Bank), NCM Capital Management, Navistar International Corporation, PHH Corp. and UAL Corporation (United Airlines).
Richard E. Cavanagh P.O. Box 4546 New York, NY 10163 Age: 59 Class I	President and Chief Executive Officer of The Conference Board, Inc., a leading global business research organization, from 1995-present. Former Executive Dean of the John F. Kennedy School of Government at Harvard University from 1988-1995. Acting Director, Harvard Center for Business and Government (1991-1993). Formerly Partner (principal) of McKinsey & Company, Inc. (1980-1988). Former Executive Director of Federal Cash Management, White House Office of Management and Budget (1977-1979). Co-author, THE WINNING PERFORMANCE (best selling management book published in 13 national editions).	Trustee of Aircraft Finance Trust (AFT) and Chairman of Educational Testing Service (ETS). Director, Arch Chemicals, Fremont Group and The Guardian Life Insurance Company of America.
Kent Dixon P.O. Box 4546 New York, NY 10163 Age: 68 Class III	Consultant/Investor. Former President and Chief Executive Officer of Empire Federal Savings Bank of America and Banc PLUS Savings Association, former Chairman of the Board, President and Chief Executive Officer of Northeast Savings.	Former Director of ISFA (the owner of INVEST, a national securities brokerage service designed for banks and thrift institutions).
Frank J. Fabozzi P.O. Box 4546 New York, NY 10163 Age: 57 Class II	Consultant. Editor of THE JOURNAL OF PORTFOLIO MANAGEMENT and Adjunct Professor of Finance and Becton Fellow at the School of Management at Yale University. Author and editor of several books on fixed income portfolio management. Visiting Professor of Finance and Accounting at the Sloan School of Management, Massachusetts Institute of Technology from 1986 to August 1992.	Director, Guardian Mutual Funds Group (18 portfolios).

Kathleen F. Feldstein P.O. Box 4546 New York, NY 10163 Age: 65 Class II	President of Economics Studies, Inc., a Belmont, MA-based private economic consulting firm, since 1987; Chair, Board of Trustees, McLean Hospital in Belmont, MA.	Director of BellSouth Inc., Ionics, Inc. and Knight Ridder, Inc.; Trustee of the Museum of Fine Arts, Boston, and of the Committee for Economic Development and member of Partners HealthCare and Sherrill House Inc.; Member of the Visiting Committee of the Harvard University Art Museums and of the Advisory Board to the International School of Business at Brandeis University.
R. Glenn Hubbard P.O. Box 4546 New York, NY 10163 Age: 47 Class I	Dean of Columbia Business School since July 1, 2004. Columbia faculty member since 1988. Co-director of Columbia Business School s Entrepreneurship Program 1994-1997. Visiting Professor at the John F. Kennedy School of Government at Harvard University and the Harvard Business School, as well as the University of Chicago. Visiting scholar at the American Enterprise Institute in Washington and member of International Advisory Board of the MBA Program of Ben-Gurion University. Deputy assistant secretary of the U.S. Treasury Department for Tax Policy 1991-1993. Chairman of the U.S. Council of Economic Advisers under the President of the United States 2001-2003.	Director of ADP, Dex Media, Duke Realty, KKR Financial Corporation, and Ripplewood Holdings. Advisory boards of the Congressional Budget Office, the Council on Competitiveness, the American Council on Capital Formation, the Tax Foundation and the Center for Addiction and Substance Abuse. Trustee of Fifth Avenue Presbyterian Church of New York.

DO THE TRUSTS HAVE ANY COMMITTEES?

Yes. The Trusts Directors have determined that the efficient conduct of the Trusts affairs makes it desirable to delegate responsibility for certain specific matters to committees of the Boards. The committees meet as often as necessary, either in conjunction with regular meetings of the Directors or otherwise. The Board has created a Governance Committee comprised of all of the Independent Directors. The Governance Committee appoints the members and chairperson of the Compliance Committee, Portfolio Review Committees and the chairperson of the Governance Committee. The Board appoints the members and chairperson of the Audit Committee.

GOVERNANCE COMMITTEE

Each of the Trusts has a Governance Committee, which also performs the functions normally performed by a nominating committee. The 1940 Act requires that the Trusts have a minimum proportion of directors who are not affiliated in any way with the investment manager, principal underwriter or any broker-dealer of the Trusts. These Independent Directors must vote separately to approve all financial arrangements and other agreements with the Trusts investment manager and other affiliated parties. Each Trust s Independent Directors meet regularly (at least quarterly) as a group in executive session as the Governance Committee. As part of its duties, the Governance Committee makes recommendations to the full Board of each Trust with respect to candidates for the Board and with respect to the compensation of Directors. The Governance Committee will consider director candidates recommended by shareholders. In considering candidates submitted by shareholders, the Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Governance Committee may also take into consideration the number of shares held by the recommending shareholder and the length of time that such shares have been held. To have a candidate considered by the Governance Committee, a shareholder must submit the recommendation in writing and must include:

The name of the shareholder and evidence of the person s ownership of shares of the applicable Trust(s), including the number of shares owned and the length of time of ownership; and

The name of the candidate, the candidate s resume or a listing of his or her qualifications to be a Director of the Trust(s) and the person s consent to be named as a Director if selected by the Governance Committee and nominated by the Board.

The shareholder recommendation and information described above must be sent to the Corporate Secretary, c/o BlackRock, P.O. Box 4546, New York, New York 10163, and must be received by the Corporate Secretary not less than 120 days prior to the anniversary date of the Trust s most recent annual meeting of shareholders (which deadline will be no later than January 23, 2007, for next year s Annual Meeting). The Governance Committee believes that the minimum qualifications for serving as a Director of the Trust(s) are that a candidate demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board s oversight of the business and affairs of the Trust(s) and have an impeccable record and reputation for honest and ethical conduct in both his or her professional and personal activities. In addition, the Governance Committee examines a candidate s specific experiences and skills, time availability in light of other commitments, potential conflicts of interest and independence from management and the Trust(s). The Governance Committee also seeks to have the Board represent a diversity of backgrounds and experience.

The Joint Governance Committee Charter of the Trusts is available at BlackRock, Inc. s (BlackRock s) website at http://www.blackrock.com/indiv/products/closedendfunds/corpgov.html.

AUDIT COMMITTEE

Each of the Trusts has an Audit Committee, composed of four of the Independent Directors, which is charged with selecting a firm of independent registered public accountants for its respective Trust and reviewing accounting matters with the accountants.

The Audit Committee of each Trust presents the following report:

The Audit Committee of each Trust has performed the following functions: (i) the Audit Committee reviewed and discussed the audited financial statements of each Trust with management of each respective Trust, (ii) the Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61, (iii) the Audit Committee received the written disclosures and the letter from the independent registered public accounting firm required by ISB Standard No. 1 and has discussed with the independent registered public accounting firm their independence and (iv) the Audit Committee recommended to the Board of Directors of each Trust that the financial statements be included in each Trust s Annual Report for the past fiscal year.

The members of the Audit Committee of each Trust are Messrs. Brimmer (Chairman of the Audit Committee), Cavanagh, Dixon and Fabozzi, all of whom are Independent Directors. The Board of each Trust has determined that each Trust has three audit committee financial experts serving on its Audit Committee, Dr. Brimmer, Mr. Dixon and Mr. Fabozzi, all of whom are independent for the purpose of the definition of audit committee financial expert as applicable to the Trusts. The Audit Committee is governed by a written charter, which was revised on May 26, 2005 and re-approved in February 2006 and is attached hereto as Appendix C.

PORTFOLIO REVIEW COMMITTEES

In an effort to continue to improve the Board s oversight and governance of the Trusts, the Governance Committee created two portfolio review committees (the Portfolio Review Committees). The purposes of each Portfolio Review Committee are as follows: (1) to support the Independent Directors in acting independently of BlackRock in pursuing the best interests of the Trusts and their shareholders, (2) to review the investment objectives, policies and practices of each Trust under its oversight, (3) to review with respect to each Trust under its oversight: (a) whether such Trust has complied with its investment policies and restrictions as reflected in its prospectus and Statement of Additional Information, (b) appropriate benchmarks and competitive universes, (c) investment performance, (d) unusual or exceptional investment matters and (e) other matter bearing on such Trust s investment results.

Each Trust s Portfolio Review Committee was formed in November of 2005. The Taxable and Municipal Trusts Portfolio Review Committee is chaired by Richard E. Cavanagh, and Frank J. Fabozzi, Kathleen F. Feldstein, and Ralph L. Schlosstein are members. The Equity and High Yield Trusts Portfolio Review Committee is chaired by Kent Dixon, and R. Glenn Hubbard, and Robert S. Kapito are members. Andrew F. Brimmer is an ex officio member of each Portfolio Review Committee.

The Portfolio Review Committees may meet as a whole or separately and concurrently with each other. Portfolio reviews of particular Trusts will be allocated among the Portfolio Review Committees as determined by the Governance Committee in consultation with BlackRock.

COMPLIANCE COMMITTEE

Each Trust has a Compliance Committee that was formed in November of 2005. All members of the Compliance Committee are Independent Directors. The members and the chair of the Compliance Committee are determined annually by the Governance Committee. Dr. Andrew F. Brimmer is the chair of the Compliance Committee for each of the Trusts. Richard E. Cavanagh, Kathleen F. Feldstein and R. Glenn Hubbard, are members of the Compliance Committee.

The purposes of the Compliance Committee are to (1) support the Independent Directors in acting independently of the Adviser in pursuing the best interests of the Trusts and their shareholders, (2) receive information on and, where appropriate recommend policies concerning the Trusts compliance with applicable law, and (3) receive reports from and make recommendations in respect of the Trusts Chief Compliance Officer.

EXECUTIVE COMMITTEE

Each Trust has an Executive Committee composed of Messrs. Schlosstein and Kapito, which acts on behalf of the full Board on certain matters in the interval between meetings of the Board.

* **DO THE TRUSTS HAVE A POLICY WITH RESPECT TO THE ATTENDANCE OF DIRECTORS AT THE ANNUAL MEETING?**

It is the Trusts policy to encourage Directors to attend the Annual Meeting. At the Annual Meeting on May 26, 2005, all of the Trusts Directors serving at that time were present.

