

BLACKROCK CREDIT ALLOCATION INCOME TRUST II  
Form N-CSR  
January 06, 2011

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES**

Investment Company Act file number 811-21286

Name of Fund: BlackRock Credit Allocation Income Trust II, Inc. (PSY)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Anne F. Ackerley, Chief Executive Officer, BlackRock  
Credit Allocation Income Trust II, Inc., 55 East 52<sup>nd</sup> Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 10/31/2010

Date of reporting period: 10/31/2010

Item 1 Report to Stockholders

---

## Annual Report

BlackRock Credit Allocation Income Trust I, Inc. (PSW)

BlackRock Credit Allocation Income Trust II, Inc. (PSY)

BlackRock Credit Allocation Income Trust III (BPP)

BlackRock Credit Allocation Income Trust IV (BTZ)

BlackRock Floating Rate Income Trust (BGT)

**October 31, 2010**

**Not FDIC Insured No Bank Guarantee May Lose Value**

---

## Table of Contents

|  | Page |
|--|------|
| Dear Shareholder   | 3    |
| <b>Annual Report:</b>  |      |
| Fund Summaries   | 4    |
| The Benefits and Risks of Leveraging                                     | 9    |
| Derivative Financial Instruments   | 10   |
| Financial Statements:  |      |
| Schedules of Investments   | 11   |
| Statements of Assets and Liabilities                                     | 35   |
| Statements of Operations   | 36   |
| Statements of Changes in Net Assets                                      | 37   |
| Statement of Cash Flows  | 39   |
| Financial Highlights   | 40   |
| Notes to Financial Statements  | 45   |
| Report of Independent Registered Public Accounting Firm                  | 56   |
| Important Tax Information  | 57   |
| Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements | 58   |
| Automatic Dividend Reinvestment Plans                                    | 62   |
| Officers and Directors   | 63   |
| Additional Information   | 66   |

2 ANNUAL REPORT

OCTOBER 31, 2010

---

## Dear Shareholder

The global economic recovery that began in 2009 has continued on its choppy course this year, delivering mixed but slowly improving economic data and

gradual if uneven improvement of investor sentiment. The risks of a double-dip recession continue to recede, but the economy remains mired in a slow-

growth environment. In the United States, the National Bureau of Economic Research declared that the Great Recession ended in June 2009. Spanning

December 2007 to June 2009, this marked the longest reported recession since the Great Depression. Structural problems of ongoing deleveraging and

weak spending among businesses and households weigh heavily on the pace of economic growth. The unemployment rate remains stubbornly high in the

face of sluggish job gains in the private sector. The US dollar, along with other developed market currencies, has experienced devaluation resulting from

aggressively easy monetary and fiscal policies. Given these long-standing conditions, the Federal Reserve Board has announced that additional policy

action will be taken to combat deflation and unemployment and promote economic growth.

The high levels of volatility experienced in global equity markets throughout 2009 continued into 2010 as mixed economic data and lingering credit issues

caused stocks to trade in both directions, but by the end of the first quarter, most markets had managed to post gains. The second quarter, in contrast,

brought higher levels of volatility and a flight to quality as investor sentiment was dominated by fears of a double-dip recession. Global equity markets saw

negative quarterly returns and for many markets, the first significant downturn since the bull market began in March 2009. In the third quarter, economic

data turned less negative and strong corporate earnings reports became increasingly consistent. These factors, along with attractive valuations and expec-

tations for additional quantitative easing, drove equity markets higher, with most markets recapturing their second quarter losses. Stocks continued their

rally into the beginning of the fourth quarter, closing out the 12-month period in positive territory. International equities posted gains on both a six- and

12-month basis. In the United States, both large and small cap equities posted robust gains for the 12-month period, while on a six-month basis, large

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

cap stocks remained relatively flat and small caps turned slightly negative.

In fixed income markets, yields fluctuated but declined significantly over the past 12 months amid heightened uncertainty. Weak economic data, lingering

credit problems and, near the end of the period, the expectation of additional quantitative easing drove interest rates lower and bond prices higher.

Treasuries rallied over the period, modestly outperforming the credit spread sectors of the market. Corporate credit spreads benefited from the low interest

rate environment and high yield fixed income became increasingly attractive due to declining default rates and better-than-expected results on European

bank stress tests. Tax-exempt municipal bonds performed well over the 12-month period, driven primarily by technical factors including favorable supply-

and-demand dynamics.

Cash investments, as represented by the 3-month Treasury bill, returned only a fraction over 0% for the 12-month period as short-term interest rates

remained low. Yields on money market securities remain near all-time lows.

Against this backdrop, the major market averages posted the following returns:

| <b>Total Returns as of October 31, 2010</b>   | <b>6-month</b> | <b>12-month</b> |
|---|----------------|-----------------|
| US large cap equities (S&P 500 Index)   | 0.74%          | 16.52%          |
| US small cap equities (Russell 2000 Index)  | (1.24)         | 26.58           |
| International equities (MSCI Europe, Australasia, Far East Index)                     | 5.74           | 8.36            |
| 3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)                | 0.08           | 0.12            |
| US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)                 | 10.63          | 10.03           |
| US investment grade bonds (Barclays Capital US Aggregate Bond Index)                  | 5.33           | 8.01            |
| Tax-exempt municipal bonds (Barclays Capital Municipal Bond Index)                    | 3.95           | 7.78            |
| US high yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index) | 6.73           | 19.10           |

Past performance is no guarantee of future results. Index performance shown for illustrative purposes only. You cannot invest directly in an index.

As global economic conditions continue to improve, investors across the world continue to face uncertainty about the future of economic growth. Through

periods of uncertainty, as ever, BlackRock's full resources are dedicated to the management of our clients' assets. For additional market perspective and

investment insight, visit [www.blackrock.com/shareholdermagazine](http://www.blackrock.com/shareholdermagazine), where you'll find the most recent issue of our award-winning Shareholder® magazine, as

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

well as its quarterly companion newsletter, Shareholder Perspectives. As always, we thank you for entrusting BlackRock with your investments, and we look

forward to your continued partnership in the months and years ahead.

THIS PAGE NOT PART OF YOUR FUND REPORT

3

---

## Fund Summary as of October 31, 2010

### BlackRock Credit Allocation Income Trust I, Inc.

#### Fund Overview

BlackRock Credit Allocation Income Trust I, Inc. s (PSW) (the Fund) investment objective is to provide Common Shareholders with high current income. The Fund seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. The Fund may invest directly in such securities or synthetically through the use of derivatives.

Effective November 13, 2009, BlackRock Preferred and Corporate Income Strategies Fund, Inc. was renamed BlackRock Credit Allocation Income Trust I, Inc.

No assurance can be given that the Fund s investment objective will be achieved.

#### Performance

For the 12 months ended October 31, 2010, the Fund returned 26.81% based on market price and 24.77% based on NAV. For the same period, the Lipper closed-end Corporate Debt Funds (BBB-Rated) category posted an average return of 21.98% based on market price and 16.32% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund benefited from its asset allocation within preferred securities, which experienced a rebound during the period. In particular, allocations to institutional corporate securities and hybrid securities had a positive impact as those sectors significantly outperformed \$25-par preferred securities, in which the Fund was underweight. The Fund s participation in preferred equity exchange tender offers from several of its holdings added to performance, and an overweight in the insurance sector proved beneficial. The Fund reduced its market risk prior to May when the European sovereign debt crisis triggered a dip in risk asset prices. This defensive move contributed positively to relative performance. Conversely, the Fund s bias toward investment-grade securities detracted from performance near the end of the period when lower quality sectors rebounded on heightened expectations for a second round of quantitative easing from the Federal Reserve Board. The Fund frequently held cash committed for pending transactions; the cash balance did not have a material impact on performance.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

# Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

## Fund Information

|  |                |
|--|----------------|
| Symbol on New York Stock Exchange ( NYSE )                                       | PSW            |
| Initial Offering Date  | August 1, 2003 |
| Yield based on Closing Market Price as of October 31, 2010 (\$9.67) <sup>1</sup> | 7.07%          |
| Current Monthly Distribution per Common Share <sup>2</sup>                       | \$0.057        |
| Current Annualized Distribution per Common Share <sup>2</sup>                    | \$0.684        |
| Leverage as of October 31, 2010 <sup>3</sup>                                     | 29%            |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> A change in the distribution rate was declared on December 6, 2010. The Monthly Distribution per Common Share was decreased to \$0.0495.

The Yield on Closing Market Price,

Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate.

The new distribution rate is not

constant and is subject to further change in the future.

<sup>3</sup> Represents reverse repurchase agreements and Auction Market Preferred Shares ( Preferred Shares ) as a percentage of total managed assets, which is the total assets of the Fund

(including any assets attributable to any borrowings and Preferred Shares) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of

leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/10 | 10/31/09 | Change | High    | Low    |
|-----------------|----------|----------|--------|---------|--------|
| Market Price    | \$ 9.67  | \$8.24   | 17.35% | \$ 9.98 | \$7.93 |
| Net Asset Value | \$10.75  | \$9.31   | 15.47% | \$10.90 | \$9.22 |

The following charts show the portfolio composition and credit quality allocations of the Fund's long-term investments:

## Portfolio Composition

|                           | 10/31/10 | 10/31/09 |
|---------------------------|----------|----------|
| Corporate Bonds           | 69%      | 18%      |
| Preferred Securities      | 16       | 82       |
| U.S. Treasury Obligations | 14       |          |
| Taxable Municipal Bonds   | 1        |          |

## Credit Quality Allocations<sup>4</sup>

|                  | 10/31/10 | 10/31/09 |
|------------------|----------|----------|
| AAA <sup>5</sup> | 14%      |          |
| AA/Aa            | 10       |          |
| A                | 23       | 26%      |
| BBB/Baa          | 38       | 62       |



Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|           |    |   |
|-----------|----|---|
| BB/Ba     | 12 | 8 |
| B         | 1  | 2 |
| Not Rated | 2  | 2 |

<sup>4</sup> Using the higher of Standard & Poor's (S&P's) or Moody's Investors Service (Moody's) ratings.

<sup>5</sup> Includes US Treasury obligations that are deemed AAA by the Investment Advisor.

4 ANNUAL REPORT

OCTOBER 31, 2010

---

## Fund Summary as of October 31, 2010

### BlackRock Credit Allocation Income Trust II, Inc.

#### Fund Overview

BlackRock Credit Allocation Income Trust II, Inc.'s (PSY) (the Fund) primary investment objective is to provide Common Shareholders with current income.

The Fund seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. The Fund may invest directly in such securities or synthetically through the use of derivatives.

Effective November 13, 2009, BlackRock Preferred Income Strategies Fund, Inc. was renamed BlackRock Credit Allocation Income Trust II, Inc.

No assurance can be given that the Fund's investment objective will be achieved.

#### Performance

For the 12 months ended October 31, 2010, the Fund returned 26.99% based on market price and 25.70% based on NAV. For the same period, the Lipper closed-end Corporate Debt Funds (BBB-Rated) category posted an average return of 21.98% based on market price and 16.32% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund benefited from its asset allocation within preferred securities, which experienced a rebound during the period. In particular, allocations to institutional corporate securities and hybrid securities had a positive impact as those sectors significantly outperformed \$25-par preferred securities, in which the Fund was underweight. The Fund's participation in preferred equity exchange tender offers from several of its holdings added to performance, and an overweight in the insurance sector proved beneficial. The Fund reduced its market risk prior to May when the European sovereign debt crisis triggered a dip in risk asset prices. This defensive move contributed positively to relative performance. Conversely, the Fund's bias toward investment-grade securities detracted from performance near the end of the period when lower quality sectors rebounded on heightened expectations for a second round of quantitative easing from the Federal Reserve Board. The Fund frequently held cash committed for pending transactions; the cash balance did not have a material impact on performance.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

# Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

## Fund Information

|   |                |
|---|----------------|
| Symbol on NYSE  | PSY            |
| Initial Offering Date   | March 28, 2003 |
| Yield on Closing Market Price as of October 31, 2010 (\$10.39) <sup>1</sup> | 7.33%          |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.0635       |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.7620       |
| Leverage as of October 31, 2010 <sup>3</sup>                                | 27%            |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> A change in the distribution rate was declared on December 6, 2010. The Monthly Distribution per Common Share was decreased to \$0.0535.

The Yield on Closing Market Price,

Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate.

The new distribution rate is not

constant and is subject to further change in the future.

<sup>3</sup> Represents reverse repurchase agreements and Preferred Shares as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to

any borrowings and Preferred Shares) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the

Fund, please see The Benefits and Risks of Leveraging on page 9.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/10 | 10/31/09 | Change | High    | Low    |
|-----------------|----------|----------|--------|---------|--------|
| Market Price    | \$10.39  | \$ 8.90  | 16.74% | \$10.70 | \$7.85 |
| Net Asset Value | \$11.59  | \$10.03  | 15.55% | \$11.69 | \$9.91 |

The following charts show the portfolio composition and credit quality allocations of the Fund's long-term investments:

## Portfolio Composition

|                          | 10/31/10 | 10/31/09 |
|--------------------------|----------|----------|
| Corporate Bonds          | 64%      | 3%       |
| Preferred Securities     | 19       | 97       |
| U.S Treasury Obligations | 16       |          |
| Taxable Municipal Bonds  | 1        |          |

## Credit Quality Allocations<sup>4</sup>

|                  | 10/31/10 | 10/31/09 |
|------------------|----------|----------|
| AAA <sup>5</sup> | 16%      |          |
| AA/Aa            | 7        | 1%       |
| A                | 21       | 26       |
| BBB/Baa          | 42       | 56       |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|           |    |    |
|-----------|----|----|
| BB/Ba     | 12 | 14 |
| B         | 1  | 3  |
| Not Rated | 1  |    |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

<sup>5</sup> Includes US Treasury obligations that are deemed AAA by the Investment Advisor.

ANNUAL REPORT

OCTOBER 31, 2010

5

---

## Fund Summary as of October 31, 2010

### BlackRock Credit Allocation Income Trust III

#### Fund Overview

BlackRock Credit Allocation Income Trust III's (BPP) (the Fund) investment objective is to provide high current income consistent with capital preservation. The Fund seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. The Fund may invest directly in such securities or synthetically through the use of derivatives.

Effective November 13, 2009, BlackRock Preferred Opportunity Trust was renamed BlackRock Credit Allocation Income Trust III.

No assurance can be given that the Fund's investment objective will be achieved.

#### Performance

For the 12 months ended October 31, 2010, the Fund returned 22.25% based on market price and 21.52% based on NAV. For the same period, the Lipper closed-end Corporate Debt Funds (BBB-Rated) category posted an average return of 21.98% based on market price and 16.32% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund benefited from its asset allocation within preferred securities, which experienced a rebound during the period. In particular, allocations to institutional corporate securities and hybrid securities had a positive impact as those sectors significantly outperformed \$25-par preferred securities, in which the Fund was underweight. The Fund's participation in preferred equity exchange tender offers from several of its holdings added to performance, and an overweight in the insurance sector proved beneficial. The Fund reduced its market risk prior to May when the European sovereign debt crisis triggered a dip in risk asset prices. This defensive move contributed positively to relative performance. Conversely, the Fund's bias toward investment-grade securities detracted from performance near the end of the period when lower quality sectors rebounded on heightened expectations for a second round of quantitative easing from the Federal Reserve Board. The Fund frequently held cash committed for pending transactions; the cash balance did not have a material impact on performance. The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

#### Fund Information

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |                   |
|---|-------------------|
| Symbol on NYSE  | BPP               |
| Initial Offering Date   | February 28, 2003 |
| Yield on Closing Market Price as of October 31, 2010 (\$11.23) <sup>1</sup> | 7.11%             |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.0665          |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.7980          |
| Leverage as of October 31, 2010 <sup>3</sup>                                | 24%               |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> A change in the distribution rate was declared on December 6, 2010. The Monthly Distribution per Common Share was decreased to \$0.054. The Yield on Closing Market Price,

Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate.

The new distribution rate is not

constant and is subject to further change in the future.

<sup>3</sup> Represents Preferred Shares as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowings and Preferred

Shares) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits

and Risks of Leveraging on page 9.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/10 | 10/31/09 | Change | High    | Low     |
|-----------------|----------|----------|--------|---------|---------|
| Market Price    | \$11.23  | \$ 9.94  | 12.98% | \$11.42 | \$ 8.15 |
| Net Asset Value | \$12.41  | \$11.05  | 12.31% | \$12.52 | \$10.92 |

The following charts show the portfolio composition and credit quality allocations of the Fund's long-term investments:

### Portfolio Composition

|                          | 10/31/10 | 10/31/09 |
|--------------------------|----------|----------|
| Corporate Bonds          | 72%      | 10%      |
| Preferred Securities     | 18       | 90       |
| Taxable Municipal Bonds  | 1        |          |
| U.S Treasury Obligations | 9        |          |

### Credit Quality Allocations<sup>4</sup>

|                  | 10/31/10 | 10/31/09 |
|------------------|----------|----------|
| AAA <sup>5</sup> | 9%       |          |
| AA/Aa            | 8        | 4%       |
| A                | 26       | 28       |
| BBB/Baa          | 40       | 45       |
| BB/Ba            | 14       | 13       |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|           |   |   |
|-----------|---|---|
| B         | 1 | 5 |
| CCC/Caa   | 1 | 5 |
| Not Rated | 1 |   |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

<sup>5</sup> Includes US Treasury obligations that are deemed AAA by the Investment Advisor.

6 ANNUAL REPORT

OCTOBER 31, 2010

---

## Fund Summary as of October 31, 2010

### BlackRock Credit Allocation Income Trust IV

#### Fund Overview

BlackRock Credit Allocation Income Trust IV's (BTZ) (the Fund) investment objective is to provide current income, current gains and capital appreciation. The Fund seeks to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in credit-related securities, including, but not limited to, investment grade corporate bonds, high yield bonds (commonly referred to as junk bonds), bank loans, preferred securities or convertible bonds or derivatives with economic characteristics similar to these credit-related securities. The Fund may invest directly in such securities or synthetically through the use of derivatives.

Effective November 13, 2009, BlackRock Preferred and Equity Advantage Trust was renamed BlackRock Credit Allocation Income Trust IV.

No assurance can be given that the Fund's investment objective will be achieved.

#### Performance

For the 12 months ended October 31, 2010, the Fund returned 29.98% based on market price and 25.16% based on NAV. For the same period, the Lipper closed-end Corporate Debt Funds (BBB-Rated) category posted an average return of 21.98% based on market price and 16.32% based on NAV. All returns reflect reinvestment of dividends. The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund benefited from its asset allocation within preferred securities, which experienced a rebound during the period. In particular, allocations to institutional corporate securities and hybrid securities had a positive impact as those sectors significantly outperformed \$25-par preferred securities, in which the Fund was underweight. The Fund's participation in preferred equity exchange tender offers from several of its holdings added to performance, and an overweight in the insurance sector proved beneficial. The Fund reduced its market risk prior to May when the European sovereign debt crisis triggered a dip in risk asset prices. This defensive move contributed positively to relative performance. Conversely, the Fund's bias toward investment-grade securities detracted from performance near the end of the period when lower quality sectors rebounded on heightened expectations for a second round of quantitative easing from the Federal Reserve Board. The Fund frequently held cash committed for pending transactions; the cash balance did not have a material impact on performance.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.



# Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

## Fund Information

|   |                   |
|---|-------------------|
| Symbol on NYSE  | BTZ               |
| Initial Offering Date   | December 27, 2006 |
| Yield on Closing Market Price as of October 31, 2010 (\$13.02) <sup>1</sup> | 7.28%             |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.079           |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.948           |
| Leverage as of October 31, 2010 <sup>3</sup>                                | 24%               |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> A change in the distribution rate was declared on December 6, 2010. The Monthly Distribution per Common Share was decreased to \$0.069. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not

constant and is subject to further change in the future.

<sup>3</sup> Represents Preferred Shares as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowings and Preferred Shares) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 9.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/10 | 10/31/09 | Change | High    | Low     |
|-----------------|----------|----------|--------|---------|---------|
| Market Price    | \$13.02  | \$10.96  | 18.80% | \$13.38 | \$10.66 |
| Net Asset Value | \$14.46  | \$12.64  | 14.40% | \$14.71 | \$12.55 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's long-term investments excluding Common Stocks:

## Portfolio Composition

|                           | 10/31/10 | 10/31/09 |
|---------------------------|----------|----------|
| Corporate Bonds           | 64%      | 6%       |
| Preferred Securities      | 19       | 84       |
| U.S. Treasury Obligations | 15       |          |
| Taxable Municipal Bonds   | 2        |          |
| Common Stocks             |          | 10       |

## Credit Quality Allocations<sup>4</sup>

|       | 10/31/10 | 10/31/09 |
|-------|----------|----------|
| AA/Aa | 11%      | 4%       |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|           |    |    |
|-----------|----|----|
| A         | 22 | 33 |
| BBB/Baa   | 44 | 53 |
| BB/Ba     | 19 | 6  |
| B         | 2  | 4  |
| Not Rated | 2  |    |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

ANNUAL REPORT

OCTOBER 31, 2010

7

---

## Fund Summary as of October 31, 2010

### BlackRock Floating Rate Income Trust

#### Fund Overview

BlackRock Floating Rate Income Trust's (BGT) (the Fund) primary investment objective is to provide a high level of current income. The Fund's secondary investment objective is to seek the preservation of capital. The Fund seeks to achieve its investment objectives by investing primarily, under normal conditions, at least 80% of its assets in floating and variable rate instruments of US and non-US issuers, including a substantial portion of its assets in global floating and variable rate securities including senior secured floating rate loans made to corporate and other business entities. Under normal market conditions, the Fund expects that the average effective duration of its portfolio will be no more than 1.5 years. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund's investment objectives will be achieved.

#### Performance

For the 12 months ended October 31, 2010, the Fund returned 22.41% based on market price and 15.55% based on net asset value (NAV). For the same period, the closed-end Lipper Loan Participation Funds category posted an average return of 28.36% based on market price and 13.42% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a discount to NAV to a premium by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund's exposure to high yield and emerging markets contributed positively to performance as these sectors performed well during the period. Given the advisor's outlook for a continued slow economic environment, the Fund focused on higher quality loan structures, borrowers and sectors, and favored companies with relatively stable cash flows and the ability to generate steady income. Outside of this focus, the Fund invested in a few special situations and recovery stories, which boosted relative performance. Detracting modestly from performance was the Fund's bias toward higher quality sectors and credits, which generally underperformed lower quality sectors and credits over the period. In addition, the Fund maintained its leverage below the Lipper category average, which detracted from relative performance, as would be expected when markets are advancing. The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

#### Fund Information

Symbol on NYSE

BGT

Initial Offering Date

August 30, 2004

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |          |
|---|----------|
| Yield on Closing Market Price as of October 31, 2010 (\$14.52) <sup>1</sup> | 5.99%    |
| Current Monthly Distribution per Common Share <sup>2</sup>                  | \$0.0725 |
| Current Annualized Distribution per Common Share <sup>2</sup>               | \$0.8700 |
| Leverage as of October 31, 2010 <sup>3</sup>                                | 22%      |

<sup>1</sup> Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

<sup>2</sup> A change in the distribution rate was declared on December 6, 2010. The Monthly Distribution per Common Share was increased to \$0.075. The Yield on Closing Market Price,

Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate.

The new distribution rate is not

constant and is subject to further change in the future.

<sup>3</sup> Represents loan outstanding and Preferred Shares as a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrow-

ings and Preferred Shares) minus the sum of liabilities (other than borrowings representing financial leverage). For a discussion of leveraging techniques utilized by the Fund, please

see The Benefits and Risks of Leveraging on page 9.

The table below summarizes the changes in the Fund's market price and NAV per share:

|                 | 10/31/10 | 10/31/09 | Change | High    | Low     |
|-----------------|----------|----------|--------|---------|---------|
| Market Price    | \$14.52  | \$12.58  | 15.42% | \$15.93 | \$12.29 |
| Net Asset Value | \$14.48  | \$13.29  | 8.95%  | \$14.48 | \$13.20 |

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's long-term investments

excluding Common Stocks and Floating Rate Loan Interests:

### Portfolio Composition

|                              | 10/31/10 | 10/31/09 |
|------------------------------|----------|----------|
| Floating Rate Loan Interests | 79%      | 76%      |
| Corporate Bonds              | 16       | 20       |
| Foreign Agency Obligations   | 4        | 3        |
| Other Interests              | 1        | 1        |

### Credit Quality Allocations<sup>4</sup>

|         | 10/31/10 | 10/31/09 |
|---------|----------|----------|
| AAA/Aaa |          | 16%      |
| A       | 4%       | 4        |
| BBB/Baa | 21       | 27       |
| BB/Ba   | 23       | 17       |
| B       | 29       | 22       |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|           |                 |   |
|-----------|-----------------|---|
| CCC/Caa   | 1               | 6 |
| C         |                 | 5 |
| D         |                 | 1 |
| Not Rated | 22 <sup>5</sup> | 2 |

<sup>4</sup> Using the higher of S&P's or Moody's ratings.

<sup>5</sup> The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of October 31, 2010, the market value of these securities was \$606,918 representing 1% of the Fund's long-term investments.

8 ANNUAL REPORT

OCTOBER 31, 2010

---

## The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the yield and NAV of their Common Shares. However, these objectives cannot be achieved in all interest rate environments.

The Funds may utilize leverage by borrowing through a credit facility, entering into reverse repurchase agreements, or through the issuance of Preferred Shares. In general, the concept of leveraging is based on the premise that the cost of assets to be obtained from leverage will be based on short-term interest rates, which normally will be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the total assets of each Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Fund's Common Shareholders will benefit from the incremental net income.

The interest earned on securities purchased with the proceeds from leverage is paid to Common Shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV of each Fund's Common Shares. However, in order to benefit Common Shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. If the yield curve becomes negatively sloped, meaning short-term interest rates exceed long-term interest rates, income to Common Shareholders will be lower than if the Funds had not used leverage.

To illustrate these concepts, assume a Fund's Common Shares capitalization is \$100 million and it borrows and/or issues Preferred Shares for an additional \$50 million, creating a total value of \$150 million available for investment in long-term securities. If prevailing short-term interest rates are 3% and long-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund pays interest expense and/or dividends on the \$50 million of Preferred Shares based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with assets received from the borrowings and/or issuance of Preferred Shares can earn income based on long-term interest rates. In this case, the interest expense and/or dividends paid to Preferred Shareholders are significantly lower than the income earned on the Fund's long-term investments, and therefore the Common Shareholders are the beneficiaries of the incremental net income.

If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental net income pickup on the Common Shares will be reduced or eliminated completely. Furthermore, if prevailing short-term interest rates rise above long-term interest rates of 6%, the yield curve has a negative slope. In this case, the Fund pays dividends on the higher short-term interest rates whereas the Fund's total portfolio earns income based on lower long-term interest rates.

Furthermore, the value of a Fund's portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the redemption value of the Funds' borrowings and/or Preferred Shares does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence each Fund's NAV positively or negatively in addition to the impact on Fund performance from leverage from borrowings.

The use of leverage may enhance opportunities for increased income to the Funds and Common Shareholders, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes to each Fund's NAV, market price and dividend rates than a comparable portfolio without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, each Fund's net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to shareholders will be reduced. Each Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments which may cause a Fund to incur losses. The use of leverage may limit each Fund's ability to invest in certain types of securities or use certain types of hedging strategies, such as in the case of certain restrictions imposed by ratings agencies that rate Preferred Shares issued by each Fund. Each Fund will incur expenses in connection with the use of leverage, all of which are borne by Common Shareholders and may reduce income to the Common Shares.

Under the Investment Company Act of 1940, BGT is permitted to borrow through a credit facility up to  $33\frac{1}{3}\%$  of its total managed assets and the Funds are permitted to issue Preferred Shares in an amount of up to 50% of their total managed assets at the time of issuance. Under normal circumstances, each Fund anticipates that the total economic leverage from Preferred Shares, reverse repurchase agreements and credit facility borrowings will not exceed 50% of its total managed assets at the time such leverage is incurred. As of October 31, 2010, the Funds had economic leverage from Preferred Shares, reverse repurchase agreements and/or credit facility borrowings as a percentage of their total managed assets as follows:

|     | <b>Percent of<br/>Leverage</b> |
|-----|--------------------------------|
| PSW | 29%                            |
| PSY | 27%                            |
| BPP | 24%                            |
| BTZ | 24%                            |
| BGT | 22%                            |

ANNUAL REPORT

OCTOBER 31, 2010

9

---



## Derivative Financial Instruments

The Funds may invest in various derivative instruments, including financial futures contracts, swaps, foreign currency exchange contracts and options, as specified in Note 2 of the Notes to Financial Statements, which constitute forms of economic leverage. Such instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market, equity, credit, interest rate and/or foreign currency exchange rate risks. Such derivative instruments involve risks, including the imperfect correlation between the value of a derivative instrument and the underlying asset, possible default of the counterparty to the transaction and illiquidity of the derivative instrument. Each Fund's ability to success-

fully use a derivative instrument depends on the investment advisor's ability to accurately predict pertinent market movements, which cannot be assured. The use of derivative instruments may result in losses greater than if they had not been used, may require the Funds to sell or purchase portfolio investments at inopportune times or at distressed values, may limit the amount of appreciation the Funds can realize on an investment, may result in lower dividends paid to shareholders or may cause the Funds to hold an investment that they might otherwise sell. The Funds' investments in these instruments are discussed in detail in the Notes to Financial Statements.

10 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments October 31, 2010

### BlackRock Credit Allocation Income Trust I, Inc. (PSW)

(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>Corporate Bonds</b>  |              |            |
| <b>Aerospace &amp; Defense 5.1%</b>   |              |            |
| BE Aerospace, Inc., 8.50%, 7/01/18  | \$ 560       | \$ 627,200 |
| Bombardier, Inc., 7.75%, 3/15/20 (a)  | 720          | 799,200    |
| Goodrich Corp., 3.60%, 2/01/21  | 1,400        | 1,390,508  |
| United Technologies Corp., 5.70%, 4/15/40   | 2,500        | 2,799,605  |
|   |              | 5,616,513  |
| <b>Airlines 0.7%</b>  |              |            |
| Continental Airlines Pass-Through Certificates,<br>Series 2009-2, Class B, 9.25%, 5/10/17 | 375          | 406,875    |
| Delta Air Lines, Inc., Series 02G1, 6.72%, 7/02/24  | 328          | 333,857    |
|   |              | 740,732    |
| <b>Auto Components 0.6%</b>   |              |            |
| Icahn Enterprises LP:<br>7.75%, 1/15/16   | 200          | 205,500    |
| 8.00%, 1/15/18  | 500          | 514,375    |
|   |              | 719,875    |
| <b>Beverages 0.5%</b>   |              |            |
| Constellation Brands, Inc., 7.25%, 5/15/17  | 460          | 504,275    |
| <b>Building Products 0.1%</b>   |              |            |
| Building Materials Corp. of America, 7.00%, 2/15/20 (a)                                   | 125          | 130,313    |
| <b>Capital Markets 0.7%</b>   |              |            |
| Ameriprise Financial, Inc., 5.30%, 3/15/20  | 750          | 823,352    |
| <b>Chemicals 0.3%</b>   |              |            |
| CF Industries, Inc., 7.13%, 5/01/20   | 250          | 290,000    |
| <b>Commercial Banks 1.5%</b>  |              |            |
| City National Corp., 5.25%, 9/15/20   | 550          | 565,729    |
| Comerica, Inc., 3.00%, 9/16/15  | 550          | 561,273    |
| SVB Financial Group, 5.38%, 9/15/20   | 550          | 558,174    |
|   |              | 1,685,176  |
| <b>Commercial Services &amp; Supplies 4.9%</b>  |              |            |
| Aviation Capital Group, 7.13%, 10/15/20 (a)   | 2,200        | 2,264,671  |
| Browning-Ferris Industries, Inc., 7.40%, 9/15/35  | 865          | 1,046,346  |
| Clean Harbors, Inc., 7.63%, 8/15/16   | 306          | 323,213    |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |     |           |
|--|-----|-----------|
| Corrections Corp. of America, 7.75%, 6/01/17 | 775 | 842,812   |
| Waste Management, Inc., 6.13%, 11/30/39      | 900 | 972,842   |
|  |     | 5,449,884 |

### Communications Equipment 0.9%

|   |     |         |
|---|-----|---------|
| Brocade Communications Systems, Inc.,<br>6.88%, 1/15/20 | 700 | 752,500 |
| CC Holdings GS V LLC, 7.75%, 5/01/17 (a)                | 220 | 246,950 |
|   |     | 999,450 |

### Consumer Finance 5.3%

|   |       |           |
|---|-------|-----------|
| American Express Credit Corp., 2.75%, 9/15/15 | 1,400 | 1,411,956 |
| Capital One Bank USA NA, 8.80%, 7/15/19       | 775   | 983,015   |
| Inmarsat Finance Plc, 7.38%, 12/01/17 (a)     | 520   | 556,400   |
| SLM Corp., 4.00%, 7/25/14 (b)                 | 3,200 | 2,902,240 |
|   |       | 5,853,611 |

### Containers & Packaging 1.3%

|  |     |           |
|--|-----|-----------|
| Ball Corp.:  |     |           |
| 7.13%, 9/01/16   | 400 | 436,000   |
| 6.75%, 9/15/20   | 505 | 555,500   |
| Bemis Co., Inc., 6.80%, 8/01/19                          | 200 | 237,550   |
| Owens-Brockway Glass Container, Inc.,<br>6.75%, 12/01/14 | 135 | 138,038   |
| Rock-Tenn Co., 9.25%, 3/15/16                            | 75  | 82,125    |
|  |     | 1,449,213 |

|  | Par<br>(000) | Value |
|--|--------------|-------|
|--|--------------|-------|

### Corporate Bonds

#### Diversified Financial Services 3.1%

|   |        |            |
|---|--------|------------|
| Ally Financial Inc., 8.30%, 2/12/15 (a) | \$ 800 | \$ 872,000 |
| Moody s Corp., 6.06%, 9/07/17           | 2,500  | 2,585,597  |
|   |        | 3,457,597  |

#### Diversified Telecommunication Services 3.8%

|   |       |           |
|---|-------|-----------|
| AT&T Inc., 6.30%, 1/15/38                     | 1,000 | 1,100,498 |
| Frontier Communications Corp., 8.50%, 4/15/20 | 700   | 808,500   |
| Qwest Corp., 8.38%, 5/01/16                   | 390   | 469,950   |
| Verizon Communications, Inc., 7.35%, 4/01/39  | 925   | 1,163,635 |
| Windstream Corp.:                             |       |           |
| 8.63%, 8/01/16                                | 250   | 265,625   |
| 7.88%, 11/01/17                               | 400   | 437,000   |
|   |       | 4,245,208 |

#### Electric Utilities 1.7%

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |       |           |
|--|-------|-----------|
| Progress Energy Inc., 7.00%, 10/30/31                        | 1,000 | 1,199,895 |
| Southern California Edison Co., 5.50%, 3/15/40               | 650   | 700,030   |
|  |       | 1,899,925 |
| <b>Electronic Equipment, Instruments</b>                     |       |           |
| <b>&amp; Components 0.2%</b>                                 |       |           |
| Jabil Circuit Inc., 8.25%, 3/15/18                           | 200   | 234,500   |
| <b>Energy Equipment &amp; Services 1.3%</b>                  |       |           |
| Compagnie Generale de Geophysique-Veritas,<br>7.75%, 5/15/17 | 270   | 282,825   |
| Halliburton Co., 7.45%, 9/15/39                              | 950   | 1,208,161 |
|  |       | 1,490,986 |
| <b>Food &amp; Staples Retailing 3.9%</b>                     |       |           |
| CVS Caremark Corp., 6.30%, 6/01/62 (b)                       | 1,500 | 1,391,250 |
| Wal-Mart Stores, Inc., 6.20%, 4/15/38                        | 2,500 | 2,887,460 |
|  |       | 4,278,710 |
| <b>Food Products 1.0%</b>                                    |       |           |
| Kraft Foods, Inc.:   |       |           |
| 6.50%, 8/11/17   | 385   | 462,704   |
| 6.13%, 8/23/18   | 390   | 460,972   |
| Smithfield Foods, Inc., 10.00%, 7/15/14 (a)                  | 160   | 184,400   |
|  |       | 1,108,076 |
| <b>Gas Utilities 0.9%</b>                                    |       |           |
| Nisource Finance Corp., 6.13%, 3/01/22                       | 900   | 1,023,467 |
| <b>Health Care Equipment &amp; Supplies 3.0%</b>             |       |           |
| Boston Scientific Corp., 7.38%, 1/15/40                      | 690   | 798,685   |
| Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a)            | 500   | 583,750   |
| Medtronic, Inc., 5.55%, 3/15/40                              | 1,765 | 1,942,515 |
|  |       | 3,324,950 |
| <b>Health Care Providers &amp; Services 2.7%</b>             |       |           |
| Aetna, Inc., 6.75%, 12/15/37                                 | 800   | 903,894   |
| HCA, Inc., 8.50%, 4/15/19                                    | 400   | 450,000   |
| Tenet Healthcare Corp.:                                      |       |           |
| 10.00%, 5/01/18  | 350   | 406,000   |
| 8.88%, 7/01/19   | 250   | 281,250   |
| UnitedHealth Group, Inc., 6.88%, 2/15/38                     | 800   | 927,997   |
|  |       | 2,969,141 |
| <b>Household Durables 0.3%</b>                               |       |           |
| Cemex Espana Luxembourg, 9.25%, 5/12/20 (a)                  | 365   | 351,313   |

### Portfolio Abbreviations

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

To simplify the listings of portfolio holdings in the Schedules of Investments, the names of many of the securities have been abbreviated according to the following list:

|            |                                |            |                          |
|------------|--------------------------------|------------|--------------------------|
| <b>AKA</b> | Also Known As                  | <b>GBP</b> | British Pound            |
| <b>CLO</b> | Collateralized Loan Obligation | <b>GO</b>  | General Obligation Bonds |
| <b>EUR</b> | Euro                           | <b>RB</b>  | Revenue Bonds            |
| <b>FKA</b> | Formerly Known As              | <b>USD</b> | US Dollar                |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