* **HOW CAN THE TRUSTS SHAREHOLDERS SEND COMMUNICATIONS TO THE DIRECTORS?**

Shareholders and other interested parties may contact the Boards or any member of the Boards by mail or electronically. To communicate with the Boards or any member of the Boards, correspondence should be addressed to the Board or the Board members with whom you wish to communicate by either name or title. All such correspondence should be sent c/o Secretary of the applicable Trust or Trusts at P.O. Box 4546, New York, New York 10163. Shareholders may communicate with the Boards electronically by sending an email to closedendfundsbod@blackrock.com.

* **HOW MANY SHARES OF THE TRUSTS DO THE DIRECTORS OWN?**

The chart attached hereto as Appendix D lists the number of shares beneficially owned by the Directors and the number of share equivalents owned by the Directors pursuant to the Directors deferred compensation plan.

*** HOW OFTEN DO THE DIRECTORS MEET?**

During each Trust s last full fiscal year, each Director attended at least 75% of the aggregate of: (i) all regular meetings of the Board of each Trust (held during the period for which the Director served on the Board); and (ii) all meetings of all committees of the Board of each Trust on which the Director served (during the periods that the Director served). The number of meetings held are set forth below.

Trust	Most Recent Fiscal Year	Full Board	Number of Meetings Governance Committee	Audit Committee
BZA, BIE, BZM, BBK, BLJ, BQH, BHV, BLE, BCL, BFY, BYM, BCK, BAF and BSE	September 1, 2004 to August 31, 2005	7	4	7
BNA, BHD, BCT, BHY, BKN, BKT, RAA, RNJ, RNY, BHK, RFA, BBF, BFK, BFZ, BNJ, BLW, BNY, BQY, BDT, BDV and BGT	November 1, 2004 to October 31, 2005	7	4	7
BMN, BFC, BLN, BMT, BRM, BPS, BRF, BSD, BJZ, BLH, BKK, BFO, BPP and BPK	January 1, 2005 to December 31, 2005	7	4	7

Annual meeting information and Directors attendance for BGR, BOE, BDJ, BME, BWC and BTA have not been provided because such Trusts have not been in operation for a full fiscal year. HIS joined the BlackRock Closed-End Fund complex on March 1, 2005. Annual meeting information and Directors attendance for HIS is not included because HIS did not operate for one full fiscal year as part of the BlackRock Closed-End Fund complex.

*** WHAT ARE THE DIRECTORS PAID FOR THEIR SERVICES?**

The following table sets forth certain information regarding the compensation of the Trusts Independent Directors (the Trusts interested Directors do not receive a salary from the Trusts).

NAME OF DIRECTOR	TOTAL COMPENSATION FROM THE FUND COMPLEX PAID TO DIRECTORS(1)
Andrew F. Brimmer	$290,000 (2)(3)(4)
Richard E. Cavanagh	$210,000 (2)(4)
Kent Dixon	$210,000 (2)(4)
Frank J. Fabozzi	$210,000 (2)(4)
Kathleen F. Feldstein	$190,000 (2)
R. Glenn Hubbard	$190,000 (2)

(1) Represents the total compensation earned by such persons during the calendar year ended December 31, 2005, from the fund complex.

(2) Represents the aggregate compensation earned by such persons during the calendar year ended December 31, 2005. Of this amount, Dr. Brimmer, Mr. Cavanagh, Mr. Dixon, Mr. Fabozzi, Ms. Feldstein and Mr. Hubbard deferred $50,000, $50,000, $50,000, $50,000, $30,000 and $190,000, respectively, pursuant to the Fund Complex s deferred compensation plan (described below).

(3) Dr. Brimmer serves as lead independent director for each Board in the Fund Complex. For his services as lead independent director, Dr. Brimmer was compensated in the amount of $50,000 per annum by the Fund Complex allocated among the

Trusts in the Fund Complex based on each Trust s relative net assets. Dr. Brimmer received an additional $30,000 per annum from the Fund Complex for his service as the Audit Committee Chairman of the Fund Complex.

(4) Messrs. Brimmer, Cavanagh, Dixon and Fabozzi serve on the Audit Committee of the Fund Complex and for their service received an additional $20,000 per annum, allocated among the Trusts in the Fund Complex based on their relative net assets.

During the last fiscal year, each Independent Director received an annual fee calculated as follows: (i) $6,000 from each Trust in the Fund Complex and (ii) $1,000 for each meeting of each Board in the Fund Complex attended by such Independent Director. The total annual aggregate compensation for each Independent Director was capped at $190,000 per annum, except that Dr. Brimmer received an additional $50,000 per annum from the Fund Complex for acting as the lead independent director for each Board in the Fund Complex and an additional $30,000 per annum from the Fund Complex for acting as the Audit Committee Chairman of the Fund Complex and Messrs. Brimmer, Cavanagh, Dixon and Fabozzi received an additional $20,000 per annum, from the Fund Complex for their service on the Audit Committee of the Fund Complex. This additional compensation to Messrs. Brimmer, Cavanagh, Dixon and Fabozzi was allocated among the Trusts in the Fund Complex based on their relative net assets. In the event that the $190,000 cap was met with respect to an Independent Director, the amount of the Independent Director s fee borne by each Trust in the Fund Complex was reduced by reference to the net assets of the Trust relative to the other Trusts in the Fund Complex. In addition, the attendance fees of each Independent Director of the Trusts were reduced proportionately, based on each respective Trust s net assets, so that the aggregate per meeting fee for all meetings of the Boards of the Trusts (excluding the per annum Audit Committee fee) held on a single day did not exceed $15,834 for any Independent Director.

The following Directors fees were accrued by the following Trusts during their last fiscal year from January 1, 2005 to December 31, 2005. These amounts include fees accrued by Messrs. La Force and Mondale, who were members of the Board in 2005 and retired on February 23, 2006.

BRM	$73,000	BGT	$56,700	BLH	$12,800
BLN	$27,700	BPS	$12,400	BPP	$54,500
BFC	$25,900	BSD	$15,300	BKK	$40,200
BRF	$20,800	BMT	$39,700	HIS	$27,000
BFO	$13,100	BJZ	$13,500	BTA[1]	
BMN	$67,700	BPK	$33,200		

[1] BTA was not yet formed during this time period.

The following Directors fees were accrued by the following Trusts during their last fiscal year from November 1, 2004 to October 31, 2005:

BHY	$12,500	RNY	$12,200	BHK	$58,000
BCT	$12,700	BKN	$36,600	BHD	$13,900
RAA	$12,200	BNA	$59,600	BFK	$79,600
RFA	$12,200	BBF	$14,200	BNJ	$15,700
BFZ	$30,700	BNY	$26,600	BLW	$79,900
RNJ	$12,200	BKT	$58,100	BDV	$88,300
BDT	$57,800	BQY	$15,000	BDJ[1]	$23,500
BGR[1]	$75,600	BOE[1]	$13,100	BME[1]	$14,100
				BWC[1]	$ 1,000

[1] BGR, BOE, BDJ, BME and BWC accruals do not represent a full fiscal year because these Trusts were formed during the fiscal period.

The following Directors fees were accrued by the following Trusts during their last fiscal year from September 1, 2004 to August 31, 2005:

BBK	$21,200	BHV	$12,400	BYM	$54,400
BZA	$12,800	BLE	$45,300	BCK	$13,100

BIE	$12,800	BCL	$16,100	BAF	$18,300
BZM	$12,400	BLJ	$12,400	BSE	$13,500
BQH	$12,800	BFY	$13,100		

None of the Directors received any pension or retirement benefits. Under the deferred compensation plan (the Plan) approved by each Trust s Board, Independent Directors may elect to defer receipt of all or a portion of their annual compensation. As of January 1, 2003, the Board elected to require its Independent Directors to defer a portion of their annual compensation pursuant to the Plan. Deferred amounts earn an approximate return as though equivalent dollar amounts had been invested in common shares of certain BlackRock closed-end Trusts selected by the Directors. This has approximately the same economic effect for the Directors as if the Directors had invested the deferred amounts in such Trusts. The Plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Trust. Each Trust may, however, elect to invest in common shares of those Trusts selected by the Directors in order to match its deferred compensation obligations.

The Independent Directors deferred at least $30,000 of their $190,000 base fee pursuant to the Plan. Also, members of the Audit Committee of the Fund Complex deferred all of the $20,000 per annum fee they received for their services on the Audit Committee pursuant to the Plan.

None of the officers of the Trusts received any compensation, including pension or retirement benefits, from the Trusts for such period. Messrs. Schlosstein, Kapito, Gabbay, Klingert, Kong, Gary, Tritto, Battista, Kindelan and Ms. Ackerley, officers of the Trusts, are also affiliated with the Advisor or its affiliates, as such, they receive compensation from the Advisor or one of its affiliates. Under the terms of the investment advisory agreements a portion of Mr. Battista s compensation was reimbursed by the Trusts to the extent of his working time as chief compliance officer of the Trusts.

The Directors have adopted a new compensation structure for 2006. Under the new compensation structure, the Trusts anticipate that each Director will be compensated as follows:

	New Fee
Annual Board Retainer Fee (continue mandatory deferral of $30,000)	$190,000
Anuual Board Meeting Fee (6 meetings including 2 telephonic)	0
Sub Total Annual Board Retainer and Meeting Fees	190,000
Annual Audit Committee Meeting Fee (6 meetings including 4 telephonic, which may or may not occur in conjunction with regularly scheduled board meetings) (continue mandatory deferral of $20,000)	30,000
Annual Audit Committee Chair Fee	30,000
Annual Lead Director Fee	60,000
Each Board/Audit Committee Meeting Fee in excess of the 6 scheduled meetings (either in-person or telephonic, including organizational meetings for new funds other than meetings held in conjunction with regularly scheduled meetings)	3,000

*** HOW LARGE A STAKE DO THE DIRECTORS HAVE IN THE TRUSTS?**

The Directors believe each Director should have a beneficial investment in the BlackRock closed-end Trusts. The Directors allocate their investments among the 56 active BlackRock closed-end Trusts based on their own investment needs. The table attached at Appendix E to this Proxy Statement sets forth the dollar range of equity securities beneficially owned and share equivalents held by each Director in all of the BlackRock closed-end Trusts represented in this Proxy Statement as of February 28, 2006.

*** WHAT VOTE IS REQUIRED TO APPROVE THIS PROPOSAL?**

The affirmative vote of a plurality of the shares present for each Trust at the Annual Meeting at which a quorum is present and entitled to vote on a Director is necessary to approve the respective Director nominated under Proposal 1 for each respective Trust.

*** HOW DO THE DIRECTORS RECOMMEND I VOTE ON THIS PROPOSAL?**

THE BOARD OF EACH TRUST HAS APPROVED SUBMITTING THIS PROPOSAL TO SHAREHOLDERS OF EACH TRUST. THE BOARD OF EACH TRUST, INCLUDING THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EACH OF THE DIRECTORS NOMINATED UNDER THIS PROPOSAL.

* * * * *

*** <u>SECOND PROPOSAL</u>: FOR EACH OF BHY, BPS AND BSD, TO AMEND ITS DECLARATION OF TRUST TO EXPAND THE AUTHORITY OF THE EXECUTIVE COMMITTEE OF THE BOARD OF TRUSTEES**

The Declaration of Trust of each of BHY, BPS and BSD (the Proposal 2 Trusts) currently permits the following: The Trustees may designate an executive committee which shall have all the authority of the entire Board of Trustees except such committee cannot declare dividends and cannot authorize removal of a trustee or any merger, consolidation or sale of substantially all of the assets of the Trust.

The Directors believe that consistency among the Declarations of Trust for the Trusts organized as Delaware statutory trusts generally enhances efficiency in administering the various Trusts. To this end, the Directors believe that creating a uniform provision regarding delegation and committees for all of the Delaware statutory trusts is in the best interests of the shareholders of the Trusts, including the Proposal 2 Trusts. In order to achieve uniformity in the BlackRock closed-end Trusts family, it is necessary for each Proposal 2 Trust to revise the provision to allow as follows: The Trustees may designate one or more committees which shall have all or such lesser portion of the authority of the entire Board of Trustees as the Trustees shall determine from time to time, except to the extent action by the entire Board of Trustees or particular Trustees is required by the 1940 Act. The Directors believe that this amendment would increase the efficiency of the operation of the Proposal 2 Trusts, primarily by permitting the Executive Committee to declare dividends.

The affirmative vote of a majority of the outstanding shares of a Proposal 2 Trust is necessary to approve Proposal 2 for the respective Trust. Holders of common shares and preferred shares vote together as a single class with respect to this proposal.

THE BOARD OF EACH PROPOSAL 2 TRUST HAS APPROVED SUBMITTING THIS PROPOSAL TO SHAREHOLDERS OF THE RESPECTIVE PROPOSAL 2 TRUST. THE BOARD OF EACH PROPOSAL 2 TRUST, INCLUDING THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL.

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*** <u>THIRD PROPOSAL</u>: FOR EACH OF THE PROPOSAL 3 TRUSTS, TO AMEND ITS RESPECTIVE CERTIFICATE OF DESIGNATION OR STATEMENT OF PREFERENCES, AS APPROPRIATE, TO REVISE THE LANGUAGE REGARDING PREFERRED SHARES TO ALLOW THE TRUSTS TO FOLLOW THE MOST RECENT GUIDELINES OF S&P, MOODY S AND/OR FITCH, AS APPROPRIATE, FOR CREDIT RATING CRITERIA IN EFFECT FROM TIME TO TIME TO MAINTAIN A AAA RATING ON PREFERRED SHARES**

The Certificate of Designation or Statement of Preferences, as appropriate, of each of RAA, RFA, RNJ, RNY, BKN, BFC, BRM, BLN, BSD, BRF and BMT (the Proposal 3 Trusts) currently imposes credit rating standards that were in effect for S&P, Moody s and/or Fitch, as appropriate, at the time the preferred shares were initially offered. In order to keep current the credit rating standards applicable to Proposal 3 Trusts, it is necessary to allow the Proposal 3 Trusts to follow the most recent credit rating criteria of S&P, Moody s and/or Fitch required to maintain a AAA rating on preferred shares. Revising such language will allow the Proposal 3 Trusts to follow the preferred share testing standards as the standards change over time. If the Third Proposal is approved by the shareholders of a Proposal 3 Trust, the Certificate of Designation or Statement of Preferences, as appropriate, of such Trust will be amended, accordingly.

The affirmative vote of the holders of a majority of the outstanding preferred shares of a Proposal 3 Trust is necessary to approve Proposal 3 for the respective Trust.

THE BOARD OF EACH PROPOSAL 3 TRUST HAS APPROVED SUBMITTING THIS PROPOSAL TO SHAREHOLDERS OF THE RESPECTIVE PROPOSAL 3 TRUST. THE BOARD OF EACH PROPOSAL 3 TRUST, INCLUDING THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THIS PROPOSAL.

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FURTHER INFORMATION ABOUT VOTING AND THE ANNUAL MEETING

The cost of soliciting proxies will be borne by each Trust in proportion to the amount of proxies solicited on behalf of a Trust bears to the total proxies solicited on behalf of all of the Trusts. In addition, certain officers, directors and employees of each of the Trusts and the Advisor, located at 100 Bellevue Parkway, Wilmington, Delaware 19809 (none of whom will receive additional compensation therefor) may solicit proxies by telephone or mail. Also, certain of the Trusts may employ The Altman Group, Inc. pursuant to its standard contract as proxy solicitor, the cost of which will be borne proportionately by each of the Trusts and is estimated to be approximately $2,500 per Trust.

Abstentions will be counted as shares present at the Annual Meeting and will not affect the result of the vote on Proposal 1. Abstentions on Proposals 2 and 3 will have the same effect as a negative vote.

All properly executed proxies received prior to the Annual Meeting will be voted at the Annual Meeting in accordance with the instructions marked thereon or otherwise as provided therein. Shareholders may revoke their proxies at any time prior to the time they are voted by giving written notice to the Secretary of the Trust by delivering a subsequently dated proxy or by attending and voting at the Annual Meeting.

The Board of each Trust has fixed the close of business on February 28, 2006 as the record date for the determination of shareholders of each Trust entitled to notice of, and to vote at, the Annual Meeting. Shareholders of each Trust on that date will be entitled to one vote on each matter to be voted on by that Trust for each share held and a fractional vote with respect to each fractional share held with no cumulative voting rights.

ADDITIONAL INFORMATION

EXECUTIVE OFFICERS

In addition to Messrs. Schlosstein and Kapito, the following executive officers hold the same position with each of the Trusts.

NAME AND AGE	TITLE	OTHER PRINCIPAL OCCUPATIONS IN PAST 5 YEARS
Anne Ackerley Age: 44	Vice President	Managing Director of BlackRock since 2000. Formerly First Vice President and Chief Operating Officer, Mergers and Acquisitions Group at Merrill Lynch & Co. from 1997 to 2000; First Vice President and Chief Operating Officer, Public Finance Group at Merrill Lynch & Co. from 1995 to 1997; First Vice President, Emerging Markets Fixed Income Research at Merrill Lynch & Co. prior thereto.
Bartholomew Battista Age: 47	Chief Compliance Officer	Chief Compliance Officer and Anti-Money Laundering Compliance Officer of BlackRock since 2004. Chief Com–pliance Officer and Anti-Money Laundering Compliance Officer of BlackRock Funds since 2004. Managing Director (since 2003), and Director (2000-2002) of BlackRock

		Compliance Officer at Moore Capital Management from 1995-1998.
Henry Gabbay Age: 58	Treasurer	Managing Director of BlackRock and its predecessor entities.
Jeff Gary Age: 43	Vice President	Managing Director of BlackRock since 2003. Formerly, Managing Director and high yield portfolio manager with AIG (American General) Investment Group.
Brian P. Kindelan Age: 46	Assistant Secretary	Managing Director and Senior Counsel (since January 2005), Director and Senior Counsel (2001-2004) and Vice President and Senior Counsel (1998-2000), BlackRock; Senior Counsel, PNC Bank Corp. from May 1995 to April 1998; Associate, Stradley, Ronon, Stevens & Young, LLP from March 1990 to May 1995.
Kevin Klingert Age: 43	Vice President	Managing Director of BlackRock and its predecessor entities.
James Kong Age: 45	Assistant Treasurer	Managing Director of BlackRock and its predecessor entities.
Vincent B. Tritto Age: 44	Secretary	Managing Director, Senior Counsel and Assistant Secretary of BlackRock (since January 2005) and Director, Senior Counsel and Assistant Secretary (2002-2004) of BlackRock. Formerly, Executive Director (2000-2002) and Vice President (1998-2000), Morgan Stanley & Co. Incorporated and Morgan Stanley Asset Management Inc. and officer of various Morgan Stanley-sponsored investment vehicles; Counsel (1998) and associate (1988-1997), Rogers & Wells LLP, New York, NY; Foreign Associate (1992-1994), Asahi Law Offices/Masuda & Ejiri, Tokyo, Japan.

INVESTMENT ADVISOR

The Advisor, located at 100 Bellevue Parkway, Wilmington, Delaware 19809, is a wholly owned subsidiary of BlackRock, which is one of the largest publicly traded investment management firms in the United States, with approximately $452.7 billion of assets under management as of December 31, 2005. BlackRock manages assets on behalf of institutions and individual investors worldwide, through a variety of equity, fixed income, liquidity and alternative investment separate accounts and mutual funds, including the BlackRock Funds and BlackRock Liquidity Funds. In addition, BlackRock provides risk management and investment system services to a growing number of institutional investors under the BlackRock Solutions(R) name. Clients are served from BlackRock s headquarters in New York City, as well as offices in Boston, Edinburgh, Hong Kong, Morristown, San Francisco, Singapore, Sydney, Tokyo and Wilmington. BlackRock is a member of The PNC Financial Services Group, Inc. (NYSE: PNC), one of the largest diversified financial services organizations in the United States, and is majority owned by PNC and by BlackRock employees. The Advisor also acts as the administrator of the Trusts.

BlackRock, Inc. and Merrill Lynch & Co., Inc. (Merrill Lynch) announced on February 15, 2006 that they had reached an agreement to merge Merrill Lynch s investment management business, Merrill Lynch Investment Managers, with BlackRock to create a new independent company. Merrill Lynch will have a 49.8% economic interest and a 45% voting interest in the combined company and PNC, which currently holds a majority interest in BlackRock, will have approximately a 34% economic and voting interest. The new company will operate under the BlackRock name and be governed by a board of directors with a majority of independent members. Each of Merrill Lynch and PNC has agreed that it will vote all of its shares on all matters in accordance with the recommendation of BlackRock s board in order to assure its independence. Completion of the transaction is subject to various regulatory approvals, client consents, approval by BlackRock shareholders and customary conditions.