11

---

## Schedule of Investments (continued)

## BlackRock Credit Allocation Income Trust I, Inc. (PSW)

(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Corporate Bonds</b>                                  |              |              |
| <b>Insurance 6.2%</b>                                   |              |              |
| The Allstate Corp., 7.45%, 5/16/19                      | \$ 900       | \$ 1,128,320 |
| Aon Corp., 5.00%, 9/30/20                               | 1,600        | 1,647,371    |
| Lincoln National Corp., 6.25%, 2/15/20                  | 800          | 891,798      |
| Manulife Financial Corp., 4.90%, 9/17/20                | 1,000        | 987,629      |
| Northwestern Mutual Life Insurance, 6.06%, 3/30/40 (a)  | 900          | 994,929      |
| Principal Financial Group, Inc., 8.88%, 5/15/19         | 225          | 293,924      |
| Prudential Financial, Inc., 6.63%, 12/01/37             | 800          | 883,691      |
|   |              | 6,827,662    |
| <b>Life Sciences Tools &amp; Services 1.9%</b>          |              |              |
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16              | 865          | 945,012      |
| Life Technologies Corp., 6.00%, 3/01/20                 | 1,000        | 1,123,704    |
|   |              | 2,068,716    |
| <b>Machinery 1.5%</b>                                   |              |              |
| Ingersoll-Rand Global Holding Co., Ltd., 9.50%, 4/15/14 | 800          | 991,373      |
| Navistar International Corp., 8.25%, 11/01/21           | 600          | 657,750      |
|   |              | 1,649,123    |
| <b>Media 7.4%</b>                                       |              |              |
| CSC Holdings LLC:                                       |              |              |
| 8.50%, 6/15/15  | 400          | 440,500      |
| 8.63%, 2/15/19  | 275          | 317,969      |
| Comcast Corp., 6.30%, 11/15/17                          | 800          | 948,764      |
| Cox Communications, Inc., 8.38%, 3/01/39 (a)            | 800          | 1,051,845    |
| DISH DBS Corp., 7.00%, 10/01/13                         | 450          | 481,500      |
| Gannett Co., Inc., 9.38%, 11/15/17                      | 450          | 505,125      |
| Intelsat Corp., 9.25%, 6/15/16                          | 350          | 374,500      |
| News America, Inc., 6.15%, 3/01/37                      | 950          | 999,806      |
| Time Warner Cable, Inc., 6.75%, 6/15/39                 | 925          | 1,060,190    |
| Time Warner, Inc., 7.70%, 5/01/32                       | 950          | 1,169,198    |
| UPC Germany GmbH, 8.13%, 12/01/17 (a)                   | 240          | 251,400      |
| Virgin Media Secured Finance Plc, 6.50%, 1/15/18        | 600          | 643,500      |
|   |              | 8,244,297    |
| <b>Metals &amp; Mining 1.2%</b>                         |              |              |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |     |           |
|---|-----|-----------|
| Phelps Dodge Corp., 7.13%, 11/01/27       | 700 | 783,427   |
| Teck Resources Ltd., 10.75%, 5/15/19      | 400 | 511,000   |
| United States Steel Corp., 7.38%, 4/01/20 | 40  | 41,750    |
|   |     | 1,336,177 |

### Multi-Utilities 1.6%

|                           |     |           |
|---------------------------|-----|-----------|
| CenterPoint Energy, Inc.: |     |           |
| 5.95%, 2/01/17            | 750 | 838,220   |
| 6.50%, 5/01/18            | 775 | 893,218   |
|                           |     | 1,731,438 |

### Multiline Retail 2.6%

|                                       |       |           |
|---------------------------------------|-------|-----------|
| Dollar General Corp., 10.63%, 7/15/15 | 750   | 828,750   |
| JC Penney Co., Inc., 5.65%, 6/01/20   | 2,100 | 2,031,750 |
|                                       |       | 2,860,500 |

### Oil, Gas & Consumable Fuels 4.0%

|   |       |           |
|---|-------|-----------|
| BP Capital Markets Plc, 3.88%, 3/10/15            | 350   | 370,365   |
| Enbridge Energy Partners LP, 9.88%, 3/01/19       | 475   | 648,096   |
| Enterprise Products Operating LLC, 6.65%, 4/15/18 | 1,000 | 1,187,436 |
| Kinder Morgan Energy Partners LP, 6.85%, 2/15/20  | 1,000 | 1,199,347 |
| ONEOK Partners LP, 8.63%, 3/01/19                 | 800   | 1,041,018 |
|   |       | 4,446,262 |

### Paper & Forest Products 2.5%

|   |     |           |
|---|-----|-----------|
| Georgia-Pacific LLC, 8.25%, 5/01/16 (a) | 785 | 900,787   |
| International Paper Co.:                |     |           |
| 7.50%, 8/15/21                          | 775 | 945,066   |
| 7.30%, 11/15/39                         | 800 | 911,861   |
|   |     | 2,757,714 |

### Pharmaceuticals 11.8%

|                      |       |           |
|----------------------|-------|-----------|
| Abbott Laboratories: |       |           |
| 6.15%, 11/30/37      | 235   | 275,624   |
| 6.00%, 4/01/39       | 1,177 | 1,360,395 |

| Corporate Bonds                               | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Pharmaceuticals (concluded)</b>            |              |              |
| Bristol-Myers Squibb Co.:                     |              |              |
| 5.88%, 11/15/36                               | \$ 2,014     | \$ 2,284,929 |
| 6.13%, 5/01/38                                | 588          | 689,213      |
| Eli Lilly & Co., 5.95%, 11/15/37              | 588          | 668,360      |
| GlaxoSmithKline Capital, Inc., 6.38%, 5/15/38 | 1,690        | 2,046,974    |
| Merck & Co., Inc., 6.50%, 12/01/33            | 475          | 587,136      |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |       |             |
|--|-------|-------------|
| Pfizer, Inc., 7.20%, 3/15/39                             | 2,500 | 3,319,435   |
| Schering-Plough Corp., 6.55%, 9/15/37                    | 1,504 | 1,873,179   |
|  |       | 13,105,245  |
| <b>Real Estate Investment Trusts (REITs) 1.7%</b>        |       |             |
| AvalonBay Communities, Inc., 6.10%, 3/15/20              | 800   | 936,083     |
| ERP Operating LP, 5.75%, 6/15/17                         | 800   | 899,790     |
|  |       | 1,835,873   |
| <b>Road &amp; Rail 1.1%</b>                              |       |             |
| Norfolk Southern Corp., 6.00%, 3/15/2105                 | 1,200 | 1,199,896   |
| <b>Semiconductors &amp; Semiconductor Equipment 1.2%</b> |       |             |
| Advanced Micro Devices, Inc., 7.75%, 8/01/20 (a)         | 190   | 201,400     |
| KLA-Tencor Corp., 6.90%, 5/01/18                         | 461   | 529,050     |
| National Semiconductor Corp., 6.60%, 6/15/17             | 539   | 626,880     |
|  |       | 1,357,330   |
| <b>Specialty Retail 1.0%</b>                             |       |             |
| AutoNation, Inc., 6.75%, 4/15/18                         | 445   | 460,575     |
| AutoZone, Inc., 7.13%, 8/01/18                           | 300   | 364,910     |
| Limited Brands, Inc., 7.00%, 5/01/20                     | 230   | 253,000     |
|  |       | 1,078,485   |
| <b>Tobacco 1.4%</b>                                      |       |             |
| Altria Group, Inc., 10.20%, 2/06/39                      | 1,050 | 1,543,888   |
| <b>Wireless Telecommunication Services 1.6%</b>          |       |             |
| Cricket Communications, Inc., 7.75%, 5/15/16             | 155   | 167,013     |
| Nextel Communications, Inc., Series E, 6.88%, 10/31/13   | 535   | 539,012     |
| SBA Tower Trust, 5.10%, 4/15/42 (a)                      | 1,000 | 1,075,608   |
|  |       | 1,781,633   |
| <b>Total Corporate Bonds 92.5%</b>                       |       | 102,470,506 |
| <b>Preferred Securities</b>                              |       |             |
| <b>Capital Trusts</b>                                    |       |             |
| <b>Capital Markets 4.3%</b>                              |       |             |
| Ameriprise Financial, Inc., 7.52%, 6/01/66 (b)           | 500   | 520,000     |
| State Street Capital Trust III, 8.25% (b)(c)             | 725   | 738,231     |
| State Street Capital Trust IV, 1.29%, 6/01/67 (b)        | 4,740 | 3,497,319   |
|  |       | 4,755,550   |
| <b>Commercial Banks 1.9%</b>                             |       |             |
| First Empire Capital Trust II, 8.28%, 6/01/27            | 910   | 860,705     |
| National City Preferred Capital Trust I, 12.00% (b)(c)   | 300   | 334,947     |
| SunTrust Preferred Capital I, 5.85% (b)(c)               | 135   | 102,769     |
| USB Capital XIII Trust, 6.63%, 12/15/39                  | 825   | 839,413     |
|  |       | 2,137,834   |
| <b>Consumer Finance 0.8%</b>                             |       |             |



## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |       |           |
|--|-------|-----------|
| Capital One Capital V, 10.25%, 8/15/39           | 780   | 846,300   |
| <b>Diversified Financial Services 2.1%</b>       |       |           |
| JPMorgan Chase Capital XXIII, 1.38%, 5/15/77 (b) | 3,085 | 2,349,672 |
| <b>Electric Utilities 0.4%</b>                   |       |           |
| PPL Capital Funding, 6.70%, 3/30/67 (b)          | 500   | 480,000   |
| <b>Insurance 7.3%</b>                            |       |           |
| AXA SA, 6.38% (a)(b)(c)                          | 1,000 | 940,000   |
| Ace Capital Trust II, 9.70%, 4/01/30             | 500   | 600,013   |
| The Allstate Corp., 6.50%, 5/15/67 (b)           | 500   | 496,250   |
| Chubb Corp., 6.38%, 3/29/67 (b)                  | 500   | 513,125   |
| Farmers Exchange Capital, 7.05%, 7/15/28 (a)     | 500   | 490,275   |

See Notes to Financial Statements.

12 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments (continued)

## BlackRock Credit Allocation Income Trust I, Inc. (PSW)

(Percentages shown are based on Net Assets)

|  | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Capital Trusts</b>  |              |            |
| <b>Insurance (concluded)</b>   |              |            |
| Great-West Life & Annuity Insurance Co.,<br>7.15%, 5/16/46 (a)(b)                  | \$ 500       | \$ 485,000 |
| Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b)                                 | 500          | 620,000    |
| Lincoln National Corp., 7.00%, 5/17/66 (b)   | 500          | 487,500    |
| MetLife, Inc., 6.40%, 12/15/66   | 500          | 490,000    |
| Reinsurance Group of America, 6.75%, 12/15/65 (b)                                  | 700          | 625,848    |
| The Travelers Cos., Inc., 6.25%, 3/15/67 (b)                                       | 500          | 520,000    |
| ZFS Finance (USA) (a)(b):  |              |            |
| Trust II, 6.45%, 12/15/65  | 1,800        | 1,728,000  |
| Trust IV, 5.88%, 5/09/32   | 146          | 139,189    |
|  |              | 8,135,200  |
| <b>Multi-Utilities 1.4%</b>  |              |            |
| Dominion Resources Capital Trust I, 7.83%, 12/01/27                                | 500          | 511,250    |
| Dominion Resources, Inc., 7.50%, 6/30/66 (b)                                       | 500          | 521,250    |
| Puget Sound Energy, Inc., Series A, 6.97%, 6/01/67 (b)                             | 475          | 457,891    |
|  |              | 1,490,391  |
| <b>Oil, Gas &amp; Consumable Fuels 1.2%</b>  |              |            |
| Enterprise Products Operating LLC, 8.38%, 8/01/66 (b)                              | 825          | 870,375    |
| TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b)                                     | 500          | 478,750    |
|  |              | 1,349,125  |
| <b>Total Capital Trusts 19.4%</b>  |              | 21,544,072 |
| <b>Preferred Stocks</b>  |              |            |
| <b>Wireless Telecommunication Services 2.6%</b>                                    |              |            |
| Centaur Funding Corp., 9.08%   | 2,720        | 2,929,100  |
| <b>Total Preferred Stocks 2.6%</b>   |              | 2,929,100  |
| <b>Total Preferred Securities 22.0%</b>  |              | 24,473,172 |
| <b>Taxable Municipal Bonds</b>   |              |            |
| Metropolitan Transportation Authority, RB,<br>Build America Bonds, 6.55%, 11/15/31 | \$ 800       | 840,056    |
| State of California, GO, Build America Bonds,<br>7.35%, 11/01/39                   | 400          | 409,728    |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |           |               |
|---|-----------|---------------|
| State of Illinois, GO, Pension, 5.10%, 6/01/33                            | 775       | 617,714       |
| <b>Total Taxable Municipal Bonds 1.7%</b>                                 |           | 1,867,498     |
| <b>U.S. Treasury Obligations</b>  |           |               |
| U.S. Treasury Notes:  |           |               |
| 1.75%, 7/31/15  | 8,000     | 8,238,160     |
| 2.63%, 8/15/20 (d)  | 12,000    | 12,011,256    |
| <b>Total U.S. Treasury Obligations 18.3%</b>                              |           | 20,249,416    |
| <b>Total Long-Term Investments</b>  |           |               |
| <b>(Cost \$142,780,701) 134.5%</b>  |           | 149,060,592   |
| <b>Short-Term Securities</b>  |           |               |
| <b>Shares</b>   |           |               |
| BlackRock Liquidity Funds, TempFund,<br>Institutional Class, 0.21% (e)(f) | 5,884,098 | 5,884,098     |
| <b>Total Short-Term Securities</b>  |           | 5,884,098     |
| <b>(Cost \$5,884,098) 5.3%</b>  |           | 5,884,098     |
| <b>Total Investments (Cost \$148,664,799*) 139.8%</b>                     |           | 154,944,690   |
| <b>Liabilities in Excess of Other Assets (3.5)%</b>                       |           | (3,877,296)   |
| <b>Preferred Shares, at Redemption Value (36.3)%</b>                      |           | (40,259,104)  |
| <b>Net Assets Applicable to Common Shares 100.0%</b>                      |           | \$110,808,290 |

\* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2010, as computed for federal income tax purposes, were as follows:

|                               |                |
|-------------------------------|----------------|
| Aggregate cost                | \$ 148,566,757 |
| Gross unrealized appreciation | \$ 7,759,617   |
| Gross unrealized depreciation | (1,381,684)    |
| Net unrealized appreciation   | \$ 6,377,933   |

(a) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(b) Variable rate security. Rate shown is as of report date.

(c) Security is perpetual in nature and has no stated maturity date.

(d) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.

(e) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

| Affiliate | Shares      | Net      | Shares      | Income |
|-----------|-------------|----------|-------------|--------|
|           | Held at     |          | Held at     |        |
|           | October 31, | Activity | October 31, |        |
|           | 2009        |          | 2010        |        |

# Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

BlackRock Liquidity

Funds, TempFund,

|                     |            |              |           |          |
|---------------------|------------|--------------|-----------|----------|
| Institutional Class | 33,286,296 | (27,402,198) | 5,884,098 | \$33,438 |
|---------------------|------------|--------------|-----------|----------|

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

For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Fund management.

This definition may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Reverse repurchase agreements outstanding as of October 31, 2010 were as follows:

| Counterparty | Interest<br>Rate | Trade<br>Date | Maturity<br>Date | Net Closing<br>Amount | Face<br>Amount     |
|--------------|------------------|---------------|------------------|-----------------------|--------------------|
| Barclays     |                  |               |                  |                       |                    |
| Capital Inc. | 0.19%            | 9/30/10       | Open             | \$2,032,843           | \$2,032,500        |
| Barclays     |                  |               |                  |                       |                    |
| Capital Inc. | 0.22%            | 10/01/10      | Open             | 4,050,768             | 4,050,000          |
| <b>Total</b> |                  |               |                  | <b>\$6,083,611</b>    | <b>\$6,082,500</b> |

Financial futures contracts purchased as of October 31, 2010 were as follows:

| Contracts    | Issue                         | Exchange                  | Expiration       | Notional<br>Value | Unrealized<br>Appreciation<br>(Depreciation) |
|--------------|-------------------------------|---------------------------|------------------|-------------------|--|
| 30           | 2-Year U.S.<br>Treasury Bond  | Chicago Board<br>of Trade | December<br>2010 | \$6,577,088       | \$ 22,443                                    |
| 6            | 30-Year U.S.<br>Treasury Bond | Chicago Board<br>of Trade | December<br>2010 | \$ 805,324        | (19,699)                                     |
| <b>Total</b> |                               |                           |                  |                   | <b>\$ 2,744</b>                              |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

13

## Schedule of Investments (concluded)

### BlackRock Credit Allocation Income Trust I, Inc. (PSW)

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivatives, which are as follows:

Level 1 price quotations in active markets/exchanges for identical assets and liabilities

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

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

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements. The following tables summarize the inputs used as of October 31, 2010 in determining the fair valuation of the Fund's investments and derivatives:

| Valuation Inputs           | Investments in Securities |                      |         | Total                |
|----------------------------|---------------------------|----------------------|---------|----------------------|
|                            | Level 1                   | Level 2              | Level 3 |                      |
| <b>Assets:</b>             |                           |                      |         |                      |
| Investments in Securities: |                           |                      |         |                      |
| Long-Term                  |                           |                      |         |                      |
| Investments:               |                           |                      |         |                      |
| Corporate                  |                           |                      |         |                      |
| Bonds                      |                           | \$102,470,506        |         | \$102,470,506        |
| Preferred                  |                           |                      |         |                      |
| Securities                 |                           | 24,473,172           |         | 24,473,172           |
| Taxable                    |                           |                      |         |                      |
| Municipal                  |                           |                      |         |                      |
| Bonds                      |                           | 1,867,498            |         | 1,867,498            |
| U.S. Treasury              |                           |                      |         |                      |
| Obligations                |                           | 20,249,416           |         | 20,249,416           |
| Short-Term                 |                           |                      |         |                      |
| Securities                 | \$ 5,884,098              |                      |         | 5,884,098            |
| <b>Total</b>               | <b>\$ 5,884,098</b>       | <b>\$149,060,592</b> |         | <b>\$154,944,690</b> |

Derivative Financial Instruments<sup>1</sup>

| Valuation Inputs        | Level 1         | Level 2 | Level 3 | Total           |
|-------------------------|-----------------|---------|---------|-----------------|
| <b>Assets:</b>          |                 |         |         |                 |
| Interest rate contracts | \$ 22,443       |         |         | \$ 22,443       |
| <b>Liabilities:</b>     |                 |         |         |                 |
| Interest rate contracts | (19,699)        |         |         | (19,699)        |
| <b>Total</b>            | <b>\$ 2,774</b> |         |         | <b>\$ 2,744</b> |

<sup>1</sup> Derivative financial instruments are financial futures contracts, which are shown at the unrealized appreciation/depreciation on the instrument.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

|   | Preferred Securities |
|---|----------------------|
| <b>Assets:</b>  |                      |
| Balance, as of October 31, 2009                                 | \$ 576,450           |
| Accrued discounts/premiums                                      |                      |
| Net realized gain (loss)  | (156,053)            |
| Net change in unrealized appreciation/depreciation <sup>2</sup> | 332,190              |
| Purchases   |                      |
| Sales   | (752,587)            |
| Transfers in <sup>3</sup>                                       |                      |
| Transfers out <sup>3</sup>                                      |                      |
| <b>Balance, as of October 31, 2010</b>                          | <b>\$</b>            |

<sup>2</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations. The net change in unrealized appreciation/depreciation on securities still held at October 31, 2010 was \$0.

<sup>3</sup> The Fund's policy is to recognize transfers in and transfers out as of the end of the period of the event or the change in circumstances that caused the transfer.

See Notes to Financial Statements.

14 ANNUAL REPORT

OCTOBER 31, 2010

## Schedule of Investments October 31, 2010

### BlackRock Credit Allocation Income Trust II, Inc. (PSY)

(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Corporate Bonds</b>  |              |              |
| <b>Aerospace &amp; Defense 4.0%</b>   |              |              |
| BE Aerospace, Inc., 8.50%, 7/01/18  | \$ 2,500     | \$ 2,800,000 |
| Bombardier, Inc., 7.75%, 3/15/20 (a)  | 3,205        | 3,557,550    |
| Goodrich Corp., 3.60%, 2/01/21  | 5,850        | 5,810,337    |
| United Technologies Corp., 5.70%, 4/15/40   | 6,250        | 6,999,012    |
|   |              | 19,166,899   |
| <b>Airlines 0.6%</b>  |              |              |
| Continental Airlines Pass-Through Certificates,<br>Series 2009-2, Class B, 9.25%, 5/10/17 | 1,625        | 1,763,125    |
| Delta Air Lines, Inc., Series 02G1, 6.72%, 7/02/24  | 1,279        | 1,301,485    |
|   |              | 3,064,610    |
| <b>Auto Components 0.6%</b>   |              |              |
| Icahn Enterprises LP:<br>7.75%, 1/15/16   | 880          | 904,200      |
| 8.00%, 1/15/18  | 2,000        | 2,057,500    |
|   |              | 2,961,700    |
| <b>Beverages 0.5%</b>   |              |              |
| Constellation Brands, Inc., 7.25%, 5/15/17  | 1,970        | 2,159,613    |
| <b>Building Products 0.1%</b>   |              |              |
| Building Materials Corp. of America,<br>7.00%, 2/15/20 (a)                                | 525          | 547,313      |
| <b>Capital Markets 0.7%</b>   |              |              |
| Ameriprise Financial, Inc., 5.30%, 3/15/20  | 3,250        | 3,567,857    |
| <b>Chemicals 0.3%</b>   |              |              |
| CF Industries, Inc., 7.13%, 5/01/20   | 1,125        | 1,305,000    |
| <b>Commercial Banks 1.5%</b>  |              |              |
| City National Corp., 5.25%, 9/15/20   | 2,350        | 2,417,205    |
| Comerica, Inc., 3.00%, 9/16/15  | 2,300        | 2,347,141    |
| SVB Financial Group, 5.38%, 9/15/20   | 2,300        | 2,334,185    |
|   |              | 7,098,531    |
| <b>Commercial Services &amp; Supplies 5.0%</b>  |              |              |
| Aviation Capital Group, 7.13%, 10/15/20 (a)   | 9,300        | 9,573,383    |
| Browning-Ferris Industries, Inc., 7.40%, 9/15/35  | 3,742        | 4,526,503    |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |       |            |
|--|-------|------------|
| Clean Harbors, Inc., 7.63%, 8/15/16          | 1,314 | 1,387,913  |
| Corrections Corp. of America, 7.75%, 6/01/17 | 3,375 | 3,670,312  |
| Waste Management, Inc., 6.13%, 11/30/39      | 4,000 | 4,323,744  |
|  |       | 23,481,855 |

### Communications Equipment 0.9%

|   |       |           |
|---|-------|-----------|
| Brocade Communications Systems, Inc.,<br>6.88%, 1/15/20 | 2,965 | 3,187,375 |
| CC Holdings GS V LLC, 7.75%, 5/01/17 (a)                | 935   | 1,049,538 |
|   |       | 4,236,913 |

### Consumer Finance 5.3%

|   |        |            |
|---|--------|------------|
| American Express Credit Corp., 2.75%, 9/15/15 | 5,850  | 5,899,959  |
| Capital One Bank USA NA, 8.80%, 7/15/19       | 3,325  | 4,217,453  |
| Inmarsat Finance Plc, 7.38%, 12/01/17 (a)     | 2,135  | 2,284,450  |
| SLM Corp., 4.00%, 7/25/14 (b)                 | 13,900 | 12,606,605 |
|   |        | 25,008,467 |

### Containers & Packaging 1.1%

|  |       |           |
|--|-------|-----------|
| Ball Corp.:  |       |           |
| 7.13%, 9/01/16   | 1,750 | 1,907,500 |
| 6.75%, 9/15/20   | 2,210 | 2,431,000 |
| Owens-Brockway Glass Container, Inc.,<br>6.75%, 12/01/14 | 570   | 582,825   |
| Rock-Tenn Co., 9.25%, 3/15/16                            | 325   | 355,875   |
|  |       | 5,277,200 |

### Diversified Financial Services 1.9%

|   |       |           |
|---|-------|-----------|
| Ally Financial Inc., 8.30%, 2/12/15 (a) | 2,500 | 2,725,000 |
| Moody s Corp., 6.06%, 9/07/17           | 6,000 | 6,205,434 |
|   |       | 8,930,434 |

| Corporate Bonds                                    | Par<br>(000) | Value        |
|--|--------------|--------------|
| <b>Diversified Telecommunication Services 4.1%</b> |              |              |
| AT&T Inc., 6.30%, 1/15/38                          | \$ 4,000     | \$ 4,401,992 |
| Frontier Communications Corp., 8.50%, 4/15/20      | 3,100        | 3,580,500    |
| Qwest Corp., 8.38%, 5/01/16                        | 2,795        | 3,367,975    |
| Verizon Communications, Inc., 7.35%, 4/01/39       | 4,025        | 5,063,386    |
| Windstream Corp.:                                  |              |              |
| 8.63%, 8/01/16                                     | 1,000        | 1,062,500    |
| 7.88%, 11/01/17                                    | 1,900        | 2,075,750    |
|  |              | 19,552,103   |

### Electric Utilities 1.7%



Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |       |            |
|--|-------|------------|
| Progress Energy Inc., 7.00%, 10/30/31                        | 4,000 | 4,799,580  |
| Southern California Edison Co., 5.50%, 3/15/40               | 2,850 | 3,069,362  |
|  |       | 7,868,942  |
| <b>Electronic Equipment, Instruments</b>                     |       |            |
| <b>&amp; Components 0.2%</b>                                 |       |            |
| Jabil Circuit Inc., 8.25%, 3/15/18                           | 800   | 938,000    |
| <b>Energy Equipment &amp; Services 1.1%</b>                  |       |            |
| Compagnie Generale de Geophysique-Veritas,<br>7.75%, 5/15/17 | 1,175 | 1,230,812  |
| Halliburton Co., 7.45%, 9/15/39                              | 3,220 | 4,095,029  |
|  |       | 5,325,841  |
| <b>Food &amp; Staples Retailing 3.4%</b>                     |       |            |
| CVS Caremark Corp., 6.30%, 6/01/62 (b)                       | 6,600 | 6,121,500  |
| Wal-Mart Stores, Inc.:<br>5.25%, 9/01/35                     | 2,500 | 2,576,422  |
| 6.20%, 4/15/38   | 6,250 | 7,218,650  |
|  |       | 15,916,572 |
| <b>Food Products 1.0%</b>                                    |       |            |
| Kraft Foods, Inc.:<br>6.50%, 8/11/17                         | 1,665 | 2,001,045  |
| 6.13%, 8/23/18   | 1,660 | 1,962,085  |
| Smithfield Foods, Inc., 10.00%, 7/15/14 (a)                  | 700   | 806,750    |
|  |       | 4,769,880  |
| <b>Gas Utilities 1.0%</b>                                    |       |            |
| Nisource Finance Corp., 6.13%, 3/01/22                       | 4,000 | 4,548,744  |
| <b>Health Care Equipment &amp; Supplies 1.5%</b>             |       |            |
| Boston Scientific Corp., 7.38%, 1/15/40                      | 2,935 | 3,397,303  |
| Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a)            | 2,250 | 2,626,875  |
| Medtronic, Inc.:<br>6.50%, 3/15/39                           | 650   | 786,736    |
| 5.55%, 3/15/40   | 412   | 453,437    |
|  |       | 7,264,351  |
| <b>Health Care Providers &amp; Services 3.3%</b>             |       |            |
| Aetna, Inc., 6.75%, 12/15/37                                 | 3,400 | 3,841,548  |
| HCA, Inc.:<br>8.50%, 4/15/19                                 | 1,800 | 2,025,000  |
| 7.25%, 9/15/20   | 2,550 | 2,789,062  |
| Tenet Healthcare Corp.:<br>10.00%, 5/01/18                   | 1,530 | 1,774,800  |
| 8.88%, 7/01/19   | 1,125 | 1,265,625  |
| UnitedHealth Group, Inc., 6.88%, 2/15/38                     | 3,400 | 3,943,990  |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

15,640,025

**Household Durables 0.3%**

|   |       |           |
|---|-------|-----------|
| Cemex Espana Luxembourg, 9.25%, 5/12/20 (a) | 1,462 | 1,407,175 |
|---|-------|-----------|

**Insurance 6.2%**

|                                    |       |           |
|------------------------------------|-------|-----------|
| The Allstate Corp., 7.45%, 5/16/19 | 5,600 | 7,020,658 |
|------------------------------------|-------|-----------|

|                           |       |           |
|---------------------------|-------|-----------|
| Aon Corp., 5.00%, 9/30/20 | 4,600 | 4,736,192 |
|---------------------------|-------|-----------|

|  |       |           |
|--|-------|-----------|
| Lincoln National Corp., 6.25%, 2/15/20 | 3,400 | 3,790,140 |
|--|-------|-----------|

|  |       |           |
|--|-------|-----------|
| Manulife Financial Corp., 4.90%, 9/17/20 | 4,700 | 4,641,856 |
|--|-------|-----------|

|  |       |           |
|--|-------|-----------|
| Northwestern Mutual Life Insurance, 6.06%, 3/30/40 (a) | 3,800 | 4,200,813 |
|--|-------|-----------|

|   |     |           |
|---|-----|-----------|
| Principal Financial Group, Inc., 8.88%, 5/15/19 | 980 | 1,280,200 |
|---|-----|-----------|

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

15

---

## Schedule of Investments (continued)

## BlackRock Credit Allocation Income Trust II, Inc. (PSY)

(Percentages shown are based on Net Assets)

|  | Par<br>(000) | Value        |
|--|--------------|--------------|
| <b>Corporate Bonds</b>   |              |              |
| <b>Insurance (concluded)</b>   |              |              |
| Prudential Financial, Inc., 6.63%, 12/01/37                                | \$ 3,400     | \$ 3,755,688 |
| Structured Asset Repackaged Trust, Series 2004-1,<br>0.79%, 4/21/11 (a)(b) | 108          | 103,025      |
|  |              | 29,528,572   |
| <b>Life Sciences Tools &amp; Services 1.9%</b>                             |              |              |
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16                                 | 3,825        | 4,178,812    |
| Life Technologies Corp., 6.00%, 3/01/20                                    | 4,200        | 4,719,557    |
|  |              | 8,898,369    |
| <b>Machinery 1.5%</b>  |              |              |
| Ingersoll-Rand Global Holding Co., Ltd.,<br>9.50%, 4/15/14                 | 3,400        | 4,213,334    |
| Navistar International Corp., 8.25%, 11/01/21                              | 2,550        | 2,795,438    |
|  |              | 7,008,772    |
| <b>Media 7.5%</b>  |              |              |
| CSC Holdings LLC:<br>8.50%, 6/15/15  | 1,500        | 1,651,875    |
| 8.63%, 2/15/19   | 1,200        | 1,387,500    |
| Comcast Corp., 6.30%, 11/15/17   | 3,400        | 4,032,247    |
| Cox Communications, Inc., 8.38%, 3/01/39 (a)                               | 3,400        | 4,470,340    |
| DISH DBS Corp., 7.00%, 10/01/13  | 1,750        | 1,872,500    |
| Gannett Co., Inc., 9.38%, 11/15/17   | 1,800        | 2,020,500    |
| Intelsat Corp., 9.25%, 6/15/16   | 1,800        | 1,926,000    |
| News America, Inc., 6.15%, 3/01/37   | 4,200        | 4,420,193    |
| Time Warner Cable, Inc., 6.75%, 6/15/39                                    | 4,050        | 4,641,916    |
| Time Warner, Inc., 7.70%, 5/01/32  | 4,150        | 5,107,550    |
| UPC Germany GmbH, 8.13%, 12/01/17 (a)                                      | 1,030        | 1,078,925    |
| Virgin Media Secured Finance Plc, 6.50%, 1/15/18                           | 2,675        | 2,868,938    |
|  |              | 35,478,484   |
| <b>Metals &amp; Mining 1.2%</b>  |              |              |
| Phelps Dodge Corp., 7.13%, 11/01/27  | 2,900        | 3,245,625    |
| Teck Resources Ltd., 10.75%, 5/15/19                                       | 1,750        | 2,235,625    |
| United States Steel Corp., 7.38%, 4/01/20                                  | 200          | 208,750      |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |       |            |
|---|-------|------------|
|   |       | 5,690,000  |
| <b>Multi-Utilities 1.6%</b>                       |       |            |
| CenterPoint Energy, Inc.:                         |       |            |
| 5.95%, 2/01/17                                    | 3,150 | 3,520,522  |
| 6.50%, 5/01/18                                    | 3,350 | 3,861,009  |
|   |       | 7,381,531  |
| <b>Multiline Retail 2.6%</b>                      |       |            |
| Dollar General Corp., 10.63%, 7/15/15             | 3,275 | 3,618,875  |
| JC Penney Co., Inc., 5.65%, 6/01/20               | 9,000 | 8,707,500  |
|   |       | 12,326,375 |
| <b>Oil, Gas &amp; Consumable Fuels 4.0%</b>       |       |            |
| BP Capital Markets Plc, 3.88%, 3/10/15            | 1,500 | 1,587,278  |
| Enbridge Energy Partners LP, 9.88%, 3/01/19       | 2,100 | 2,865,267  |
| Enterprise Products Operating LLC, 6.65%, 4/15/18 | 4,200 | 4,987,231  |
| Kinder Morgan Energy Partners LP, 6.85%, 2/15/20  | 4,200 | 5,037,258  |
| ONEOK Partners LP, 8.63%, 3/01/19                 | 3,400 | 4,424,328  |
|   |       | 18,901,362 |
| <b>Paper &amp; Forest Products 2.5%</b>           |       |            |
| Georgia-Pacific LLC, 8.25%, 5/01/16 (a)           | 3,400 | 3,901,500  |
| International Paper Co.:                          |       |            |
| 7.50%, 8/15/21                                    | 3,325 | 4,054,638  |
| 7.30%, 11/15/39                                   | 3,400 | 3,875,408  |
|   |       | 11,831,546 |
| <b>Pharmaceuticals 8.9%</b>                       |       |            |
| Abbott Laboratories:                              |       |            |
| 6.15%, 11/30/37                                   | 588   | 689,646    |
| 6.00%, 4/01/39                                    | 5,891 | 6,808,912  |

| <b>Corporate Bonds</b>                        | <b>Par<br/>(000)</b> | <b>Value</b> |
|---|----------------------|--------------|
| <b>Pharmaceuticals (concluded)</b>            |                      |              |
| Bristol-Myers Squibb Co.:                     |                      |              |
| 5.88%, 11/15/36                               | \$ 5,000             | \$ 5,672,615 |
| 6.13%, 5/01/38                                | 1,471                | 1,724,205    |
| Eli Lilly & Co., 5.95%, 11/15/37              | 1,471                | 1,672,036    |
| GlaxoSmithKline Capital, Inc., 6.38%, 5/15/38 | 7,250                | 8,781,396    |
| Merck & Co., Inc., 6.50%, 12/01/33            | 2,070                | 2,558,675    |
| Pfizer, Inc., 7.20%, 3/15/39                  | 6,250                | 8,298,587    |
| Schering-Plough Corp., 6.55%, 9/15/37         | 4,572                | 5,694,266    |
|   |                      | 41,900,338   |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Real Estate Investment Trusts (REITs) 1.6%**

|   |       |           |
|---|-------|-----------|
| AvalonBay Communities, Inc., 6.10%, 3/15/20 | 3,400 | 3,978,354 |
| ERP Operating LP, 5.75%, 6/15/17            | 3,405 | 3,829,729 |
|   |       | 7,808,083 |

**Road & Rail 1.1%**

|  |       |           |
|--|-------|-----------|
| Norfolk Southern Corp., 6.00%, 3/15/2105 | 5,000 | 4,999,565 |
|--|-------|-----------|

**Semiconductors & Semiconductor Equipment 1.2%**

|  |       |           |
|--|-------|-----------|
| Advanced Micro Devices, Inc., 7.75%, 8/01/20 (a) | 775   | 821,500   |
| KLA-Tencor Corp., 6.90%, 5/01/18                 | 1,928 | 2,212,602 |
| National Semiconductor Corp., 6.60%, 6/15/17     | 2,334 | 2,714,540 |
|  |       | 5,748,642 |

**Specialty Retail 1.0%**

|                                      |       |           |
|--------------------------------------|-------|-----------|
| AutoNation, Inc., 6.75%, 4/15/18     | 1,965 | 2,033,775 |
| AutoZone, Inc., 7.13%, 8/01/18       | 1,350 | 1,642,095 |
| Limited Brands, Inc., 7.00%, 5/01/20 | 980   | 1,078,000 |
|                                      |       | 4,753,870 |

**Tobacco 1.4%**

|                                     |       |           |
|-------------------------------------|-------|-----------|
| Altria Group, Inc., 10.20%, 2/06/39 | 4,400 | 6,469,628 |
|-------------------------------------|-------|-----------|

**Wireless Telecommunication Services 1.6%**

|   |       |           |
|---|-------|-----------|
| Cricket Communications, Inc., 7.75%, 5/15/16              | 670   | 721,925   |
| Nextel Communications, Inc., Series E,<br>6.88%, 10/31/13 | 2,340 | 2,357,550 |
| SBA Tower Trust, 5.10%, 4/15/42 (a)                       | 4,225 | 4,544,444 |
|   |       | 7,623,919 |

**Total Corporate Bonds 85.9%**

406,387,081

**Preferred Securities**

**Capital Trusts**

**Capital Markets 4.0%**

|   |        |            |
|---|--------|------------|
| Ameriprise Financial, Inc., 7.52%, 6/01/66 (b)    | 2,500  | 2,600,000  |
| State Street Capital Trust III, 8.25% (b)(c)      | 2,920  | 2,973,290  |
| State Street Capital Trust IV, 1.29%, 6/01/67 (b) | 18,235 | 13,454,348 |
|   |        | 19,027,638 |

**Commercial Banks 5.6%**

|   |        |           |
|---|--------|-----------|
| Bank One Capital III, 8.75%, 9/01/30                                | 2,000  | 2,346,242 |
| First Empire Capital Trust II, 8.28%, 6/01/27                       | 3,630  | 3,433,363 |
| HSBC Capital Funding LP/Jersey Channel Islands,<br>10.18% (a)(b)(c) | 4,835  | 6,358,025 |
| National City Preferred Capital Trust I, 12.00% (b)(c)              | 1,100  | 1,228,139 |
| NationsBank Capital Trust III, 0.84%, 1/15/27 (b)                   | 13,470 | 9,454,458 |
| SunTrust Preferred Capital I, 5.85% (b)(c)                          | 307    | 233,704   |
| USB Capital XIII Trust, 6.63%, 12/15/39                             | 3,500  | 3,561,145 |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

26,615,076

**Consumer Finance 0.8%**

|  |       |           |
|--|-------|-----------|
| Capital One Capital V, 10.25%, 8/15/39 | 3,190 | 3,461,150 |
|--|-------|-----------|

**Diversified Financial Services 1.2%**

|  |       |           |
|--|-------|-----------|
| JPMorgan Chase Capital XXIII, 1.38%, 5/15/77 (b) | 7,500 | 5,712,330 |
|--|-------|-----------|

See Notes to Financial Statements.