The executive officers of the Advisor are:

NAME	POSITION
Laurence D. Fink	Chief Executive Officer
Ralph L. Schlosstein	President
Robert S. Kapito	Vice Chairman
Robert P. Connolly	General Counsel and Secretary
Bartholomew Battista	Chief Compliance Officer

Mr. Schlosstein is a Director of the Trusts, Mr. Kapito is an officer and Director of the Trusts and Mr. Battista is an officer of the Trusts.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP (D&T) has been selected as the independent registered public accounting firm by the Audit Committee of each Trust and ratified by a majority of each Trust s Board, including a majority of the Independent Directors, by vote cast in person, to audit the accounts of each Trust for and during each Trust s fiscal year ending in 2006. None of the Trusts knows of any direct or indirect financial interest of D&T in the Trusts.

Representatives of D&T will attend the Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to answer questions.

AUDIT FEES

The aggregate fees billed to each Trust by D&T for professional services rendered for the audit of each Trust s annual financial statements for the most recent fiscal year (or period) were in the following amounts:

BKN	$ 29,500	BLJ	$ 25,300	BFC	$ 22,000	BHY	$ 27,500
BCT	$ 30,900	BKT	$ 69,900	BLE	$ 32,700	BHV	$ 10,600
BQH	$ 25,500	RAA	$ 10,100	RFA	$ 10,200	BMN	$ 40,100
RNJ	$ 10,100	BCL	$ 27,300	BSD	$ 23,400	BMT	$ 31,300
BFY	$ 26,200	RNY	$ 10,200	BCK	$ 26,800	BYM	$ 34,400
BPS	$ 15,800	BBF	$ 26,000	BFK	$ 31,100	BNA	$ 88,300
BFZ	$ 27,100	BAF	$ 28,100	BPK	$ 27,500	BNY	$ 26,800
BSE	$ 27,300	BNJ	$ 26,100	BLW	$ 39,100	BPP	$ 34,200
BJZ	$ 26,200	BHK	$ 43,500	BHD	$ 34,700	BLH	$ 25,700
BBK	$ 28,300	BKK	$ 27,700	BIE	$ 25,700	BZA	$ 25,700
BFO	$ 25,000	BRF	$ 21,600	BGT	$ 40,500	BDV	$ 30,400
BDT	$ 39,100	BQY	$ 39,400	BRM	$ 32,300	BGR(1)	$ 29,100
BLN	$ 22,200	BZM	$ 25,200	HIS	$ 28,700	BME(1)	$ 28,900
BOE(1)	$ 42,200	BDJ(1)	$ 33,300	BWC(1)	$ 47,800	BTA(1,2)	$ 5,000

(1) BGR, BME, BOE, BDJ, BWC and BTA have not completed a full fiscal year. However BGR, BME, BOE, BDJ and BWC have nonetheless paid to D&T fees for professional services rendered for the audit of their annual financial statements.

(2) Initial seed audit fee.

The aggregate fees billed to each Trust[1] by D&T for professional services rendered for the audit of each Trust s annual financial statements for the fiscal year preceding the most recent one were in the following amounts:

BKN	$ 29,100	BLJ	$ 25,100	BFC	$ 22,100	BHY	$ 28,600
BCT	$ 34,300	BKT	$ 60,800	BLE	$ 30,400	BHV	$ 10,400
BQH	$ 25,200	RAA	$ 7,500	RFA	$ 7,500	BMN	$ 39,700
RNJ	$ 7,500	BCL	$ 26,500	BSD	$ 23,400	BMT	$ 31,400
BFY	$ 25,800	RNY	$ 7,600	BCK	$ 26,300	BYM	$ 31,900
BPS	$ 11,400	BBF	$ 25,800	BFK	$ 29,900	BNA	$ 74,100
BFZ	$ 26,800	BAF	$ 27,200	BPK	$ 27,500	BNY	$ 26,500
BSE	$ 26,600	BNJ	$ 25,900	BLW	$ 38,100	BPP	$ 29,700
BJZ	$ 26,200	BHK	$ 41,000	BHD	$ 34,100	BLH	$ 25,700
BBK	$ 27,200	BKK	$ 27,600	BIE	$ 25,400	BZA	$ 25,400
BFO	$ 25,000	BRF	$ 21,700	BGT [1]	$ 41,600	BDV[1]	$ 35,600
BDT[1]	$ 32,400	BQY[1]	$ 28,800	BRM	$ 32,500		
BLN	$ 22,200	BZM	$ 25,100	HIS[2]	$ 42,600		

(1) BDV, BDT, BQY and BGT had not completed a full fiscal year. However BDV, BDT, BQY and BGT had nonetheless paid to D&T fees for professional services rendered for the audit of their annual financial statements. BGR, BME, BOE, BDJ, BWC and BTA are not included in the above chart because such Trusts had either not completed their initial fiscal year (or period) or had not yet been formed in the fiscal year preceding the most recent one.

(2) HIS joined the BlackRock Closed-End Fund complex on March 1, 2005. Prior to this date the annual audit of the financial statements was performed by PricewaterhouseCoopers, LLP.

AUDIT-RELATED FEES

The aggregate fees billed in the most recent fiscal year (or period) to each Trust[1] by D&T for assurance and related services reasonably related to the performance of the audit of each Trust s annual financial statements are as listed below. The nature of these services was attest services not required by statute or regulation and out-of-pocket expenses. The fees for each Trust were in the following amounts:

BKN	$ 2,400	BLJ	$ 1,900	BFC	$ 2,100	BHY	$ 0
BCT	$ 0	BKT	$ 0	BLE	$ 2,500	BHV	$ 1,900
BQH	$ 2,000	RAA	$ 1,900	RFA	$ 1,900	BMN	$ 2,400
RNJ	$ 1,900	BCL	$ 2,100	BSD	$ 2,000	BMT	$ 2,200
BFY	$ 2,000	RNY	$ 1,900	BCK	$ 2,000	BYM	$ 2,600
BPS	$ 1,900	BBF	$ 2,100	BFK	$ 2,400	BNA	$ 0
BFZ	$ 2,400	BAF	$ 2,100	BPK	$ 2,200	BNY	$ 2,300
BSE	$ 2,100	BNJ	$ 2,100	BLW	$ 0	BPP	$ 2,400
BJZ	$ 2,000	BHK	$ 0	BHD	$ 0	BLH	$ 1,900
BBK	$ 2,200	BKK	$ 2,300	BIE	$ 2,000	BZA	$ 2,000
BFO	$ 2,000	BRF	$ 2,000	BGT	$ 600	BDV	$ 0
BDT	$ 0	BQY	$ 0	BRM	$ 2,400	BGR[1]	$ 0
BLN	$ 2,100	BZM	$ 1,900	HIS	$ 5,200	BME[1]	$ 0
BOE[1]	$ 0	BDJ[1]	$ 0	BWC[1]	$ 0	BTA[1]	$ 0

(1) BGR, BME, BOE, BDJ, BWC and BTA have not completed a full fiscal year.

The aggregate fees billed in the fiscal year preceding the most recent to each Trust[1] by D&T for assurance and related services reasonably related to the performance of the audit of each Trust s annual financial statements were in the amounts listed below. The nature of these services was attest services not required by statute or regulation and out-of-pocket expenses. The fees for each Trust were in the following amounts:

BKN	$ 5,400	BLJ	$ 2,000	BFC	$ 4,100	BHY	$ 4,900
BCT	$ 0	BKT	$ 0	BLE	$ 3,300	BHV	$ 1,900
BQH	$ 2,000	RAA	$ 1,800	RFA	$ 0	BMN	$ 4,800
RNJ	$ 1,800	BCL	$ 2,300	BSD	$ 2,100	BMT	$ 4,300
BFY	$ 2,100	RNY	$ 1,800	BCK	$ 2,200	BYM	$ 3,500
BPS	$ 1,900	BBF	$ 2,200	BFK	$ 4,000	BNA	$ 0
BFZ	$ 2,600	BAF	$ 2,400	BPK	$ 2,400	BNY	$ 2,500
BSE	$ 2,200	BNJ	$ 2,200	BLW	$ 0	BPP	$ 5,300
BJZ	$ 2,100	BHK	$ 0	BHD	$ 0	BLH	$ 2,000
BBK	$ 2,500	BKK	$ 2,600	BIE	$ 2,100	BZA	$ 2,000
BFO	$ 2,000	BRF	$ 2,100	BGT[1]	$ 0	BDV[1]	$ 0
BDT[1]	$ 0	BQY[1]	$ 0	BRM	$ 4,800		
BLN	$ 4,100	BZM	$ 2,000	HIS[2]	$ 12,300		

(1) BDV, BDT, BQY and BGT had not completed a full fiscal year. BGR, BME, BOE, BDJ, BWC and BTA are not included in the above chart because such Trusts had either not completed their initial fiscal year (or period) or had not yet been formed in the fiscal year preceding the most recent one.

(2) HIS joined the BlackRock Closed-End Fund complex on March 1, 2005. Prior to this date the Trust paid PricewaterhouseCoopers, LLP for assurance and related services reasonably related to the performance of the audit of the Trust s annual financial statements.

TAX FEES

The aggregate fees billed in the most recent fiscal year (or period) to each Trust[1] by D&T for professional services rendered for tax compliance, tax advice and tax planning are as listed below. The nature of these services was federal, state and local income and excise tax return preparation and related advice and planning, determination of taxable income for CMO s, and miscellaneous tax advice. The fees for each Trust are in the following amounts:

BKN	$ 7,700	BLJ	$	7,700	BFC	$ 7,700	BHY	$ 7,500
BCT	$ 15,000	BKT	$	7,500	BLE	$ 7,700	BHV	$ 7,700
BQH	$ 7,700	RAA	$	7,700	RFA	$ 7,700	BMN	$ 7,700
RNJ	$ 7,700	BCL	$	7,700	ONT size="2">3,265,876			
Repayment of capital lease obligations	(69,581)							
Net cash provided by financing activities	3,537,422			17,447,543	1,790,295			
Net increase (decrease) in cash and cash equivalents	(6,205,542)			5,128,315	(2,226,217)			
Cash and cash equivalents at beginning of year	8,342,543			3,214,228	5,440,445			
Cash and cash equivalents at end of year	$ 2,137,001			$ 8,342,543	$ 3,214,228			

Cash paid for:			
Income taxes	$ 53,540		$ 25,800
Non-cash financing activity:			
Sale of Elibrium division net liabilities for notes receivable	$ 250,000		
Equipment acquired under capital lease	251,745		
Compensation related to stock options issued to consultants	7,427	$ 48,770	
Preferred stock dividends paid in common stock	91,666		

See accompanying notes to consolidated financial statements.

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ClickAction Inc.

Notes to Consolidated Financial Statements
Years Ended December 31, 2001, 2000 and 1999

1. Nature of Business

ClickAction Inc. (the Company) provides Web-based email marketing automation products and services that help marketers design, deploy and manage personalized email campaigns. The Company s Email Marketing Automation (EMA) product is permission-based and enables its users to send content rich emails that inform their customers about new products, sales and promotions, specified items of interest and corporate events.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company s consolidated financial statements include the accounts of its wholly-owned subsidiary, MarketHome. All significant inter-company accounts and transactions have been eliminated in consolidation.

The Company is continuously monitoring its operations and the use of its cash. The Company has compiled cash projections for the year ending December 31, 2002 which indicate that sufficient financial resources will be available to enable the Company to fulfill its operating plan. The Company has developed these forecasts using various scenarios relating to revenue, operating expenses and other non operating cash expenditures. Using minimum estimates of revenue, the forecasts indicate sufficient cash resources will be available to enable the Company to continue to operate for the year ending December 31, 2002. The Company will continue to scale operations to match its financial resources.

Additionally, the Company is investigating alternative sources of capital, including the sale of preferred stock and other financing arrangements.

While the Company believes it has sufficient financial resources, projections of future operating results is based on estimates and judgments. If the Company is unable to execute in accordance to its operating plans, actual cash needs could differ significantly from projections.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications, none of which affected net loss, have been made to prior year amounts to conform to the current year presentation.

Revenue Recognition

The Company derives its revenues primarily from the following sources:

- EMA
  - Email delivery, which may include setup services;
  - Data and list management services;
  - Consulting services;
- Software licenses; and

Name acquisition.

The Company accounts for revenue related to EMA services as two separate components: email usage and setup fees.

The Company provides email usage services under two plans. Under a subscription plan, email services are provided over a designated period, typically with a monthly maximum of emails. Subscription plan revenues are recognized ratably over the contract period. Email services are also provided on a project basis and revenues for these services are recognized once the project has been completed. The Company provides data and list management services and recognizes data and list management fees based on the number of email lists downloaded and delivered. The Company provides consulting services and it recognizes consulting services fees as services are rendered.

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During the fourth quarter of 2000, the Company adopted SAB 101 effective January 1, 2000. SAB 101 requires the Company to have evidence of the fair value of each of the elements in a multiple-element arrangement in order to allocate revenue from the arrangement to an individual element. SAB 101 also requires the Company to recognize setup fees on a straight-line basis over the term of the service contract. Prior to the adoption of SAB 101, the Company recognized revenue on setup fees in an amount equal to incremental direct costs incurred related to the setup activities. The remaining setup fees were then recognized on a straight-line basis over the term of the service contract. Results for the years ended December 31, 2000 and 1999 have been restated to reflect the adoption of SAB 101.

The Company allocates revenue on software arrangements involving multiple elements to each element based on the relative fair values of the elements as required by Statement of Position (SOP) 97-2, *Software Revenue Recognition*. The Company s determination of fair value of each element in multiple-element arrangements is based on vendor-specific objective evidence (VSOE). The Company limits its assessment of VSOE for each element to the price charged when the same element is sold separately. The Company has analyzed all of the elements included in its multiple-element arrangements and determined that it has sufficient VSOE to allocate revenue to maintenance and support services and consulting services components of its perpetual license products. Accordingly, assuming all other revenue recognition criteria are met, revenue from perpetual licenses is recognized upon delivery using the residual method in accordance with SOP 98-9, and revenue from maintenance and support services is recognized ratably over its respective term.

The Company recognizes revenue for name acquisition services on a per name basis when the names are delivered to the client. The Company has sold name acquisition services on a stand alone basis and thus have established evidence of fair value. In certain arrangements, the client may have specified name acceptance rights. In these circumstances, no revenue is recognized until the client accepts the names since the Company does not have sufficient historical experience to estimate client acceptance.

The Company recognizes revenue on all products and services when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the fee is fixed or determinable and (4) collection is reasonably assured or, for software licenses, collection is probable. The Company defines each of the four criteria as follows:

Persuasive evidence of an arrangement exists. It is a customary practice of the Company to have a written contract, which is signed by both client and the Company.

Delivery has occurred or services have been rendered. Delivery of email under the subscription plan is deemed to have occurred ratably over the term of the contract. Delivery of email on a project basis is deemed to have occurred when the project is completed. Delivery of setup services is deemed to have occurred ratably over the term of the contract. Delivery of data and list management services is deemed to have occurred when email lists are downloaded and delivered. Delivery of consulting services is deemed to have occurred when services are rendered and accepted by our clients. Delivery of licenses is deemed to have occurred when the license is delivered and accepted by the Company s client and there are no other undelivered elements in the contract. If undelivered products and services exist in an arrangement that are essential to the functionality of the delivered software, delivery is not considered to have occurred until these products or services are delivered. Delivery of acquired names is deemed to have occurred when they are delivered to and accepted by clients of the Company.

The fee is fixed or determinable. The fee is customarily fixed and determined in a contract before products and services are delivered. The fee is normally due 30 days from invoice date for our products and services. However, for software licenses, we may grant terms in excess of 30 days but not more than one year.

Collection is reasonably assured or, for software licenses, collection is probable. Collectibility is assessed on a client-by-client basis at the time the arrangement is entered into. The Company typically sells to clients for which there is a history of successful collection. New clients are subject to a credit review process through which the Company evaluates the clients financial condition and their ability to pay. If it is determined that collectibility is not reasonably assured or, for software licenses, collection is not probable based upon the credit review, revenue will be recognized on a cash-collected basis. The Company s initial judgement that collectibility is probable for any given client may change subsequent to the date the transaction is entered into due to deterioration in the client s ability to pay. In such situation, the Company would recognize additional bad debt expense to the extent all or a portion of the outstanding fees yet to be collected.

Comprehensive Income or Loss

The Company has no items of comprehensive income or loss other than its net loss.

Cash and Cash Equivalents

The Company considers all liquid instruments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value, and consist primarily of money market securities.

Restricted Cash

Restricted cash is held in a money market fund account as collateral for a letter of credit issued in connection with an operating lease.

Allowance for Doubtful Accounts

The Company reviews the outstanding accounts receivable at least once each quarter. The Company estimates the collectibility of each account based on prior experience with the client, recent developments in the client s financial condition, current economic conditions and other relevant factors. If the account is deemed to be fully or potentially uncollectible, an allowance is established. In addition, an allowance is established based on the overall aging of the accounts receivable portfolio, historical experience and general economic conditions.

Property and Equipment

Property and equipment, comprised primarily of computer equipment and furniture, are stated at cost less accumulated depreciation and amortization. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, generally three to seven years.

The Company reviews the recoverability of the carrying amount of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. In the event that facts and circumstances indicate that the carrying amount of assets may be impaired, an evaluation of recoverability would be performed and the estimated future undiscounted cash flows associated with the asset would be compared to the asset s carrying amount to determine if a write-down to fair value is required. Fair value is determined by reference to discounted future cash flows over the remaining useful life of the related asset.

Property and equipment under capital leases are recorded at an amount equal to the present value of future minimum lease payments computed on the basis of the Company s incremental borrowing rate or, when known, the interest rate implicit in the lease. Amortization of property and equipment under capital leases is on a straight-line basis over the lease term and is included in depreciation and amortization expense.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalents with one financial institution which is federally insured up to $100,000 per account. At times, the Company s balance may exceed this limit.

Advertising Costs

Advertising costs are charged to operations when incurred.

Income Taxes

Income taxes are provided under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Stock Spilt

On April 20, 2000, the Company effected a two-for-one stock split in the form of stock dividend to stockholders of record as of April 5, 2000. All per share data and number of common shares have been retroactively adjusted to reflect the stock split.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed using the weighted average number of shares of common stock outstanding. Diluted net income (loss) per share is computed using the weighted average number of shares of common stock outstanding and potential shares from options of common stock and convertible preferred stock using the treasury stock method, when dilutive.

The common shares used to calculate basic and diluted net income (loss) per share for 2001, 2000 and 1999 are as follows:

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	Years Ended December 31,		
	2001	2000	1999
Weighted-average common shares used to calculate basic and diluted net income (loss) per share	12,800,910	11,740,580	10,022,390

Excluded from the computation of diluted loss per share for 2001, 2000 and 1999 are options to acquire 1,868,235, 2,933,256 and 1,973,026 shares, respectively, of common stock with weighted-average exercise prices of $2.77, $13.49 and $7.57, respectively, and for 2001, the option to convert 3,000 shares of convertible preferred stock into 733,496 shares of common stock, because their effect would be anti-dilutive.

Stock-Based Compensation

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation: An Interpretation of APB Opinion No. 25*, and complies with the disclosure provisions of Statement of Financial Accounting Standards (SFAS) No. 123. Compensation expense on fixed stock options is based on the difference, if any, on the date of the grant, between the fair value of the Company s stock and the exercise price of the option. The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force (EITF) 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling, Goods or Services*.

Fair Value of Financial Instruments

The carrying amounts for cash and cash equivalents, accounts receivable, note receivable, accounts payable and accrued expenses approximate their fair values due to the short period of time until maturity.

3. Restructuring and Impairment Charges

During the quarter ended September 30, 2001, the Company decided to reposition its business and focus its resources toward enhancing its EMA solutions to its enterprise clients and to cease product development and product sales to the enterprise software market. As part of this repositioning, the Company closed its offices in San Francisco, Los Angeles, and New York and recorded a charge of $778,000 related to facilities closure for the quarter ended September 30, 2001. Also as part of this repositioning, the Company made a significant reduction in staffing levels related to enterprise software development, and reduced staffing levels in other areas of the Company as well to reduce operating expenses. A total of 57 positions were eliminated and a charge of $204,000 related to severance costs was recorded for the quarter ended September 30, 2001.