16 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments (continued)

## BlackRock Credit Allocation Income Trust II, Inc. (PSY)

(Percentages shown are based on Net Assets)

|  | Par<br>(000)  | Value        |
|--|---------------|--------------|
| <b>Capital Trusts</b>                                    |               |              |
| <b>Electric Utilities 0.6%</b>                           |               |              |
| PPL Capital Funding, 6.70%, 3/30/67 (b)                  | \$ 3,000      | \$ 2,880,000 |
| <b>Insurance 9.0%</b>                                    |               |              |
| AXA SA, 6.38% (a)(b)(c)                                  | 3,000         | 2,820,000    |
| Ace Capital Trust II, 9.70%, 4/01/30                     | 2,500         | 3,000,067    |
| The Allstate Corp., 6.50%, 5/15/67 (b)                   | 5,000         | 4,962,500    |
| Aon Corp., 8.21%, 1/01/27                                | 2,500         | 2,632,525    |
| Chubb Corp., 6.38%, 3/29/67 (b)                          | 2,000         | 2,052,500    |
| Farmers Exchange Capital, 7.05%, 7/15/28 (a)             | 2,500         | 2,451,378    |
| GE Global Insurance Holding Corp., 7.75%, 6/15/30        | 2,000         | 2,326,548    |
| Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b)       | 2,925         | 3,627,000    |
| Lincoln National Corp., 7.00%, 5/17/66 (b)               | 3,350         | 3,266,250    |
| MetLife, Inc., 6.40%, 12/15/66                           | 3,325         | 3,258,500    |
| Nationwide Life Global Funding I, 6.75%, 5/15/67         | 3,500         | 3,296,142    |
| Principal Life Insurance Co., 8.00%, 3/01/44 (a)         | 2,500         | 2,574,733    |
| Reinsurance Group of America, 6.75%, 12/15/65 (b)        | 3,000         | 2,682,204    |
| The Travelers Cos., Inc., 6.25%, 3/15/67 (b)             | 3,000         | 3,120,000    |
| ZFS Finance (USA) Trust IV, 5.88%, 5/09/32 (a)(b)        | 379           | 361,320      |
|  |               | 42,431,667   |
| <b>Multi-Utilities 1.4%</b>                              |               |              |
| Dominion Resources Capital Trust I,<br>7.83%, 12/01/27   | 2,500         | 2,556,252    |
| Dominion Resources, Inc., 7.50%, 6/30/66 (b)             | 3,900         | 4,065,750    |
|  |               | 6,622,002    |
| <b>Oil, Gas &amp; Consumable Fuels 1.3%</b>              |               |              |
| Enterprise Products Operating LLC,<br>8.38%, 8/01/66 (b) | 2,000         | 2,110,000    |
| TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b)           | 4,000         | 3,830,000    |
|  |               | 5,940,000    |
| <b>Road &amp; Rail 0.8%</b>                              |               |              |
| BNSF Funding Trust I, 6.61%, 12/15/55 (b)                | 3,750         | 3,843,750    |
| <b>Total Capital Trusts 24.7%</b>                        |               | 116,533,613  |
| <b>Preferred Stocks</b>                                  | <b>Shares</b> |              |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Commercial Banks 0.4%**

First Tennessee Bank NA, 3.75% (a) 2,826 1,752,120

**Wireless Telecommunication Services 0.5%**

Centaur Funding Corp., 9.08% 2,423 2,609,268

**Total Preferred Stocks 0.9%** 4,361,388

**Total Preferred Securities 25.6%** 120,895,001

**Par**

**Taxable Municipal Bonds**

**(000)**

Metropolitan Transportation Authority, RB,

Build America Bonds, 6.55%, 11/15/31 \$ 3,450 3,622,741

State of California, GO, Build America Bonds,  
7.35%, 11/01/39 1,725 1,766,952

State of Illinois, GO, Pension, 5.10%, 6/01/33 3,475 2,769,749

**Total Taxable Municipal Bonds 1.7%** 8,159,442

**U.S. Treasury Obligations**

U.S. Treasury Notes:

1.75%, 7/31/15 70,000 72,083,900

2.63%, 8/15/20 (d) 25,000 25,023,450

**Total U.S. Treasury Obligations 20.5%** 97,107,350

**Total Long-Term Investments**

**(Cost \$612,196,614) 133.7%** 632,548,874

**Short-Term Securities**

**Shares**

**Value**

BlackRock Liquidity Funds, TempFund,

Institutional Class, 0.21% (e)(f) 1,483,567 \$ 1,483,567

**Total Short-Term Securities**

**(Cost \$1,483,567) 0.3%** 1,483,567

**Total Investments (Cost \$613,680,181\*) 134.0%** 634,032,441

**Other Assets Less Liabilities 1.7%** 8,043,463

**Preferred Shares, at Redemption Value (35.7%)** (169,091,462)

**Net Assets Applicable to Common Shares 100.0%** \$472,984,442

\* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2010, as computed for federal income tax purposes, were as follows:

|                               |                |
|-------------------------------|----------------|
| Aggregate cost                | \$ 613,286,501 |
| Gross unrealized appreciation | \$ 30,704,221  |
| Gross unrealized depreciation | (9,958,281)    |
| Net unrealized appreciation   | \$ 20,745,940  |



## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

(a) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(b) Variable rate security. Rate shown is as of report date.

(c) Security is perpetual in nature and has no stated maturity date.

(d) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.

(e) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

| <b>Affiliate</b>   | <b>Shares<br/>Held at<br/>October 31,<br/>2009</b> | <b>Net<br/>Activity</b> | <b>Shares<br/>Held at<br/>October 31,<br/>2010</b> | <b>Income</b> |
|--|--|-------------------------|--|---------------|
| BlackRock Liquidity Funds, TempFund, Institutional Class | 41,019,397   | (39,535,830)            | 1,483,567  | \$112,587     |

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

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

Reverse repurchase agreements outstanding as of October 31, 2010 were as follows:

| <b>Counterparty</b>            | <b>Interest<br/>Rate</b> | <b>Trade<br/>Date</b> | <b>Maturity<br/>Date</b> | <b>Net Closing<br/>Amount</b> | <b>Face<br/>Amount</b> |
|--------------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|------------------------|
| Bank of America Securities LLC | 0.16%                    | 10/28/10              | 11/01/10                 | \$ 2,005,027                  | \$ 2,005,000           |
| Bank of America Securities LLC | 0.16%                    | 10/29/10              | 11/02/10                 | \$ 2,015,000                  | \$ 2,015,000           |
| <b>Total</b>                   |                          |                       |                          | <b>\$ 4,020,027</b>           | <b>\$ 4,020,000</b>    |

Financial futures contracts purchased as of October 31, 2010 were as follows:

| <b>Contracts</b> | <b>Issue</b>               | <b>Exchange</b>        | <b>Expiration</b> | <b>Notional<br/>Value</b> | <b>Unrealized<br/>Depreciation</b> |
|------------------|----------------------------|------------------------|-------------------|---------------------------|------------------------------------|
| 20               | 30-Year U.S. Treasury Bond | Chicago Board of Trade | December 2010     | \$2,684,413               | \$ (65,663)                        |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

17

---

## Schedule of Investments (concluded)

### BlackRock Credit Allocation Income Trust II, Inc. (PSY)

**Fair Value Measurements** Various inputs are used in determining the fair value of investments and derivatives, which are as follows:

**Level 1** price quotations in active markets/exchanges for identical assets and liabilities

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

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

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the inputs used as of October 31, 2010 in determining the fair valuation of the Fund's investments and derivatives:

| <b>Valuation Inputs</b>                             | <b>Level 1</b>      | <b>Level 2</b>       | <b>Level 3</b>    | <b>Total</b>         |
|---|---------------------|----------------------|-------------------|----------------------|
| <b>Assets:</b>                                      |                     |                      |                   |                      |
| Investments in Securities:                          |                     |                      |                   |                      |
| Long-Term   |                     |                      |                   |                      |
| Investments:  |                     |                      |                   |                      |
| Corporate   |                     |                      |                   |                      |
| Bonds   |                     | \$406,284,056        | \$ 103,025        | \$406,387,081        |
| Preferred Securities                                |                     | 120,895,001          |                   | 120,895,001          |
| Taxable   |                     |                      |                   |                      |
| Municipal   |                     |                      |                   |                      |
| Bonds   |                     | 8,159,442            |                   | 8,159,442            |
| U.S. Treasury                                       |                     |                      |                   |                      |
| Obligations   |                     | 97,107,350           |                   | 97,107,350           |
| Short-Term  |                     |                      |                   |                      |
| Securities  | \$ 1,483,567        |                      |                   | 1,483,567            |
| <b>Total</b>  | <b>\$ 1,483,567</b> | <b>\$632,445,849</b> | <b>\$ 103,025</b> | <b>\$634,032,441</b> |
| <b>Derivative Financial Instruments<sup>1</sup></b> |                     |                      |                   |                      |

| Valuation Inputs        | Level 1     | Level 2 | Level 3 | Total       |
|-------------------------|-------------|---------|---------|-------------|
| <b>Liabilities:</b>     |             |         |         |             |
| Interest rate contracts |             |         |         |             |
|                         | \$ (65,663) |         |         | \$ (65,663) |

<sup>1</sup> Derivative financial instruments are financial futures contracts, which are shown at the unrealized appreciation/depreciation on the instrument.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

|   | Corporate<br>Bonds | Preferred<br>Securities | Total             |
|---|--------------------|-------------------------|-------------------|
| <b>Assets:</b>  |                    |                         |                   |
| Balance, as of October 31, 2009                                 | \$ 266,121         | \$ 16,071,150           | \$ 16,337,271     |
| Accrued discounts/premiums                                      |                    |                         |                   |
| Net realized gain (loss)  | 60                 | (8,388,676)             | (8,388,616)       |
| Net change in unrealized appreciation/depreciation <sup>2</sup> | 27,409             | 11,957,639              | 11,985,048        |
| Purchases   |                    |                         |                   |
| Sales   | (190,565)          | (19,640,113)            | (19,830,678)      |
| Transfers in <sup>3</sup>                                       |                    |                         |                   |
| Transfers out <sup>3</sup>                                      |                    |                         |                   |
| <b>Balance, as of October 31, 2010</b>                          | <b>\$ 103,025</b>  |                         | <b>\$ 103,025</b> |

<sup>2</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations. The net change in unrealized appreciation/depreciation on securities still held at October 31, 2010 was \$27,409.

<sup>3</sup> The Fund's policy is to recognize transfers in and transfers out as of the end of the period of the event or the change in circumstances that caused the transfer.

See Notes to Financial Statements.

18 ANNUAL REPORT

OCTOBER 31, 2010

## Schedule of Investments October 31, 2010

### BlackRock Credit Allocation Income Trust III (BPP)

(Percentages shown are based on Net Assets)

| Common Stocks   | Shares       | Value     |
|---|--------------|-----------|
| <b>Specialty Retail 0.0%</b>  |              |           |
| Lazydays RV Center, Inc. (a)  | 8,575        | \$ 54,708 |
| <b>Total Common Stocks 0.0%</b>   |              | 54,708    |
|   | <b>Par</b>   |           |
|   | <b>(000)</b> |           |
| <b>Corporate Bonds</b>  |              |           |
| <b>Aerospace &amp; Defense 3.7%</b>   |              |           |
| BE Aerospace, Inc., 8.50%, 7/01/18  | \$ 1,215     | 1,360,800 |
| Bombardier, Inc., 7.75%, 3/15/20 (b)  | 1,405        | 1,559,550 |
| Goodrich Corp., 3.60%, 2/01/21  | 2,750        | 2,731,355 |
| United Technologies Corp., 5.70%, 4/15/40   | 2,500        | 2,799,605 |
|   |              | 8,451,310 |
| <b>Airlines 0.7%</b>  |              |           |
| Continental Airlines Pass-Through Certificates,<br>Series 2009-2, Class B, 9.25%, 5/10/17 | 775          | 840,875   |
| Delta Air Lines, Inc., Series 02G1, 6.72%, 7/02/24  | 656          | 667,713   |
|   |              | 1,508,588 |
| <b>Auto Components 0.6%</b>   |              |           |
| Icahn Enterprises LP:<br>7.75%, 1/15/16   | 420          | 431,550   |
| 8.00%, 1/15/18  | 1,000        | 1,028,750 |
|   |              | 1,460,300 |
| <b>Beverages 0.5%</b>   |              |           |
| Constellation Brands, Inc., 7.25%, 5/15/17  | 955          | 1,046,919 |
| <b>Building Products 0.1%</b>   |              |           |
| Building Materials Corp. of America, 7.00%, 2/15/20 (b)                                   | 250          | 260,625   |
| <b>Capital Markets 0.7%</b>   |              |           |
| Ameriprise Financial, Inc., 5.30%, 3/15/20  | 1,500        | 1,646,703 |
| <b>Chemicals 0.3%</b>   |              |           |
| CF Industries, Inc., 7.13%, 5/01/20   | 525          | 609,000   |
| <b>Commercial Banks 0.9%</b>  |              |           |
| RESPARCS Funding LP I, 8.00% (a)(c)(d)  | 4,000        | 1,960,000 |
| <b>Commercial Services &amp; Supplies 5.0%</b>  |              |           |
| Aviation Capital Group, 7.13%, 10/15/20 (b)   | 4,500        | 4,632,282 |
| Browning-Ferris Industries, Inc., 7.40%, 9/15/35  | 1,824        | 2,206,398 |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |       |            |
|--|-------|------------|
| Clean Harbors, Inc., 7.63%, 8/15/16          | 630   | 665,438    |
| Corrections Corp. of America, 7.75%, 6/01/17 | 1,600 | 1,740,000  |
| Waste Management, Inc., 6.13%, 11/30/39      | 1,950 | 2,107,825  |
|  |       | 11,351,943 |

### Communications Equipment 0.9%

|  |       |           |
|--|-------|-----------|
| Brocade Communications Systems, Inc., 6.88%, 1/15/20 | 1,450 | 1,558,750 |
| CC Holdings GS V LLC, 7.75%, 5/01/17 (b)             | 440   | 493,900   |
|  |       | 2,052,650 |

### Consumer Finance 5.3%

|   |       |            |
|---|-------|------------|
| American Express Credit Corp., 2.75%, 9/15/15 | 2,900 | 2,924,766  |
| Capital One Bank USA NA, 8.80%, 7/15/19       | 1,625 | 2,061,161  |
| Inmarsat Finance Plc, 7.38%, 12/01/17 (b)     | 1,020 | 1,091,400  |
| SLM Corp., 4.00%, 7/25/14 (e)                 | 6,600 | 5,985,870  |
|   |       | 12,063,197 |

### Containers & Packaging 1.2%

|   |       |           |
|---|-------|-----------|
| Ball Corp.:   |       |           |
| 7.13%, 9/01/16  | 850   | 926,500   |
| 6.75%, 9/15/20  | 1,070 | 1,177,000 |
| Impress Holdings BV, 3.41%, 9/15/13 (b)(e)            | 240   | 238,800   |
| Owens-Brockway Glass Container, Inc., 6.75%, 12/01/14 | 270   | 276,075   |
| Rock-Tenn Co., 9.25%, 3/15/16                         | 150   | 164,250   |
|   |       | 2,782,625 |

|  | Par<br>(000) | Value        |
|--|--------------|--------------|
| <b>Corporate Bonds</b>                             |              |              |
| <b>Diversified Financial Services 1.1%</b>         |              |              |
| Ally Financial Inc., 8.30%, 2/12/15 (b)            | \$ 1,000     | \$ 1,090,000 |
| Moody s Corp., 6.06%, 9/07/17                      | 1,500        | 1,551,358    |
|  |              | 2,641,358    |
| <b>Diversified Telecommunication Services 4.1%</b> |              |              |
| AT&T Inc., 6.30%, 1/15/38                          | 2,000        | 2,200,996    |
| Frontier Communications Corp., 8.50%, 4/15/20      | 1,500        | 1,732,500    |
| Qwest Corp., 8.38%, 5/01/16                        | 1,360        | 1,638,800    |
| Verizon Communications, Inc., 7.35%, 4/01/39       | 1,950        | 2,453,069    |
| Windstream Corp.:                                  |              |              |
| 8.63%, 8/01/16                                     | 320          | 340,000      |
| 7.88%, 11/01/17                                    | 900          | 983,250      |
|  |              | 9,348,615    |
| <b>Electric Utilities 1.7%</b>                     |              |              |
| Progress Energy Inc., 7.00%, 10/30/31              | 2,000        | 2,399,790    |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |       |           |
|--|-------|-----------|
| Southern California Edison Co., 5.50%, 3/15/40               | 1,400 | 1,507,757 |
|  |       | 3,907,547 |
| <b>Electronic Equipment, Instruments</b>                     |       |           |
| <b>&amp; Components 0.2%</b>                                 |       |           |
| Jabil Circuit Inc., 8.25%, 3/15/18                           | 400   | 469,000   |
| <b>Energy Equipment &amp; Services 1.3%</b>                  |       |           |
| Compagnie Generale de Geophysique-Veritas,<br>7.75%, 5/15/17 | 555   | 581,362   |
| Halliburton Co., 7.45%, 9/15/39                              | 1,945 | 2,473,550 |
|  |       | 3,054,912 |
| <b>Food &amp; Staples Retailing 3.3%</b>                     |       |           |
| CVS Caremark Corp., 6.30%, 6/01/62 (e)                       | 3,100 | 2,875,250 |
| Wal-Mart Stores, Inc.:                                       |       |           |
| 5.25%, 9/01/35   | 1,850 | 1,906,553 |
| 6.20%, 4/15/38   | 2,500 | 2,887,460 |
|  |       | 7,669,263 |
| <b>Food Products 1.0%</b>                                    |       |           |
| Kraft Foods, Inc.:   |       |           |
| 6.50%, 8/11/17   | 800   | 961,463   |
| 6.13%, 8/23/18   | 800   | 945,583   |
| Smithfield Foods, Inc., 10.00%, 7/15/14 (b)                  | 350   | 403,375   |
|  |       | 2,310,421 |
| <b>Gas Utilities 1.0%</b>                                    |       |           |
| Nisource Finance Corp., 6.13%, 3/01/22                       | 1,950 | 2,217,513 |
| <b>Health Care Equipment &amp; Supplies 2.2%</b>             |       |           |
| Boston Scientific Corp., 7.38%, 1/15/40                      | 1,425 | 1,649,457 |
| Fresenius US Finance II, Inc., 9.00%, 7/15/15 (b)            | 1,000 | 1,167,500 |
| Medtronic, Inc.:   |       |           |
| 6.50%, 3/15/39   | 300   | 363,109   |
| 5.55%, 3/15/40   | 1,765 | 1,942,515 |
|  |       | 5,122,581 |
| <b>Health Care Providers &amp; Services 3.4%</b>             |       |           |
| Aetna, Inc., 6.75%, 12/15/37                                 | 1,725 | 1,949,021 |
| HCA, Inc.:   |       |           |
| 8.50%, 4/15/19   | 800   | 900,000   |
| 7.25%, 9/15/20   | 1,250 | 1,367,187 |
| Tenet Healthcare Corp.:                                      |       |           |
| 10.00%, 5/01/18  | 745   | 864,200   |
| 8.88%, 7/01/19   | 550   | 618,750   |
| UnitedHealth Group, Inc., 6.88%, 2/15/38                     | 1,725 | 2,000,995 |
|  |       | 7,700,153 |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Household Durables 0.3%**

|   |     |         |
|---|-----|---------|
| Cemex Espana Luxembourg, 9.25%, 5/12/20 (b) | 723 | 695,888 |
|---|-----|---------|