On October 29, 2001, the Company reached a tentative agreement with the landlord of its Los Angeles office to terminate the lease effective January 1, 2002 in return for payment of rent for the remainder of the year ended December 31, 2001, release of a $420,000 letter of credit to the landlord and payment of $13,000 to the landlord for various expenses under the lease. For the quarter ended September 30, 2001, the Company included in its restructuring and impairment charges the cost of terminating the lease of its Los Angeles office and the lease liabilities for the remaining terms of the leases for its New York and San Francisco offices

The following table sets forth the reserve recorded and payments made against the reserve for the restructuring charges in the year ended December 31, 2001:

	Initial Restructuring Reserve	Payments	Balance as of December 31, 2001
Severance costs	$203,850	$(203,850)	$
Closure of offices	777,852	(158,513)	619,339
Total	$981,702	$(362,363)	$619,339

As a result of the Company s decision to exit the enterprise software market, capitalized software product development costs were determined to be impaired under the requirements of SFAS No. 121, *Accounting for Impairment of Long-Lived Assets*, and an impairment charge totaling $3.0 million was recorded in the quarter ended September 30, 2001. Management does not believe the unfinished enterprise software would generate any cash flows in the future.

4. Discontinued Operations

On June 15, 2001, the Company completed the sale of substantially all of the assets and liabilities of its Elibrium division to a corporation owned and controlled by certain former members of its management team. The Elibrium division developed, marketed and manufactured a line of desktop application products consisting of small business productivity software and services. The original sales price for the Elibrium division was $3.0 million, of which $500,000 was paid on June 15, 2001,

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$274,000 on June 30, 2001and $726,000 on September 15, 2001. On December 17, 2001, the Company agreed to set off $750,000 from the remaining $1.5 million of scheduled payments of the purchase price from Elibrium. The setoffs were due to a dispute over certain accounts payable and accounts receivable items. Under the definitive settlement agreement, Elibrium agreed to pay $750,000 as the remaining balance of the purchase price, of which $500,000 was paid on December 20, 2001 and $250,000 is due on March 1, 2002. Further, Elibrium agreed to end all dispute, to pay all of certain disputed liabilities and to release the Company of all known and unknown claims arising from the purchase of our Elibrium division.

The asset purchase agreement also provides for further payments to the Company should the acquiring company surpass specified financial goals. The sale resulted in a net gain of $2.6 million for the Company.

In connection with the sale of its Elibrium division, the Company granted the acquiring company an exclusive license relating to its email marketing services for $1.0 million and name acquisition for a one-time fee of $500,000 pursuant to a separate license agreement. The fees were collected and recorded as revenue in the quarter ended June 30, 2001.

The sale of the Elibrium division has been reflected as a discontinued operation in accordance with Accounting Principles Board Opinion No. 30 and is presented separately in the consolidated financial statements.

Summary operating results of discontinued operations were as follows:

	Three Months Ended		Twelve Months Ended	
	Dec. 31, 2001	**Dec. 31, 2000**	**Dec. 31, 2001**	**Dec. 31, 2000**
Desktop applications revenues	$	$5,791	$ (577)	$20,878
Cost of revenues		2,328	4,731	6,635
Gross profit (loss)		3,463	(5,308)	14,243
Operating expenses		2,232	7,826	9,482
Income (loss) from discontinued operations	$	$1,231	$(13,134)	$ 4,761

5. Balance Sheet Components

Accounts Receivable

	December 31,	
	2001	**2000**
Accounts receivable	$2,980,738	$2,542,244
Allowance for returns and doubtful accounts	(571,650)	(150,110)
Accounts receivable, net	$2,409,088	$2,392,134

Bad debt expense was $534,441, $150,110 and $0 for the years ended December 31, 2001, 2000 and 1999, respectively.

Property and Equipment

	December 31,	
	2001	**2000**

Computer equipment and purchased software	$ 2,778,290	$ 5,348,935
Capital lease equipment	251,745	
Office equipment, furniture and fixtures	442,805	457,317
	3,472,840	5,806,252
Accumulated depreciation and amortization	(1,879,898)	(1,608,325)
Property and equipment, net	$ 1,592,942	$ 4,197,927

Depreciation and amortization expense totaled $1,239,855, $1,114,070 and $74,350 for the years ended December 31, 2001, 2000 and 1999, respectively. The accumulated depreciation for capital lease equipment was $74,234 for the year ended December 31, 2001.

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Other Assets

	December 31,	
	2001	2000
Software production costs paid to third-party contractors, net of accumulated amortization	$150,000	$1,050,647
Deposits	81,478	83,666
	$231,478	$1,134,313

Amortization expense of acquired software totaled $150,000, $0 and $0 for the years ended December 31, 2001, 2000 and 1999.

Other Accrued Liabilities

	December 31,	
	2001	2000
Customer deposit	$ 43,221	$ 77,147
Dividend payable	61,333	
Legal and accounting	141,030	
Name acquisition	156,815	
Restructuring reserve	619,339	
Other current liabilities	337,161	628,616
Total other accrued liabilities	$1,358,899	$705,763

6. Stockholders Equity

Preferred Stock

On March 30, 2001, the Company issued 3,500 shares of its Series A 4% Cumulative Convertible Preferred Stock for an aggregate purchase price of $3.5 million. The net proceeds from this private placement were $3.3 million. The Series A Preferred Stock accrues cumulative dividends at the rate of 4% per annum, payable semi-annually, in shares of its common stock or cash at its option or the holder s option if certain conditions are not satisfied. Prior to January 2, 2003, the Series A Preferred Stock is convertible into shares of our common stock at a conversion price of $4.09.

Subject to certain conditions, any outstanding shares of Series A Preferred Stock will automatically convert into shares of the Company s common stock on January 2, 2003 at a conversion price equal to the lesser of $4.09 or the reset price, which is the average closing bid prices of our common stock during the fourth quarter of 2002.

The Company may redeem any outstanding shares of the Series A Preferred Stock at any time upon 30 days prior notice. The redemption price consists of (a) a cash payment of the original purchase price plus accrued and unpaid dividends and any unpaid liquidated damages, and (b) warrants to purchase 50% of the shares of its common stock issuable upon conversion of any outstanding shares of the Series A Preferred Stock at a conversion price equal to the lower of $4.09 or the average closing bid price over the twenty-five trading days prior to the redemption date.

In the event of any liquidation or dissolution of the Company, the holders of the Series A Preferred Stock will be entitled to receive, out of the assets of the Company available for distribution to stockholders, prior and in preference to the holders of the Company s common stock, a liquidation preference equal to $1,000 per share plus all accrued and unpaid dividends. As of December 31, 2001, the liquidation preference was $3,131,333.

In connection with the issuance of the Series A Preferred Stock, the Company issued a warrant to the holder of the Series A Preferred Stock to purchase 130,978 shares of the Company s common stock. Using the Black-Scholes option pricing model, the fair value of this warrant was estimated to be approximately $73,348 at December 31, 2001 with the following assumptions: risk-free interest rate of 4.5%, life of four years and volatility rate of 155%.

Common Stock

In March 2000, the Company issued and sold an aggregate of 254,776 shares of common stock in private placements to certain strategic and institutional investors for an average price per share of $20.61. The proceeds from this issuance were approximately $5.2 million. In connection with these transactions, the Company also issued warrants entitling the investors to purchase an aggregate of 25,478 shares of common stock over a three year period with exercise prices equal to the fair market value of the common stock on the warrant issuance dates. The fair value of these warrants was determined to be approximately $490,800 and was estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 6.28% 6.35%, life of three years, and volatility of 144.81%.

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In June and July 2000, the Company issued and sold an aggregate of 716,646 shares of common stock in private placements to certain strategic and institutional investors for an average price per share of $14.07. The proceeds from this issuance were approximately $10.1 million. In connection with these transactions, the Company also issued warrants entitling the investors to purchase an aggregate of 71,666 shares of common stock over a three year period at an average per share price of $14.07. The fair value of these warrants was determined to be approximately $892,000 and was estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 6.28%   6.35%, life of three years, and volatility of 144.81%.

In April 2001, 500 shares of the 3,500 shares of preferred stock issued in March 2001 were converted into 136,552 shares of the Company s common stock at a per share price of $3.67, which was 105% of the average of the closing bid prices of the common stock over the twenty-five consecutive trading days immediately prior to conversion date.

Officer Stock Bonus

In June 1998, the Board of Directors granted a stock bonus of 120,000 shares of common stock, at no cost, to a former Chief Executive Officer (CEO). At the time of his departure in September 2001, 90,001 shares were vested and the unvested shares were forfeited. The unamortized amount of deferred compensation associated with the forfeited shares, $52,500, was reversed in the quarter ended September 30, 2001. As the shares underlying the stock bonus had not been issued to the CEO as of December 31, 2001, the shares have been presented as outstanding stock options with a zero exercise price in the tables below.

Stock Options

In September 1994, the Company granted five key employees an aggregate of 470,000 common stock options at an exercise price of $0.75 per share, the fair market value of the Company s common stock on the date of grant. These options vested ratably over three years and expire 10 years from the grant date. The Company adopted the 1995 Equity Incentive Plan (the Plan) in April 1995, and reserved 2,000,000 shares thereunder. The Plan provides for the grant of incentive stock options to employees of the Company and for the grant of nonstatutory stock options to employees and consultants of the Company. The Board of Directors administers the Plan and has the discretion to grant stock options. Exercise prices may not be less than 100% and 85% of the fair market value at the date of grant for incentive options and nonstatutory options, respectively. In May 1999 and 2000, the Company s stockholders approved an amendment to the Plan and increased the aggregate number of shares under such plan by 1,200,000 and 1,500,000, respectively. Options granted under the Plan generally vest over four years and expire 10 years from the grant date. In 2001, the Company granted 1,785,410 options under the Plan.

The Company adopted the 1995 Non-employee Directors Plan in April 1995 and reserved 400,000 shares thereunder. The Non-employee Directors Plan provides for the automatic grant of nonstatutory stock options to non-employee directors of the Company at the fair market value of the common stock on the date of grant. The term of all options granted under the Non-employee Directors Plan may not exceed 10 years or the end of the director s status as director. In 2001, the Company granted 10,000 options under the Non-employee Directors Plan.