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

19

---



## Schedule of Investments (continued)

**BlackRock Credit Allocation Income Trust III (BPP)**

(Percentages shown are based on Net Assets)

|  | Par<br>(000) | Value        |
|--|--------------|--------------|
| <b>Corporate Bonds</b>                                     |              |              |
| <b>Insurance 2.8%</b>                                      |              |              |
| Lincoln National Corp., 6.25%, 2/15/20                     | \$ 1,725     | \$ 1,922,938 |
| Northwestern Mutual Life Insurance,<br>6.06%, 3/30/40 (b)  | 1,800        | 1,989,859    |
| Principal Financial Group, Inc., 8.88%, 5/15/19            | 475          | 620,505      |
| Prudential Financial, Inc., 6.63%, 12/01/37                | 1,725        | 1,905,459    |
|  |              | 6,438,761    |
| <b>Life Sciences Tools &amp; Services 1.9%</b>             |              |              |
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16                 | 1,830        | 1,999,275    |
| Life Technologies Corp., 6.00%, 3/01/20                    | 2,000        | 2,247,408    |
|  |              | 4,246,683    |
| <b>Machinery 1.7%</b>                                      |              |              |
| AGY Holding Corp., 11.00%, 11/15/14                        | 390          | 357,825      |
| Ingersoll-Rand Global Holding Co., Ltd.,<br>9.50%, 4/15/14 | 1,725        | 2,137,648    |
| Navistar International Corp., 8.25%, 11/01/21              | 1,245        | 1,364,831    |
|  |              | 3,860,304    |
| <b>Media 7.6%</b>  |              |              |
| CMP Susquehanna Corp., 3.64%, 5/15/14 (a)(b)               | 9            | 180          |
| CSC Holdings LLC:<br>8.50%, 6/15/15                        | 800          | 881,000      |
| 8.63%, 2/15/19   | 580          | 670,625      |
| Comcast Corp., 6.30%, 11/15/17                             | 1,725        | 2,045,772    |
| Cox Communications, Inc., 8.38%, 3/01/39 (b)               | 1,725        | 2,268,040    |
| DISH DBS Corp., 7.00%, 10/01/13                            | 850          | 909,500      |
| Gannett Co., Inc., 9.38%, 11/15/17                         | 900          | 1,010,250    |
| Intelsat Corp., 9.25%, 6/15/16                             | 850          | 909,500      |
| News America, Inc., 6.15%, 3/01/37                         | 2,000        | 2,104,854    |
| Time Warner Cable, Inc., 6.75%, 6/15/39                    | 1,950        | 2,234,997    |
| Time Warner, Inc., 7.70%, 5/01/32                          | 2,000        | 2,461,470    |
| UPC Germany GmbH, 8.13%, 12/01/17 (b)                      | 505          | 528,988      |
| Virgin Media Secured Finance Plc, 6.50%, 1/15/18           | 1,300        | 1,394,250    |
|  |              | 17,419,426   |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Metals & Mining 1.2%**

|   |       |           |
|---|-------|-----------|
| Phelps Dodge Corp., 7.13%, 11/01/27       | 1,400 | 1,566,854 |
| Teck Resources Ltd., 10.75%, 5/15/19      | 850   | 1,085,875 |
| United States Steel Corp., 7.38%, 4/01/20 | 95    | 99,156    |
|   |       | 2,751,885 |

**Multi-Utilities 1.5%**

|                           |       |           |
|---------------------------|-------|-----------|
| CenterPoint Energy, Inc.: |       |           |
| 5.95%, 2/01/17            | 1,500 | 1,676,439 |
| 6.50%, 5/01/18            | 1,600 | 1,844,064 |
|                           |       | 3,520,503 |

**Multiline Retail 2.5%**

|                                       |       |           |
|---------------------------------------|-------|-----------|
| Dollar General Corp., 10.63%, 7/15/15 | 1,550 | 1,712,750 |
| JC Penney Co., Inc., 5.65%, 6/01/20   | 4,100 | 3,966,750 |
|                                       |       | 5,679,500 |

**Oil, Gas & Consumable Fuels 4.0%**

|   |       |           |
|---|-------|-----------|
| BP Capital Markets Plc, 3.88%, 3/10/15            | 700   | 740,729   |
| Enbridge Energy Partners LP, 9.88%, 3/01/19       | 1,000 | 1,364,413 |
| Enterprise Products Operating LLC, 6.65%, 4/15/18 | 2,000 | 2,374,872 |
| Kinder Morgan Energy Partners LP, 6.85%, 2/15/20  | 2,000 | 2,398,694 |
| ONEOK Partners LP, 8.63%, 3/01/19                 | 1,725 | 2,244,696 |
|   |       | 9,123,404 |

**Paper & Forest Products 3.0%**

|   |       |           |
|---|-------|-----------|
| Georgia-Pacific LLC, 8.25%, 5/01/16 (b) | 1,635 | 1,876,163 |
| International Paper Co.:                |       |           |
| 7.50%, 8/15/21                          | 1,625 | 1,981,590 |
| 8.70%, 6/15/38                          | 900   | 1,149,647 |
| 7.30%, 11/15/39                         | 1,725 | 1,966,200 |
|   |       | 6,973,600 |

**Corporate Bonds**

(000)

Value

**Pharmaceuticals 8.0%**

|   |        |            |
|---|--------|------------|
| Abbott Laboratories:                          |        |            |
| 6.15%, 11/30/37                               | \$ 235 | \$ 275,624 |
| 6.00%, 4/01/39                                | 2,777  | 3,209,701  |
| Bristol-Myers Squibb Co.:                     |        |            |
| 5.88%, 11/15/36                               | 1,994  | 2,262,239  |
| 6.13%, 5/01/38                                | 588    | 689,213    |
| Eli Lilly & Co., 5.95%, 11/15/37              | 588    | 668,360    |
| GlaxoSmithKline Capital, Inc., 6.38%, 5/15/38 | 3,460  | 4,190,845  |
| Merck & Co., Inc., 6.50%, 12/01/33            | 990    | 1,223,714  |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |              |                    |
|---|--------------|--------------------|
| Pfizer, Inc., 7.20%, 3/15/39                              | 2,500        | 3,319,435          |
| Schering-Plough Corp., 6.55%, 9/15/37                     | 1,979        | 2,464,775          |
|   |              | 18,303,906         |
| <b>Professional Services 0.0%</b>                         |              |                    |
| FTI Consulting, Inc., 7.75%, 10/01/16                     | 100          | 105,875            |
| <b>Real Estate Investment Trusts (REITs) 1.7%</b>         |              |                    |
| AvalonBay Communities, Inc., 6.10%, 3/15/20               | 1,725        | 2,018,429          |
| ERP Operating LP, 5.75%, 6/15/17                          | 1,715        | 1,928,924          |
|   |              | 3,947,353          |
| <b>Road &amp; Rail 1.1%</b>                               |              |                    |
| Norfolk Southern Corp., 6.00%, 3/15/2105                  | 2,500        | 2,499,783          |
| <b>Semiconductors &amp; Semiconductor Equipment 1.2%</b>  |              |                    |
| Advanced Micro Devices, Inc., 7.75%, 8/01/20 (b)          | 400          | 424,000            |
| KLA-Tencor Corp., 6.90%, 5/01/18                          | 918          | 1,053,511          |
| National Semiconductor Corp., 6.60%, 6/15/17              | 1,123        | 1,306,096          |
|   |              | 2,783,607          |
| <b>Specialty Retail 1.0%</b>                              |              |                    |
| AutoNation, Inc., 6.75%, 4/15/18                          | 940          | 972,900            |
| AutoZone, Inc., 7.13%, 8/01/18                            | 650          | 790,639            |
| Limited Brands, Inc., 7.00%, 5/01/20                      | 470          | 517,000            |
|   |              | 2,280,539          |
| <b>Tobacco 1.4%</b>                                       |              |                    |
| Altria Group, Inc., 10.20%, 2/06/39                       | 2,150        | 3,161,295          |
| <b>Wireless Telecommunication Services 1.8%</b>           |              |                    |
| Cricket Communications, Inc., 7.75%, 5/15/16              | 325          | 350,188            |
| Nextel Communications, Inc., Series E,<br>6.88%, 10/31/13 | 1,105        | 1,113,287          |
| SBA Tower Trust, 5.10%, 4/15/42 (b)                       | 2,500        | 2,689,020          |
|   |              | 4,152,495          |
| <b>Total Corporate Bonds 81.9%</b>                        |              | <b>187,580,030</b> |
| <b>Preferred Securities</b>                               |              |                    |
|   | <b>Par</b>   |                    |
|   | <b>(000)</b> |                    |
| <b>Capital Trusts</b>                                     |              |                    |
| <b>Capital Markets 3.7%</b>                               |              |                    |
| State Street Capital Trust III, 8.25% (c)(e)              | \$ 1,385     | 1,410,276          |
| State Street Capital Trust IV, 1.29%, 6/01/67 (e)         | 9,675        | 7,138,515          |
|   |              | 8,548,791          |
| <b>Commercial Banks 4.6%</b>                              |              |                    |
| CBA Capital Trust I, 5.81% (b)(c)                         | 2,000        | 1,999,204          |
| FCB/NC Capital Trust I, 8.05%, 3/01/28                    | 1,100        | 1,086,276          |
| NBP Capital Trust III, 7.38% (c)                          | 2,000        | 1,760,000          |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |       |            |
|--|-------|------------|
| National City Preferred Capital Trust I, 12.00% (c)(e) | 600   | 669,894    |
| SunTrust Preferred Capital I, 5.85% (c)(e)             | 303   | 230,659    |
| USB Capital XIII Trust, 6.63%, 12/15/39                | 1,725 | 1,755,136  |
| Westpac Capital Trust IV, 5.26% (b)(c)(e)              | 3,000 | 2,945,400  |
|  |       | 10,446,569 |

See Notes to Financial Statements.

20 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments (continued)

**BlackRock Credit Allocation Income Trust III (BPP)**

(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Capital Trusts</b>                                       |              |              |
| <b>Consumer Finance 0.7%</b>                                |              |              |
| Capital One Capital V, 10.25%, 8/15/39                      | \$ 1,570     | \$ 1,703,450 |
| <b>Diversified Financial Services 4.4%</b>                  |              |              |
| JPMorgan Chase Capital XXI, Series U,<br>1.42%, 1/15/87 (e) | 7,125        | 5,349,187    |
| JPMorgan Chase Capital XXIII, 1.38%, 5/15/77 (e)            | 6,190        | 4,714,576    |
|   |              | 10,063,763   |
| <b>Electric Utilities 0.4%</b>                              |              |              |
| PPL Capital Funding, 6.70%, 3/30/67 (e)                     | 900          | 864,000      |
| <b>Insurance 6.0%</b>                                       |              |              |
| AXA SA, 6.38% (b)(c)(e)                                     | 900          | 846,000      |
| The Allstate Corp., 6.50%, 5/15/67 (e)                      | 900          | 893,250      |
| Chubb Corp., 6.38%, 3/29/67 (e)                             | 900          | 923,625      |
| Liberty Mutual Group, Inc., 10.75%, 6/15/88 (b)(e)          | 900          | 1,116,000    |
| Lincoln National Corp., 7.00%, 5/17/66 (e)                  | 900          | 877,500      |
| MetLife, Inc., 6.40%, 12/15/66                              | 900          | 882,000      |
| Prudential Plc, 6.50% (c)                                   | 6,000        | 5,887,500    |
| Reinsurance Group of America, 6.75%, 12/15/65 (e)           | 1,300        | 1,162,288    |
| The Travelers Cos., Inc., 6.25%, 3/15/67 (e)                | 900          | 936,000      |
| ZFS Finance (USA) Trust IV, 5.88%, 5/09/32 (b)(e)           | 190          | 181,137      |
|   |              | 13,705,300   |
| <b>Multi-Utilities 0.4%</b>                                 |              |              |
| Puget Sound Energy, Inc., Series A, 6.97%, 6/01/67 (e)      | 925          | 891,681      |
| <b>Oil, Gas &amp; Consumable Fuels 0.4%</b>                 |              |              |
| TransCanada PipeLines Ltd., 6.35%, 5/15/67 (e)              | 900          | 861,750      |
| <b>Total Capital Trusts 20.6%</b>                           |              | 47,085,304   |
| <b>Preferred Stocks</b>                                     |              |              |
| <b>Media 0.0%</b>   |              |              |
| CMP Susquehanna Radio Holdings Corp.,<br>0.00% (a)(b)       | 2,052        |              |
| <b>Specialty Retail 0.1%</b>                                |              |              |
| Lazydays RV Center, Inc., 0.00% (a)                         | 182          | 270,532      |
| <b>Total Preferred Stocks 0.1%</b>                          |              | 270,532      |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |              |              |            |
|--|--------------|--------------|------------|
| <b>Total Preferred Securities</b>              | <b>20.7%</b> |              | 47,355,836 |
|  |              | <b>Par</b>   |            |
|  |              | <b>(000)</b> |            |
| <b>Taxable Municipal Bonds</b>                 |              |              |            |
| Metropolitan Transportation Authority, RB,     |              |              |            |
| Build America Bonds, 6.55%, 11/15/31           |              | \$ 1,675     | 1,758,867  |
| State of California, GO, Build America Bonds,  |              |              |            |
| 7.35%, 11/01/39                                |              | 825          | 845,064    |
| State of Illinois, GO, Pension, 5.10%, 6/01/33 |              | 1,675        | 1,335,059  |
| <b>Total Taxable Municipal Bonds</b>           | <b>1.7%</b>  |              | 3,938,990  |
| <b>U.S. Treasury Obligations</b>               |              |              |            |
| U.S. Treasury Notes, 1.75%, 7/31/15            |              | 22,000       | 22,654,940 |
| <b>Total U.S. Treasury Obligations</b>         | <b>9.9%</b>  |              | 22,654,940 |

|  |                |               |                |
|--|----------------|---------------|----------------|
| <b>Warrants (f)</b>                            |                | <b>Shares</b> | <b>Value</b>   |
| <b>Media</b>                                   | <b>0.0%</b>    |               |                |
| CMP Susquehanna Radio Holdings Corp.           |                |               |                |
| (Expires 3/26/19) (b)                          |                | 2,345         | \$             |
| <b>Total Warrants</b>                          | <b>0.0%</b>    |               |                |
| <b>Total Long Term Investments</b>             |                |               |                |
| <b>(Cost \$254,407,512)</b>                    | <b>114.2%</b>  |               | 261,584,504    |
| <b>Short-Term Securities</b>                   |                |               |                |
| BlackRock Liquidity Funds, TempFund,           |                |               |                |
| Institutional Class, 0.21% (g)(h)              |                | 34,466,527    | 34,466,527     |
| <b>Total Short-Term Securities</b>             |                |               |                |
| <b>(Cost \$34,466,527)</b>                     | <b>15.0%</b>   |               | 34,466,527     |
| <b>Total Investments (Cost \$288,874,039*)</b> | <b>129.2%</b>  |               | 296,051,031    |
| <b>Other Assets Less Liabilities</b>           | <b>1.5%</b>    |               | 3,474,382      |
| <b>Preferred Shares, at Redemption Value</b>   | <b>(30.7)%</b> |               | (70,427,344)   |
| <b>Net Assets Applicable to Common Shares</b>  | <b>100.0%</b>  |               | \$ 229,098,069 |

\* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2010, as computed for federal income tax purposes, were as follows:

|                               |                |
|-------------------------------|----------------|
| Aggregate cost                | \$ 288,411,422 |
| Gross unrealized appreciation | \$ 14,629,466  |
| Gross unrealized depreciation | (6,989,857)    |
| Net unrealized appreciation   | \$ 7,639,609   |

(a) Non-income producing security.

(b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(c) Security is perpetual in nature and has no stated maturity date.

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

- (d) Issuer filed for bankruptcy and/or is in default of interest payments.
- (e) Variable rate security. Rate shown is as of report date.
- (f) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.
- (g) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

| Affiliate  | Shares Held at   | Net Activity | Shares Held at   | Income   |
|--|------------------|--------------|------------------|----------|
|  | October 31, 2009 |              | October 31, 2010 |          |
| BlackRock Liquidity Funds, TempFund, Institutional Class | 51,450,797       | (16,984,270) | 34,466,527       | \$52,739 |

- (h) Represents the current yield as of report date.
- For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.
- Financial futures contracts purchased as of October 31, 2010 were as follows:

| Contracts | Issue                      | Exchange               | Expiration    | Notional Value | Unrealized Depreciation |
|-----------|----------------------------|------------------------|---------------|----------------|-------------------------|
| 12        | 30-Year U.S. Treasury Bond | Chicago Board of Trade | December 2010 | \$1,610,648    | \$ (39,398)             |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

## Schedule of Investments (concluded)

### BlackRock Credit Allocation Income Trust III (BPP)

**Fair Value Measurements** Various inputs are used in determining the fair value of investments and derivatives, which are as follows:

**Level 1** price quotations in active markets/exchanges for identical assets and liabilities

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

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

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the inputs used as of October 31, 2010 in determining the fair valuation of the Fund's investments and derivatives:

| <b>Valuation Inputs</b>    | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|----------------------------|----------------|----------------|----------------|--------------|
| <b>Assets:</b>             |                |                |                |              |
| Investments in Securities: |                |                |                |              |
| Long-Term                  |                |                |                |              |
| Investments:               |                |                |                |              |
| Common                     |                |                |                |              |
| Stocks                     |                |                | \$ 54,708      | \$ 54,708    |
| Corporate                  |                |                |                |              |
| Bonds                      |                | \$187,579,850  | 180            | 187,580,030  |
| Preferred                  |                |                |                |              |
| Securities                 |                | 47,085,304     | 270,532        | 47,355,836   |
| Taxable                    |                |                |                |              |
| Municipal                  |                |                |                |              |
| Bonds                      |                | 3,938,990      |                | 3,938,990    |
| U.S. Treasury              |                |                |                |              |
| Obligations                |                | 22,654,940     |                | 22,654,940   |
| Short-Term                 |                |                |                |              |
| Securities                 | \$34,466,527   |                |                | 34,466,527   |



Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|              |   |               |            |               |
|--------------|---|---------------|------------|---------------|
| <b>Total</b> | \$34,466,527  | \$261,259,084 | \$ 325,420 | \$296,051,031 |
|              | <b>Derivative Financial Instruments<sup>1</sup></b> |               |            |               |

---

| <b>Valuation Inputs</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-------------------------|----------------|----------------|----------------|--------------|
| <b>Liabilities:</b>     |                |                |                |              |
| Interest rate contracts | \$ (39,398)    |                |                | \$ (39,398)  |

<sup>1</sup> Derivative financial instruments are financial futures contracts, which are shown at the unrealized appreciation/depreciation on the instrument.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

|   | <b>Common<br/>Stocks</b> | <b>Corporate<br/>Bonds</b> | <b>Preferred<br/>Securities</b> | <b>Total</b>      |
|---|--------------------------|----------------------------|---------------------------------|-------------------|
| <b>Assets:</b>  |                          |                            |                                 |                   |
| Balance, as of October 31, 2009                                 |                          | \$ 12,000                  | \$ 3,027,189                    | \$ 3,039,189      |
| Accrued discounts/premiums                                      |                          | 684                        |                                 | 684               |
| Net realized gain (loss)  |                          |                            | (925,530)                       | (925,530)         |
| Net change in unrealized appreciation/depreciation <sup>2</sup> |                          | 1,171,753                  | 815,841                         | 1,987,594         |
| Purchases   |                          |                            |                                 |                   |
| Sales   |                          | (1,184,257)                | (2,917,500)                     | (4,101,757)       |
| Transfers in <sup>3</sup>                                       | \$ 54,708                |                            | 270,532                         | 325,420           |
| Transfers out <sup>3</sup>                                      |                          |                            |                                 |                   |
| <b>Balance, as of October 31, 2010</b>                          | <b>\$ 54,708</b>         | <b>\$ 180</b>              | <b>\$ 270,532</b>               | <b>\$ 325,420</b> |

<sup>2</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations. The net change in unrealized appreciation/depreciation on securities still held at October 31, 2010 was \$(684).