The Company adopted the 1998 Non-Officer Stock Option Plan (the NOSOP) in November 1998 and reserved 430,000 shares thereunder. The NOSOP provides for the grant of non-qualified options to non-officer employees and consultants of the Company. The Board of Directors administers the NOSOP and has the discretion to grant stock options. Exercise prices may not be less than 100% of the fair market value at the date of grant. In November 1999, the Board of Directors approved an amendment to the NOSOP plan and increased the aggregate number of shares under the NOSOP plan by 1,000,000. Options granted under the NOSOP generally vest over four years and expire 10 years from the grant date. The Company granted 446,000 options during 2001 under the NOSOP.

In 1999, the Company adopted the MarketHome 1997 Stock Option Plan (MarketHome Plan) through the MarketHome acquisition. The MarketHome Plan offered the grant of incentive and non-qualified options to employees and consultants of the Company. Options granted under the MarketHome Plan generally vest over four years and expire 10 years from the grant date. Prior to the acquisition, MarketHome granted a total of 317,538 shares under the MarketHome Plan. MarketHome common stock options were converted to ClickAction options following the August 5, 1999 merger. The number and per share prices are reported pursuant to the 13.7551 to 1.0 exchange ratio as specified in the merger agreement for all periods presented. All non-vested outstanding MarketHome options to non-employees at August 5, 1999 were canceled.

The Company adopted the 2001 Equity Incentive Plan in April 2001, and reserved 1,700,000 shares thereunder. The Plan provides for the grant of incentive stock options to employees of the Company and for the grant of nonstatutory stock options to employees and consultants of the Company. The Board of Directors administers the Plan and has the discretion to grant stock options. Exercise prices may not be less than 100% of the fair market value at the date of grant for both incentive options and nonstatutory options. Options granted under the Plan generally vest over four years and expire 10 years from the grant date. In 2001, the Company granted 20,000 options under the Plan.

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The following table summarizes all stock option and stock bonus activities for the Company s stock option plans:

	Shares under Option	Weighted average exercise price per share
Outstanding as of December 31, 1998	2,619,054	$ 1.58
Granted	2,497,282	5.45
Expired or canceled	(478,570)	4.07
Exercised	(302,878)	1.46
Outstanding as of December 31, 1999	4,334,888	1.94
Granted	2,976,321	12.90
Expired or canceled	(977,138)	10.80
Exercised	(666,540)	2.17
Outstanding as of December 31, 2000	5,667,531	7.40
Granted	2,261,410	1.86
Expired or canceled	(3,865,003)	8.03
Exercised	(89,806)	2.37
Outstanding as of December 31, 2001	3,974,132	3.75
Available for grant at December 31, 2001	4,103,342	

The following table summarizes information about stock bonuses and stock options outstanding as of December 31, 2001:

	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 0.00	90,001	0.50(years)	$ 0.00	90,001	$ 0.00
0.14-9.03	3,554,022	8.21	2.93	2,026,179	3.31
10.13-17.56	290,109	8.61	12.75	169,447	12.91
20.00-30.00	40,000	8.92	20.00	9,998	20.00
$0.00-30.00	3,974,132	8.07	$ 3.75	2,295,625	$ 3.97

The Company applies the intrinsic value method in accounting for its stock option plans and, accordingly, does not recognize compensation cost when the exercise price is equal to the fair market value of the underlying common stock on the date of grant. If the Company had elected to recognize compensation cost based on the fair value method as prescribed by SFAS No. 123, net income (loss) per share would have been changed to the pro forma amounts indicated in the table below:

	2001	2000	1999
Net loss:			

As reported	$(17,863,584)	$ (4,520,307)	$(2,223,292)
Pro forma	(28,014,371)	(17,843,159)	(6,293,290)
Basic net loss per share:			
As reported	$ (1.40)	$ (0.38)	$ (0.22)
Pro forma	(2.19)	(1.51)	(0.63)
Diluted net loss per share:			
As reported	$ (1.40)	$ (0.38)	$ (0.22)
Pro forma	(2.19)	(1.51)	(0.63)

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The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2001	2000	1999
Expected dividend yield			
Expected stock price volatility	155.32%	144.81%	88.37%
Risk-free interest rates	4.30%-4.40%	4.95%-4.97%	6.09%-6.97%
Expected life of options	5 years	5 years	4 - 5 years

The weighted-average fair value of options granted during 2001, 2000 and 1999 was $1.72, $9.76 and $10.21 per share, respectively.

7. Segment and Geographic Information

The Company s chief operating decision maker is considered to be the Company s Chief Executive Officer (CEO). The CEO reviews financial information on a consolidated basis for purpose of making operating decisions and assessing financial performance.

The Company has not separately reported segment information on a geographic basis, as international sales represent approximately 6% of net revenue for the year ended December 31, 2001. Capital expenditures for long-lived assets are not reported to management by segment.

The following tables summarize sales to customers when sales to such customers exceeded 10% of revenues as well as the amounts due from these customers as a percentage of total gross accounts receivable.

	Years ended December 31,		
Percentage of net revenues	**2001**	**2000**	**1999**
Customer A	10%	26%	
Customer B	1%	3%	19%
Customer C			10%

	December 31,	
Percentage of total accounts receivable as of	**2001**	**2000**
Customer A	13%	15%
Customer B		2%
Customer C		

8. Income Taxes

Income tax expense for the years ended December 31, 2001, 2000 and 1999 is allocated as follows:

	2001	2000	1999
Continuing operations	$103,811	$ 800	$18,641
Discontinued operations		800	
Total income tax expense	$103,811	$1,600	$18,641

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The components of income tax expense for the years ended December 31, 2001, 2000 and 1999 comprised of the following:

	2001	2000	1999
Income taxes:			
Current:			
Federal	$	$	$ 5,636
State	3,811	1,600	1,600
Foreign	100,000		11,405
Total current tax expense	103,811	1,600	18,641
Deferred:			
Federal			
State			
Total deferred tax expense			
Total income tax expense	$ 103,811	$ 1,600	$ 18,641

The December 31, 2001, 2000 and 1999 income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax income (loss) as a result of following:

	2001	2000	1999
Federal tax benefit at statutory rate	$ (6,007,092)	$ (1,447,553)	$ (749,581)
State taxes	3,811	1,600	1,600
Nondeductible expenses	36,463	37,969	291,209
Foreign withholding tax	100,000		11,405
Current year operating losses and temporary differences for which no tax benefit is recognized through income	5,970,629	1,409,584	458,373
Other differences			5,636
Actual income tax expense	$ 103,811	$ 1,600	$ 18,641

As of December 31, 2001, 2000 and 1999, the types of temporary differences that give rise to significant portions of the Company s deferred tax assets and liabilities are set out below:

	2001	2000	1999
Deferred tax assets:			
Accrual and reserves	$ 869,029	$ 759,015	$ 1,204,739
Net operating loss carryforwards	10,526,511	3,747,789	1,254,654
Capitalized start up costs	12,390	36,292	49,490
Tax credit carryforwards	1,314,661	1,084,809	984,230
Gross deferred tax assets	12,722,591	5,627,906	3,493,113
Less: Valuation allowance	(12,722,591)	(5,627,906)	(3,493,113)

Net deferred tax assets	$	$	$

The net changes in the total valuation allowance for the years ended December 31, 2001, 2000 and 1999 were increases of $7,094,685, $2,134,793 and $830,847, respectively. The Company s accounting for deferred taxes under SFAS No. 109 involves the evaluation of a number of factors concerning the realizability of the Company s deferred tax assets. To support the Company s conclusion that a 100% valuation allowance was required, management primarily considered such factors as the Company s history of operating losses, the nature of the Company s deferred tax assets and the absence of taxable income in prior carryback years. Although management s operating plans assume taxable income and operating income in future periods, management s evaluation of all the available evidence in assessing the realizability of the deferred tax assets indicates that such plans are not considered sufficient to overcome the available negative evidence.

As of December 31, 2001 the Company has federal and California net operating losses carryforwards of approximately $28,185,000 and $16,172,000, respectively, which expire in various years through 2021 and 2011, respectively. The Company also has federal and California research and development tax credit carryforwards of approximately $619,000 and $532,000, respectively. The federal credits expire between 2010 and 2021, while the California credit may be carried forward indefinitely. The Company also had federal minimum tax credit, foreign tax credit, and California manufacturing investment credit carryforwards of approximately $38,000, $138,000, and $255,000, respectively. The foreign tax credit expires between 2002 and 2006.

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Federal and California tax laws impose substantial restrictions on the utilization of net operating loss and credit carryforwards in the event of an ownership change for tax purposes, as defined in Section 382 of the Internal Revenue Code. If an ownership change occurred, utilization of the net operating loss carryforwards could be reduced significantly.

Included in gross deferred tax assets above is approximately $814,000 related to stock option compensation for which the benefit, when realized, will be recorded directly to stockholders equity.

9. Commitments

Leases

The Company has entered into agreements to lease various facilities and equipment under certain non-cancelable operating and capital leases that expire at various dates through 2004. The following table sets forth the payment obligations under these agreements by period:

	Payments Due By Period			
Obligations	**Total**	**2002**	**2003**	**2004**
Capital leases	$ 197,387	$ 114,794	$ 66,930	$ 15,663
Operating leases	1,808,770	1,261,937	399,226	147,607
Other long term obligations	256,250	256,250		
Total	$2,262,407	$1,632,981	$466,156	$163,270

Capital leases the Company has entered into financing agreements with various leasing companies to lease computer related equipment under lease terms ranging from 24 months to 36 months. These leases are categorized as capital leases under SFAS No. 13, *Accounting for Leases*. Property and equipment under capital leases are recorded at an amount equal to the present value of future minimum lease payments computed on the basis of the Company s incremental borrowing rate or, when known, the interest rate implicit in the lease. Amortization of property and equipment under capital lease is on a straight-line basis over the lease term and is included in depreciation expense. A summary is presented below for all capital leases including provisions for interest.

Year ending December 31,	**Capital Leases**
2002	$ 114,794
2003	66,930
2004	15,663
Total future payments for capital leases	197,387
Less interest under capital lease obligations	(15,223)
Net present value of capital leases	$ 182,164

Operating leases the Company entered into a sale and leaseback transaction with Sun Microsystems Finance in June 2001. The lease expires December 31, 2002, at which time the Company will have the option to purchase the equipment at fair market value or continue to lease under renegotiated terms. The operating leases also include facilities leases in Palo Alto, CA., San Francisco, CA. and New York, NY. These leases are categorized as operating leases under SFAS No. 13, *Accounting for Leases*.