<sup>3</sup> The Fund's policy is to recognize transfers in and transfers out as of the end of the period of the event or the change in circumstances that caused the transfer.

See Notes to Financial Statements.

22 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments October 31, 2010

### BlackRock Credit Allocation Income Trust IV (BTZ)

(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Corporate Bonds</b>  |              |              |
| <b>Aerospace &amp; Defense 4.0%</b>   |              |              |
| BE Aerospace, Inc., 8.50%, 7/01/18  | \$ 3,575     | \$ 4,004,000 |
| Bombardier, Inc., 7.75%, 3/15/20 (a)  | 4,500        | 4,995,000    |
| Goodrich Corp., 3.60%, 2/01/21  | 10,000       | 9,932,200    |
| United Technologies Corp., 5.70%, 4/15/40   | 10,000       | 11,198,420   |
|   |              | 30,129,620   |
| <b>Airlines 0.7%</b>  |              |              |
| Continental Airlines Pass-Through Certificates,<br>Series 2009-2, Class B, 9.25%, 5/10/17 | 2,225        | 2,414,125    |
| Delta Air Lines, Inc., Series 02G1, 6.72%, 7/02/24  | 2,461        | 2,503,925    |
|   |              | 4,918,050    |
| <b>Auto Components 0.6%</b>   |              |              |
| Icahn Enterprises LP:<br>7.75%, 1/15/16   | 1,700        | 1,746,750    |
| 8.00%, 1/15/18  | 2,500        | 2,571,875    |
|   |              | 4,318,625    |
| <b>Beverages 0.5%</b>   |              |              |
| Constellation Brands, Inc., 7.25%, 5/15/17  | 3,230        | 3,540,887    |
| <b>Building Products 0.2%</b>   |              |              |
| Building Materials Corp. of America,<br>7.00%, 2/15/20 (a)                                | 1,100        | 1,146,750    |
| <b>Capital Markets 1.8%</b>   |              |              |
| Ameriprise Financial, Inc., 5.30%, 3/15/20  | 4,500        | 4,940,109    |
| The Goldman Sachs Group, Inc., 7.50%, 2/15/19   | 6,850        | 8,245,715    |
|   |              | 13,185,824   |
| <b>Chemicals 0.3%</b>   |              |              |
| CF Industries, Inc., 7.13%, 5/01/20   | 1,850        | 2,146,000    |
| <b>Commercial Services &amp; Supplies 4.5%</b>  |              |              |
| Aviation Capital Group, 7.13%, 10/15/20 (a)   | 15,000       | 15,440,941   |
| Browning-Ferris Industries, Inc., 7.40%, 9/15/35  | 4,420        | 5,346,644    |
| Clean Harbors, Inc., 7.63%, 8/15/16   | 2,250        | 2,376,563    |
| Corrections Corp. of America, 7.75%, 6/01/17  | 4,835        | 5,258,062    |
| Waste Management, Inc., 6.13%, 11/30/39   | 4,750        | 5,134,446    |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

33,556,656

**Communications Equipment 0.8%**

|   |       |           |
|---|-------|-----------|
| Brocade Communications Systems, Inc.,<br>6.88%, 1/15/20 | 3,580 | 3,848,500 |
| CC Holdings GS V LLC, 7.75%, 5/01/17 (a)                | 1,725 | 1,936,312 |
|   |       | 5,784,812 |

**Consumer Finance 4.3%**

|   |        |            |
|---|--------|------------|
| American Express Credit Corp., 2.75%, 9/15/15 | 9,850  | 9,934,119  |
| Capital One Bank USA NA, 8.80%, 7/15/19       | 3,950  | 5,010,208  |
| Inmarsat Finance Plc, 7.38%, 12/01/17 (a)     | 2,975  | 3,183,250  |
| SLM Corp., 4.00%, 7/25/14 (b)                 | 15,852 | 14,376,971 |
|   |        | 32,504,548 |

**Containers & Packaging 1.1%**

|   |       |           |
|---|-------|-----------|
| Ball Corp.:   |       |           |
| 7.13%, 9/01/16  | 2,000 | 2,180,000 |
| 6.75%, 9/15/20  | 3,575 | 3,932,500 |
| Owens-Brockway Glass Container, Inc., 6.75%, 12/01/14 | 1,110 | 1,134,975 |
| Rock-Tenn Co., 9.25%, 3/15/16                         | 800   | 876,000   |
|   |       | 8,123,475 |

**Diversified Financial Services 2.0%**

|   |        |            |
|---|--------|------------|
| Ally Financial Inc., 8.30%, 2/12/15 (a) | 3,700  | 4,033,000  |
| Moody s Corp., 6.06%, 9/07/17           | 10,000 | 10,342,390 |
| Stan IV Ltd., 2.48%, 7/20/11 (b)        | 283    | 280,170    |
|   |        | 14,655,560 |

|  | Par<br>(000) | Value        |
|--|--------------|--------------|
| <b>Corporate Bonds</b>                             |              |              |
| <b>Diversified Telecommunication Services 3.3%</b> |              |              |
| AT&T Inc., 6.30%, 1/15/38                          | \$ 5,000     | \$ 5,502,490 |
| Frontier Communications Corp., 8.50%, 4/15/20      | 4,500        | 5,197,500    |
| Qwest Corp., 8.38%, 5/01/16                        | 3,285        | 3,958,425    |
| Verizon Communications, Inc., 7.35%, 4/01/39       | 4,700        | 5,912,525    |
| Windstream Corp.:                                  |              |              |
| 8.63%, 8/01/16                                     | 1,250        | 1,328,125    |
| 7.88%, 11/01/17                                    | 2,700        | 2,949,750    |
|  |              | 24,848,815   |
| <b>Electric Utilities 1.4%</b>                     |              |              |
| Progress Energy Inc., 7.00%, 10/30/31              | 5,000        | 5,999,475    |
| Southern California Edison Co., 5.50%, 3/15/40     | 3,850        | 4,146,331    |
|  |              | 10,145,806   |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Electronic Equipment, Instruments**

**& Components 0.3%**

|                                    |       |           |
|------------------------------------|-------|-----------|
| Jabil Circuit Inc., 8.25%, 3/15/18 | 2,000 | 2,345,000 |
|------------------------------------|-------|-----------|

**Energy Equipment & Services 1.6%**

|  |       |            |
|--|-------|------------|
| Compagnie Generale de Geophysique-Veritas,<br>7.75%, 5/15/17   | 2,500 | 2,618,750  |
| Halliburton Co., 7.45%, 9/15/39                                | 5,076 | 6,455,393  |
| Hornbeck Offshore Services, Inc., Series B,<br>6.13%, 12/01/14 | 2,695 | 2,695,000  |
|  |       | 11,769,143 |

**Food & Staples Retailing 4.3%**

|  |        |            |
|--|--------|------------|
| CVS Caremark Corp.:<br>4.75%, 5/18/20    | 10,000 | 10,913,140 |
| 6.30%, 6/01/62 (b)                       | 7,800  | 7,234,500  |
| Wal-Mart Stores, Inc.:<br>5.25%, 9/01/35 | 2,650  | 2,731,008  |
| 6.20%, 4/15/38                           | 10,000 | 11,549,840 |
|  |        | 32,428,488 |

**Food Products 0.8%**

|   |       |           |
|---|-------|-----------|
| Kraft Foods, Inc.:<br>6.50%, 8/11/17        | 1,985 | 2,385,631 |
| 6.13%, 8/23/18                              | 1,990 | 2,352,138 |
| Smithfield Foods, Inc., 10.00%, 7/15/14 (a) | 1,250 | 1,440,625 |
|   |       | 6,178,394 |

**Gas Utilities 0.7%**

|  |       |           |
|--|-------|-----------|
| Nisource Finance Corp., 6.13%, 3/01/22 | 4,750 | 5,401,633 |
|--|-------|-----------|

**Health Care Equipment & Supplies 2.6%**

|   |       |            |
|---|-------|------------|
| Boston Scientific Corp., 7.38%, 1/15/40           | 4,950 | 5,729,694  |
| Fresenius US Finance II, Inc., 9.00%, 7/15/15 (a) | 4,250 | 4,961,875  |
| Medtronic, Inc.:<br>6.50%, 3/15/39                | 1,050 | 1,270,881  |
| 5.55%, 3/15/40                                    | 7,058 | 7,767,859  |
|   |       | 19,730,309 |

**Health Care Providers & Services 2.7%**

|  |       |           |
|--|-------|-----------|
| Aetna, Inc., 6.75%, 12/15/37               | 4,075 | 4,604,208 |
| HCA, Inc.:<br>8.50%, 4/15/19               | 2,000 | 2,250,000 |
| 7.25%, 9/15/20                             | 3,600 | 3,937,500 |
| Tenet Healthcare Corp.:<br>10.00%, 5/01/18 | 2,175 | 2,523,000 |
| 8.88%, 7/01/19                             | 1,825 | 2,053,125 |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |       |            |
|---|-------|------------|
| UnitedHealth Group, Inc., 6.88%, 2/15/38    | 4,075 | 4,726,988  |
|   |       | 20,094,821 |
| <b>Household Durables 0.6%</b>              |       |            |
| Cemex Espana Luxembourg, 9.25%, 5/12/20 (a) | 4,947 | 4,761,487  |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

23

---

## Schedule of Investments (continued)

**BlackRock Credit Allocation Income Trust IV (BTZ)**

(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Corporate Bonds</b>                                    |              |              |
| <b>IT Services 0.7%</b>                                   |              |              |
| International Business Machines Corp.,<br>5.60%, 11/30/39 | \$ 4,400     | \$ 4,903,923 |
| <b>Insurance 3.0%</b>                                     |              |              |
| AXA SA, 6.46% (a)(b)(c)                                   | 6,000        | 5,610,000    |
| Lincoln National Corp., 6.25%, 2/15/20                    | 4,075        | 4,542,594    |
| Northwestern Mutual Life Insurance, 6.06%, 3/30/40 (a)    | 5,500        | 6,080,124    |
| Principal Financial Group, Inc., 8.88%, 5/15/19           | 1,145        | 1,495,743    |
| Prudential Financial, Inc., 6.63%, 12/01/37               | 4,075        | 4,501,302    |
|   |              | 22,229,763   |
| <b>Life Sciences Tools &amp; Services 1.5%</b>            |              |              |
| Bio-Rad Laboratories, Inc., 8.00%, 9/15/16                | 5,480        | 5,986,900    |
| Life Technologies Corp., 6.00%, 3/01/20                   | 4,800        | 5,393,779    |
|   |              | 11,380,679   |
| <b>Machinery 1.3%</b>                                     |              |              |
| Ingersoll-Rand Global Holding Co., Ltd., 9.50%, 4/15/14   | 4,075        | 5,049,805    |
| Navistar International Corp., 8.25%, 11/01/21             | 3,975        | 4,357,594    |
|   |              | 9,407,399    |
| <b>Media 5.8%</b>   |              |              |
| CSC Holdings LLC:<br>8.50%, 6/15/15                       | 2,300        | 2,532,875    |
| 8.63%, 2/15/19  | 1,950        | 2,254,688    |
| Comcast Corp., 6.30%, 11/15/17                            | 4,075        | 4,832,767    |
| Cox Communications, Inc., 8.38%, 3/01/39 (a)              | 4,075        | 5,357,834    |
| DISH DBS Corp., 7.00%, 10/01/13                           | 1,950        | 2,086,500    |
| Gannett Co., Inc., 9.38%, 11/15/17                        | 3,100        | 3,479,750    |
| Intelsat Corp., 9.25%, 6/15/16                            | 2,000        | 2,140,000    |
| News America, Inc., 6.15%, 3/01/37                        | 4,850        | 5,104,271    |
| Time Warner Cable, Inc., 6.75%, 6/15/39                   | 4,675        | 5,358,261    |
| Time Warner, Inc., 7.70%, 5/01/32                         | 4,900        | 6,030,601    |
| UPC Germany GmbH, 8.13%, 12/01/17 (a)                     | 1,225        | 1,283,188    |
| Virgin Media Secured Finance Plc, 6.50%, 1/15/18          | 3,175        | 3,405,187    |
|   |              | 43,865,922   |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Metals & Mining 0.9%**

|   |       |           |
|---|-------|-----------|
| Aleris International, Inc., 10.00%, 12/15/16 (d)(e) | 5,000 | 25,000    |
| Phelps Dodge Corp., 7.13%, 11/01/27                 | 3,500 | 3,917,133 |
| Teck Resources Ltd., 10.75%, 5/15/19                | 2,000 | 2,555,000 |
| United States Steel Corp., 7.38%, 4/01/20           | 290   | 302,688   |
|   |       | 6,799,821 |

**Multi-Utilities 2.6%**

|  |       |            |
|--|-------|------------|
| CenterPoint Energy, Inc.:                |       |            |
| 5.95%, 2/01/17                           | 3,600 | 4,023,454  |
| 6.50%, 5/01/18                           | 3,950 | 4,552,533  |
| Dominion Resources, Inc., 8.88%, 1/15/19 | 8,000 | 10,793,664 |
|  |       | 19,369,651 |

**Multiline Retail 2.9%**

|                                       |        |            |
|---------------------------------------|--------|------------|
| Dollar General Corp., 10.63%, 7/15/15 | 4,225  | 4,668,625  |
| JC Penney Co., Inc., 5.65%, 6/01/20   | 17,700 | 17,124,750 |
|                                       |        | 21,793,375 |

**Oil, Gas & Consumable Fuels 3.4%**

|   |       |            |
|---|-------|------------|
| BP Capital Markets Plc:                           |       |            |
| 5.25%, 11/07/13                                   | 2,100 | 2,297,056  |
| 3.88%, 3/10/15                                    | 3,085 | 3,264,501  |
| Enbridge Energy Partners LP, 9.88%, 3/01/19       | 2,425 | 3,308,701  |
| Enterprise Products Operating LLC, 6.65%, 4/15/18 | 4,800 | 5,699,693  |
| Kinder Morgan Energy Partners LP, 6.85%, 2/15/20  | 4,800 | 5,756,866  |
| ONEOK Partners LP, 8.63%, 3/01/19                 | 4,075 | 5,302,687  |
|   |       | 25,629,504 |

|  |              |              |
|--|--------------|--------------|
|  | <b>Par</b>   |              |
|  | <b>(000)</b> | <b>Value</b> |

**Corporate Bonds**

**Paper & Forest Products 2.4%**

|   |          |              |
|---|----------|--------------|
| Georgia-Pacific LLC, 8.25%, 5/01/16 (a) | \$ 3,955 | \$ 4,538,362 |
| International Paper Co.:                |          |              |
| 7.50%, 8/15/21                          | 3,950    | 4,816,788    |
| 8.70%, 6/15/38                          | 3,100    | 3,959,897    |
| 7.30%, 11/15/39                         | 4,075    | 4,644,791    |
|   |          | 17,959,838   |

**Pharmaceuticals 8.6%**

|                           |       |            |
|---------------------------|-------|------------|
| Abbott Laboratories:      |       |            |
| 6.15%, 11/30/37           | 942   | 1,104,842  |
| 6.00%, 4/01/39            | 9,405 | 10,870,450 |
| Bristol-Myers Squibb Co.: |       |            |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |        |             |
|--|--------|-------------|
| 5.88%, 11/15/36  | 8,015  | 9,093,202   |
| 6.13%, 5/01/38   | 2,353  | 2,758,024   |
| Eli Lilly & Co., 5.95%, 11/15/37                         | 2,353  | 2,674,575   |
| GlaxoSmithKline Capital, Inc., 6.38%, 5/15/38            | 10,100 | 12,233,393  |
| Merck & Co., Inc., 6.50%, 12/01/33                       | 2,885  | 3,566,076   |
| Pfizer, Inc., 7.20%, 3/15/39                             | 10,000 | 13,277,740  |
| Schering-Plough Corp., 6.55%, 9/15/37                    | 6,945  | 8,649,754   |
|  |        | 64,228,056  |
| <b>Real Estate Investment Trusts (REITs) 1.2%</b>        |        |             |
| AvalonBay Communities, Inc., 6.10%, 3/15/20              | 4,075  | 4,768,174   |
| ERP Operating LP, 5.75%, 6/15/17                         | 4,080  | 4,588,927   |
|  |        | 9,357,101   |
| <b>Road &amp; Rail 1.1%</b>                              |        |             |
| Norfolk Southern Corp., 6.00%, 3/15/2105                 | 8,500  | 8,499,260   |
| <b>Semiconductors &amp; Semiconductor Equipment 0.9%</b> |        |             |
| Advanced Micro Devices, Inc., 7.75%, 8/01/20 (a)         | 1,300  | 1,378,000   |
| KLA-Tencor Corp., 6.90%, 5/01/18                         | 2,208  | 2,533,934   |
| National Semiconductor Corp., 6.60%, 6/15/17             | 2,770  | 3,221,626   |
|  |        | 7,133,560   |
| <b>Specialty Retail 0.8%</b>                             |        |             |
| AutoNation, Inc., 6.75%, 4/15/18                         | 2,775  | 2,872,125   |
| AutoZone, Inc., 7.13%, 8/01/18                           | 1,550  | 1,885,369   |
| Limited Brands, Inc., 7.00%, 5/01/20                     | 1,370  | 1,507,000   |
|  |        | 6,264,494   |
| <b>Tobacco 2.9%</b>                                      |        |             |
| Altria Group, Inc.:                                      |        |             |
| 9.70%, 11/10/18  | 4,075  | 5,621,198   |
| 9.25%, 8/06/19   | 3,950  | 5,423,247   |
| 10.20%, 2/06/39  | 7,400  | 10,880,738  |
|  |        | 21,925,183  |
| <b>Wireless Telecommunication Services 1.4%</b>          |        |             |
| Cricket Communications, Inc., 7.75%, 5/15/16             | 780    | 840,450     |
| Nextel Communications, Inc., Series E, 6.88%, 10/31/13   | 2,890  | 2,911,675   |
| SBA Tower Trust, 5.10%, 4/15/42 (a)                      | 6,250  | 6,722,550   |
|  |        | 10,474,675  |
| <b>Total Corporate Bonds 80.5%</b>                       |        | 602,936,907 |
| <b>Preferred Securities</b>                              |        |             |
| <b>Capital Trusts</b>                                    |        |             |
| <b>Capital Markets 2.9%</b>                              |        |             |
| Credit Suisse Guernsey Ltd., 5.86% (b)(c)                | 1,050  | 1,027,687   |
| State Street Capital Trust III, 8.25% (b)(c)             | 1,740  | 1,771,755   |



Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

State Street Capital Trust IV, 1.29%, 6/01/67 (b)

25,245

18,626,544

21,425,986

See Notes to Financial Statements.