Other long term obligations the Company entered into a consulting agreement with a system integration company in October 2001 to provide localization services which include converting its software into a platform that can accept foreign languages and translating all manuals, training and marketing materials into the Japanese language.

Rent expense for the years ended December 31, 2001, 2000 and 1999 was approximately $946,354, $748,618 and $496,270, respectively.

Letter of Credit

On January 26, 2001, the Company entered into a five-year lease agreement with the landlord of our Los Angeles office. As one of the conditions of the lease, the Company made a deposit of $420,000 in the form of a standby letter of credit. On October 29, 2001, the Company reached a tentative agreement with the landlord of its Los Angeles office to terminate the lease effective January 1, 2002 in return for payment of rent for the remainder of the year ended December 31, 2001, release of a $420,000 letter of credit to the landlord and payment of $13,000 to the landlord for various expenses under the lease.

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On June 29, 2001, the Company entered into a sale and leaseback agreement with Sun Microsystems Finance and received net proceeds of $1.6 million. In connection with this transaction, the Company was required to make future operating lease payments totaling $1.5 million. The Company was also required to obtain a standby letter of credit in the amount of $678,232, which expires on December 31, 2002.

Bonus Plan

The Company s contributions to its employee bonus plan are made at the Company s discretion. Contributions to the bonus plan amounted to $0, $720,961 and $265,108 for the years ended December 31, 2001, 2000 and 1999, respectively.

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Pro Forma Consolidated Balance Sheet

As of September 30, 2002
(Amounts in thousands)

	HISTORICAL infoUSA INC.	HISTORICAL CLICKACTION	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,559	1,494	(3,053)(a)	
Restricted cash		425		425
Marketable securities	838			838
Trade accounts receivable, net	40,642	1,013		41,655
Officer note receivable	940			940
List brokerage trade receivable, net	21,441			21,441
Income taxes receivable				
Prepaid expenses	5,175	1,130	(625)(b)	5,680
Deferred income taxes	399			399
Deferred marketing costs	2,531			2,531
Total current assets	73,525	4,062	(3,678)	73,909
Property and equipment, net	45,988	957	(127)(c)	46,818
Intangible assets, net	276,653			276,653
Other assets	4,595	103		4,698
	$ 400,761	5,122	(3,805)	402,078
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Current portion of long-term debt	$ 26,337	117		26,454
Accounts payable	11,416	314	1,047(a)	12,777
List brokerage trade payable, net	17,453			17,453
Accrued payroll expenses	8,299	358	268(d)	8,925
Accrued expenses	5,002	592		5,594
Income taxes payable	2,550			2,550
Deferred revenue	14,042	1,402	(1,371)(e)	14,073
Total current liabilities	85,099	2,783	(56)	87,826
Long-term debt, net of current portion	172,421	33		172,454
Deferred income taxes	24,234		(1,443) (f)	22,791
Deferred revenue	6,000			6,000
Stockholders equity:				
Preferred stock		1	(1) (g)	
Common stock	130	13	(13) (g)	130
Paid-in capital	92,819	32,902	(32,902) (g)	92,819
Retained earnings (accumulated deficit)	27,297	(30,610)	30,610(g)	27,297
Treasury stock	(5,524)			(5,524)
Notes receivable from officers	(840)			(840)
Accumulated other comprehensive loss	(875)			(875)
Total stockholder equity	113,007	2,306	(2,306) (g)	113,007

$ 400,761	5,122	(3,805)	402,078

See accompanying notes to pro forma consolidated financial statements.

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Pro Forma Consolidated Statement of Operations

For the nine months ended September 30, 2002
(Amounts in thousands, except per share amounts)

	HISTORICAL infoUSA INC.	HISTORICAL CLICKACTION	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales	$227,936	$ 7,098	$	$235,034
Costs and expenses:				
Data base and production costs	63,191	1,175		64,366
Selling, general, and administrative	98,558	6,855		105,413
Depreciation and amortization	21,058	930	(6) (c)	21,982
Non-cash stock compensation expense	35			35
Restructuring charges	1,616			1,616
Litigation settlement charges	417	240		657
Acquisition costs	175	124		299
Total costs and expenses	185,050	9,324	(6)	194,368
Operating income (loss)	42,886	(2,226)	6	40,666
Other income (expense):				
Investment income	133	(8)		125
Other charges	(2,502)			(2,502)
Interest expense	(12,562)			(12,562)
Income (loss) before income taxes	27,955	(2,234)	6	25,727
Income taxes	10,690	11	3(h)	10,704
Income (loss) from continuing operations	$ 17,265	$ (2,245)	$ 3	$ 15,023
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.33	$ (0.04)	$	$ 0.29
Average shares outstanding	50,935	50,935	50,935	50,935
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.33	$ (0.04)		0.29
Average shares outstanding	51,018	51,018	51,018	51,018

See accompanying notes to pro forma consolidated financial statements.

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Pro Forma Consolidated Statement of Operations

For the year ended December 31, 2001
(Amounts in thousands, except per share amounts)

	HISTORICAL infoUSA INC.	HISTORICAL CLICKACTION	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
Net sales	$288,738	$ 15,833	$	$ 304,571
Costs and expenses:				
Data base and production costs	80,880	980		81,860
Selling, general, and administrative	112,402	16,399		128,801
Depreciation and amortization	48,127	1,608	(25) (c)	49,710
Non-cash stock compensation expense	448			448
Restructuring charges	4,899	3,979		8,878
Litigation settlement charges	1,104			1,104
Acquisition costs	493	94		587
Total costs and expenses	248,353	23,060	(25)	271,388
Operating income (loss)	40,385	(7,227)	25	33,183
Other income (expense):				
Investment income	953	91		1,044
Other charges	282			282
Interest expense	(25,285)			(25,285)
Income (loss) before income taxes	16,335	(7,136)	25	9,224
Income taxes	11,371	104	10(h)	11,485
Income (loss) from continuing operations	$ 4,964	$ (7,240)	$ 15	$ (2,261)
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.10	$ (0.14)	$	$ (0.04)
Average shares outstanding	50,651	50,651	50,651	50,651
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.10	$ (0.14)	$	$ (0.04)
Average shares outstanding	50,651	50,651	50,651	50,651

See accompanying notes to pro forma consolidated financial statements.

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Notes to Unaudited Pro Forma Condensed Financial Statements

(Amounts in thousands)

(1) BASIS OF PRESENTATION

The unaudited pro forma consolidated balance sheet reflects the historical financial position of infoUSA Inc. (infoUSA) and ClickAction, Inc. (ClickAction) at September 30, 2002, with pro forma adjustments as if the business combination had taken place on September 30, 2002. The unaudited pro forma consolidated statements of operations for the year ended December 31, 2001 and nine months ended September 30, 2002 reflect the historical results of operations of infoUSA and ClickAction, with pro forma adjustments based on the assumption the business combination was effective January 1, 2001.

The historical financial information of ClickAction has been reclassified to conform to the presentation practices employed by infoUSA. Those reclassifications include the following:

Amounts previously recorded by ClickAction in their historical financial statements as cost of revenue-email services have been reclassified to data base and production costs.

Depreciation and amortization, which was previously recorded as a component of product development, sales and marketing and general and administrative in the historical financials of ClickAction have been reclassified and separately presented as depreciation and amortization.

Product development, sales and marketing, and general and administrative, net of the reclassified depreciation and amortization, have been combined and reclassified as selling, general, and administration.

(2) DESCRIPTION OF TRANSACTION

On December 3, 2002, the Company acquired all issued and outstanding common stock of ClickAction. Consideration for the acquisition was $4.1 million in cash, which was funded through existing cash. The acquisition is accounted for using the purchase method of accounting. The aggregate purchase price of the acquisition has been allocated based upon management s best estimate of the fair value of identifiable assets and liabilities of ClickAction at the date of acquisition as follows:

Current assets	$ 3,437
Property and equipment, net	830
Other assets	103
Current liabilities	(1,680)
Deferred income taxes	1,443
Other liabilities	(33)
Total	$ 4,100

(3) PRO FORMA ADJUSTMENTS TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Pro Forma Adjustments

Balance Sheet

A summary of pro forma adjustments required to give effect to the acquisition of ClickAction as of September 30, 2002 follows:

(a) Cash and Accounts Payable Pro forma entries have been made to reduce cash by $3,053 and to record a cash overdraft of $1,047 to give effect to the cash consideration of $4,100 issued in the acquisition of ClickAction.

(b) Prepaid Expenses An entry for $625 has been made to reduce prepaid expenses for production costs incurred by ClickAction for a customer contract prior to the acquisition.

(c)

Property and Equipment, net An adjustment for $127 has been made to reduce property to the fair value of the assets at the date of acquisition. Adjusting entries of $6 and $25 have been recorded to the pro forma results of operations for nine months ended September 30, 2002 and for the year ending December 31, 2001, respectively, to reduce depreciation expense for the purchase price allocation to fixed assets, based on an estimated useful life of 5 years.

(d) Accrued Payroll Expenses An entry for $268 has been made to accrue for termination benefits for eight employees incurred as a direct result of the acquisition of ClickAction.

(e) Deferred Revenue An entry for $1,371 has been made to reduce deferred revenue to the fair value of the liability at the date of the acquisition.

(f) Deferred Income Taxes An entry for $1,443 has been made to record the deferred tax benefits associated with the acquisition of ClickAction.

(g) Stockholders Equity Entries have been made to eliminate the preferred stock ($1), common stock ($13), paid-in capital ($32,902) and accumulated deficit ($30,610) of ClickAction in consolidation.

(h) Income Taxes Entries for $3 and $10 to the pro forma results of operations for the nine months ended September 30, 2002 and for the year ending December 31, 2001, respectively, have been made to provide for income tax effects of pro forma adjustments to depreciation expense.

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SIGNATURES

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

infoUSA Inc.
(Registrant)

Date: February 18, 2003	By:	/s/ STORMY L. DEAN
		Stormy L. Dean, Chief Financial Officer (for Registrant and as Principal Financial Officer)

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EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
23.1	Consent of Independent Auditors, filed herewith.