24 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments (continued)

**BlackRock Credit Allocation Income Trust IV (BTZ)**

(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value         |
|---|--------------|---------------|
| <b>Capital Trusts</b>   |              |               |
| <b>Commercial Banks 5.7%</b>  |              |               |
| BB&T Capital Trust IV, 6.82%, 6/12/77 (b)                           | \$ 15,300    | \$ 15,261,750 |
| CBA Capital Trust II, 6.02% (a)(b)(c)                               | 5,000        | 4,959,580     |
| HSBC Capital Funding LP/Jersey Channel Islands,<br>10.18% (a)(b)(c) | 7,000        | 9,205,000     |
| National City Preferred Capital Trust I, 12.00% (b)(c)              | 3,713        | 4,145,527     |
| Standard Chartered Bank, 7.01% (a)(b)(c)                            | 5,000        | 4,944,090     |
| USB Capital XIII Trust, 6.63%, 12/15/39                             | 4,100        | 4,171,627     |
|   |              | 42,687,574    |
| <b>Consumer Finance 0.8%</b>  |              |               |
| Capital One Capital V, 10.25%, 8/15/39                              | 5,460        | 5,924,100     |
| <b>Diversified Financial Services 3.4%</b>                          |              |               |
| JPMorgan Chase Capital XXI, Series U,<br>1.42%, 1/15/87 (b)         | 12,875       | 9,666,074     |
| JPMorgan Chase Capital XXIII, 1.38%, 5/15/77 (b)                    | 20,695       | 15,762,222    |
|   |              | 25,428,296    |
| <b>Electric Utilities 0.5%</b>                                      |              |               |
| PPL Capital Funding, 6.70%, 3/30/67 (b)                             | 3,900        | 3,744,000     |
| <b>Insurance 5.9%</b>   |              |               |
| Ace Capital Trust II, 9.70%, 4/01/30                                | 4,000        | 4,800,108     |
| The Allstate Corp., 6.50%, 5/15/67 (b)                              | 4,000        | 3,970,000     |
| Aon Corp., 8.21%, 1/01/27   | 4,000        | 4,212,040     |
| Chubb Corp., 6.38%, 3/29/67 (b)                                     | 4,000        | 4,105,000     |
| Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b)                  | 4,000        | 4,960,000     |
| Lincoln National Corp., 7.00%, 5/17/66 (b)                          | 4,255        | 4,148,625     |
| MetLife, Inc., 6.40%, 12/15/66                                      | 4,550        | 4,459,000     |
| Reinsurance Group of America, 6.75%, 12/15/65 (b)                   | 7,000        | 6,258,476     |
| Swiss Re Capital I LP, 6.85% (a)(b)(c)                              | 3,000        | 2,978,280     |
| The Travelers Cos., Inc., 6.25%, 3/15/67 (b)                        | 4,000        | 4,160,000     |
| ZFS Finance (USA) Trust IV, 5.88%, 5/09/32 (a)(b)                   | 599          | 571,057       |
|   |              | 44,622,586    |
| <b>Multi-Utilities 0.2%</b>   |              |               |
| Puget Sound Energy, Inc., Series A, 6.97%, 6/01/67 (b)              | 1,575        | 1,518,269     |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Oil, Gas & Consumable Fuels 1.1%**

|   |       |             |
|---|-------|-------------|
| Enterprise Products Operating LLC, 8.38%, 8/01/66 (b) | 4,500 | 4,747,500   |
| TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b)        | 4,000 | 3,830,000   |
|   |       | 8,577,500   |
| <b>Total Capital Trusts 20.5%</b>                     |       | 153,928,311 |

**Preferred Stocks**

**Shares**

**Real Estate Investment Trusts (REITs) 1.6%**

|  |        |            |
|--|--------|------------|
| Sovereign Real Estate Investment Corp., 12.00% | 10,000 | 11,625,000 |
|--|--------|------------|

**Wireless Telecommunication Services 1.4%**

|                              |        |            |
|------------------------------|--------|------------|
| Centaur Funding Corp., 9.08% | 10,000 | 10,768,750 |
|------------------------------|--------|------------|

|                                    |  |            |
|------------------------------------|--|------------|
| <b>Total Preferred Stocks 3.0%</b> |  | 22,393,750 |
|------------------------------------|--|------------|

|   |  |             |
|---|--|-------------|
| <b>Total Preferred Securities 23.5%</b> |  | 176,322,061 |
|---|--|-------------|

**Par**

**Taxable Municipal Bonds**

**(000)**

|  |          |            |
|--|----------|------------|
| City of Chicago Illinois, RB, Build America Bonds,<br>6.85%, 1/01/38               | \$ 5,000 | 5,155,450  |
| Metropolitan Transportation Authority, RB,<br>Build America Bonds, 6.55%, 11/15/31 | 4,075    | 4,279,035  |
| State of California, GO, Build America Bonds,<br>7.35%, 11/01/39                   | 2,050    | 2,099,856  |
| State of Illinois, GO, Pension, 5.10%, 6/01/33                                     | 4,075    | 3,247,979  |
| <b>Total Taxable Municipal Bonds 2.0%</b>  |          | 14,782,320 |

**Par**

**(000)**

**Value**

**U.S. Treasury Obligations**

|  |           |              |
|--|-----------|--------------|
| U.S. Treasury Notes:                         |           |              |
| 1.75%, 7/31/15                               | \$ 60,000 | \$61,786,200 |
| 4.63%, 2/15/40                               | 75,000    | 83,226,600   |
| <b>Total U.S. Treasury Obligations 19.3%</b> |           | 145,012,800  |

**Total Long-Term Investments**

|                                    |  |             |
|------------------------------------|--|-------------|
| <b>(Cost \$911,010,062) 125.3%</b> |  | 939,054,088 |
|------------------------------------|--|-------------|

**Short-Term Securities**

**Shares**

|   |            |            |
|---|------------|------------|
| BlackRock Liquidity Funds, TempFund,<br>Institutional Class, 0.21% (f)(g) | 26,924,664 | 26,924,664 |
|---|------------|------------|

|                                    |  |            |
|------------------------------------|--|------------|
| <b>Total Short-Term Securities</b> |  | 26,924,664 |
| <b>(Cost \$26,924,664) 3.6%</b>    |  |            |

|   |  |             |
|---|--|-------------|
| <b>Total Investments (Cost \$937,934,726*) 128.9%</b> |  | 965,978,752 |
|---|--|-------------|

|   |  |            |
|---|--|------------|
| <b>Other Assets Less Liabilities 1.9%</b> |  | 14,426,278 |
|---|--|------------|

|  |  |               |
|--|--|---------------|
| <b>Preferred Shares, at Redemption Value (30.8)%</b> |  | (231,045,110) |
|--|--|---------------|

|                          |  |                |
|--------------------------|--|----------------|
| <b>Net Assets 100.0%</b> |  | \$ 749,359,920 |
|--------------------------|--|----------------|

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

\* The cost and unrealized appreciation (depreciation) of investments as of October 31,

2010, as computed for federal income tax purposes, were as follows:

|                               |                |
|-------------------------------|----------------|
| Aggregate cost                | \$ 937,254,273 |
| Gross unrealized appreciation | \$ 53,165,500  |
| Gross unrealized depreciation | (24,441,021)   |
| Net unrealized appreciation   | \$ 28,724,479  |

(a) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(b) Variable rate security. Rate shown is as of report date.

(c) Security is perpetual in nature and has no stated maturity date.

(d) Issuer filed for bankruptcy and/or is in default of interest payments.

(e) Non-income producing security.

(f) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

| Affiliate  | Shares Held at<br>October 31,<br>2009 | Net<br>Activity | Shares Held at<br>October 31,<br>2010 | Income     |
|--|---------------------------------------|-----------------|---------------------------------------|------------|
| BlackRock Liquidity<br>Funds, TempFund,<br>Institutional Class |                                       | 267,832,781     | (240,908,117)                         | 26,924,664 |
|  |                                       |                 |                                       | \$173,294  |

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

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

Financial futures contracts purchased as of October 31, 2010 were as follows:

| Contracts    | Issue                         | Exchange                  | Expiration       | Notional<br>Value | Unrealized<br>Appreciation<br>(Depreciation) |
|--------------|-------------------------------|---------------------------|------------------|-------------------|--|
| 346          | 10-Year U.S.<br>Treasury Bond | Chicago Board<br>of Trade | December<br>2010 | \$43,373,650      | \$ 319,663                                   |
| 28           | 30-Year U.S.<br>Treasury Bond | Chicago Board<br>of Trade | December<br>2010 | \$ 3,758,178      | (91,928)                                     |
| <b>Total</b> |                               |                           |                  |                   | <b>\$ 227,735</b>                            |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

25

---

## Schedule of Investments (concluded)

### BlackRock Credit Allocation Income Trust IV (BTZ)

**Fair Value Measurements** Various inputs are used in determining the fair value of investments and derivatives, which are as follows:

Level 1 price quotations in active markets/exchanges for identical assets and liabilities

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

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

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements. The following tables summarize the inputs used as of October 31, 2010 in determining the fair valuation of the Fund's investments and derivatives:

| Valuation Inputs                                    | Level 1              | Level 2              | Level 3           | Total                 |
|---|----------------------|----------------------|-------------------|-----------------------|
| <b>Assets:</b>                                      |                      |                      |                   |                       |
| Investments in Securities:                          |                      |                      |                   |                       |
| Long-Term   |                      |                      |                   |                       |
| Investments:  |                      |                      |                   |                       |
| Corporate   |                      |                      |                   |                       |
| Bonds   |                      | \$602,656,737        | \$ 280,170        | \$ 602,936,907        |
| Preferred Securities                                |                      | 176,322,061          |                   | 176,322,061           |
| Taxable   |                      |                      |                   |                       |
| Municipal   |                      |                      |                   |                       |
| Bonds   |                      | 14,782,320           |                   | 14,782,320            |
| U.S. Treasury                                       |                      |                      |                   |                       |
| Obligations   |                      | 145,012,800          |                   | 145,012,800           |
| Short-Term  |                      |                      |                   |                       |
| Securities  | \$ 26,924,664        |                      |                   | 26,924,664            |
| <b>Total</b>  | <b>\$ 26,924,664</b> | <b>\$938,773,918</b> | <b>\$ 280,170</b> | <b>\$ 965,978,752</b> |
| <b>Derivative Financial Instruments<sup>1</sup></b> |                      |                      |                   |                       |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

| Valuation Inputs        | Level 1           | Level 2 | Level 3 | Total             |
|-------------------------|-------------------|---------|---------|-------------------|
| <b>Assets:</b>          |                   |         |         |                   |
| Interest rate contracts | \$ 319,663        |         |         | \$ 319,663        |
| <b>Liabilities:</b>     |                   |         |         |                   |
| Interest rate contracts | (91,928)          |         |         | (91,928)          |
| <b>Total</b>            | <b>\$ 227,735</b> |         |         | <b>\$ 227,735</b> |

<sup>1</sup> Derivative financial instruments are financial futures contracts which are shown at the unrealized appreciation/depreciation on the instrument.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

|   | Corporate Bonds   |
|---|-------------------|
| <b>Assets:</b>  |                   |
| Balance, as of October 31, 2009                                 | \$ 240,550        |
| Accrued discounts/premiums                                      | (764)             |
| Net realized gain (loss)  |                   |
| Net change in unrealized appreciation/depreciation <sup>2</sup> | 40,384            |
| Purchases   |                   |
| Sales   |                   |
| Transfers in <sup>3</sup>                                       |                   |
| Transfers out <sup>3</sup>                                      |                   |
| <b>Balance, as of October 31, 2010</b>                          | <b>\$ 280,170</b> |

<sup>2</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations. The net change in unrealized appreciation/depreciation on securities still held at October 31, 2010 was \$40,384.

<sup>3</sup> The Fund's policy is to recognize transfers in and transfers out as of the end of the period of the event or the change in circumstances that caused the transfer.

See Notes to Financial Statements.

26 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments October 31, 2010

### BlackRock Floating Rate Income Trust (BGT)

(Percentages shown are based on Net Assets)

|   |     | Par<br>(000) | Value      |
|---|-----|--------------|------------|
| <b>Asset-Backed Securities</b>                                  |     |              |            |
| Flagship CLO, Series 2006-1A, Class B,<br>0.64%, 9/20/19 (a)(b) | USD | 696          | \$ 556,800 |
| Gold3, Series 2007-3X, Class B, 0.94%, 5/01/22 (b)              |     | 1,025        | 794,375    |
| <b>Total Asset-Backed Securities</b> 0.4%                       |     |              | 1,351,175  |
| <b>Common Stocks (c)</b>  |     |              |            |
| <b>Construction &amp; Engineering 0.0%</b>                      |     |              |            |
| USI United Subcontractors Common                                |     | 7,645        | 156,712    |
| <b>Metals &amp; Mining 0.1%</b>                                 |     |              |            |
| Euramax International   |     | 1,135        | 343,398    |
| <b>Paper &amp; Forest Products 0.1%</b>                         |     |              |            |
| Ainsworth Lumber Co. Ltd. (a)                                   |     | 62,685       | 142,592    |
| Ainsworth Lumber Co. Ltd.                                       |     | 55,255       | 125,690    |
|   |     |              | 268,282    |
| <b>Software 0.2%</b>  |     |              |            |
| Bankruptcy Management Solutions, Inc.                           |     | 2,947        | 1,473      |
| HMH Holdings/EduMedia   |     | 115,632      | 578,162    |
|   |     |              | 579,635    |
| <b>Specialty Retail 0.0%</b>                                    |     |              |            |
| Lazydays RV Center, Inc.  |     | 2,721        | 17,358     |
| <b>Total Common Stocks</b> 0.4%                                 |     |              | 1,365,385  |
| <b>Corporate Bonds</b>  |     |              |            |
| <b>Airlines 0.2%</b>  |     |              |            |
| Air Canada, 9.25%, 8/01/15 (a)                                  | USD | 700          | 729,750    |
| <b>Auto Components 1.0%</b>                                     |     |              |            |
| Delphi International Holdings Unsecured,<br>12.00%, 10/06/14    |     | 39           | 39,931     |
| Icahn Enterprises LP:   |     |              |            |
| 7.75%, 1/15/16  |     | 1,125        | 1,155,938  |
| 8.00%, 1/15/18  |     | 2,250        | 2,314,687  |
|   |     |              | 3,510,556  |
| <b>Beverages 0.5%</b>   |     |              |            |
| Central European Distribution Corp., 2.62%, 5/15/14             | EUR | 1,500        | 1,711,924  |



Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Capital Markets 0.2%**

E\*Trade Financial Corp., 3.34%, 8/31/19 (a)(d)(e) USD 439 606,918

**Chemicals 0.3%**

OXEA Finance/Cy SCA, 9.50%, 7/15/17 (a) 715 782,925

**Commercial Banks 1.2%**

VTB Capital SA, 6.88%, 5/29/18 3,940 4,155,124

**Containers & Packaging 0.8%**

Ardagh Packaging Finance Plc, 7.38%, 10/15/17 EUR 400 567,028

Impress Holdings BV, 3.41%, 9/15/13 (a)(b) USD 150 149,250

Smurfit Kappa Acquisitions (a):

7.25%, 11/15/17 EUR 655 950,379

7.75%, 11/15/19 620 916,853

2,583,510

**Diversified Financial Services 0.3%**

Ally Financial Inc., 2.50%, 12/01/14 (b) USD 1,050 932,316

**Diversified Telecommunication Services 1.8%**

ITC Deltacom, Inc., 10.50%, 4/01/16 910 980,525

Qwest Corp., 8.38%, 5/01/16 1,840 2,217,200

Telefonica Emisiones SAU, 5.43%, 2/03/14 EUR 2,000 2,996,701

6,194,426

|  | <b>Par</b>   | <b>Value</b> |
|--|--------------|--------------|
|  | <b>(000)</b> |              |

**Corporate Bonds**

**Energy Equipment & Services 0.0%**

Compagnie Generale de Geophysique-Veritas:

7.50%, 5/15/15 USD 70 \$ 72,275

7.75%, 5/15/17 50 52,375

124,650

**Food & Staples Retailing 0.2%**

Rite Aid Corp., 8.00%, 8/15/20 (a) 670 690,100

**Food Products 0.4%**

B&G Foods, Inc., 7.63%, 1/15/18 700 745,500

Smithfield Foods, Inc., 10.00%, 7/15/14 (a) 590 679,975

1,425,475

**Health Care Equipment & Supplies 0.2%**

DJO Finance LLC, 10.88%, 11/15/14 635 696,119

**Health Care Providers & Services 0.7%**

American Renal Holdings, 8.38%, 5/15/18 (a) 360 381,600

HCA, Inc., 7.25%, 9/15/20 1,550 1,695,313

Tenet Healthcare Corp.:

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |     |       |           |
|--|-----|-------|-----------|
| 9.00%, 5/01/15   |     | 95    | 104,500   |
| 10.00%, 5/01/18  |     | 35    | 40,600    |
|  |     |       | 2,222,013 |
| <b>Household Durables 0.5%</b>                               |     |       |           |
| Beazer Homes USA, Inc., 12.00%, 10/15/17                     |     | 1,500 | 1,739,063 |
| Berkline/BenchCraft, LLC, 4.50%, 11/03/12 (c)(f)             |     | 400   |           |
|  |     |       | 1,739,063 |
| <b>Independent Power Producers &amp; Energy Traders 1.1%</b> |     |       |           |
| AES Ironwood LLC, 8.86%, 11/30/25                            |     | 79    | 81,226    |
| Calpine Construction Finance Co. LP, 8.00%, 6/01/16 (a)      |     | 1,000 | 1,082,500 |
| Energy Future Holdings Corp., 10.00%, 1/15/20 (a)            |     | 1,000 | 1,047,402 |
| NRG Energy, Inc.:  |     |       |           |
| 7.25%, 2/01/14   |     | 880   | 900,900   |
| 7.38%, 2/01/16   |     | 570   | 593,512   |
|  |     |       | 3,705,540 |
| <b>Machinery 0.0%</b>  |     |       |           |
| Synventive Molding Solutions, Sub-Series A,                  |     |       |           |
| 14.00%, 1/14/11 (g)  |     | 1,099 | 21,981    |
| <b>Media 2.0%</b>  |     |       |           |
| Affinion Group, Inc., 10.13%, 10/15/13                       |     | 50    | 51,437    |
| CCH II LLC, 13.50%, 11/30/16                                 |     | 224   | 267,712   |
| Clear Channel Worldwide Holdings, Inc.:                      |     |       |           |
| 9.25%, 12/15/17  |     | 501   | 541,080   |
| Series B, 9.25%, 12/15/17                                    |     | 1,704 | 1,861,620 |
| DISH DBS Corp., 7.00%, 10/01/13                              |     | 58    | 62,060    |
| Nielsen Finance LLC, 10.00%, 8/01/14                         |     | 55    | 57,819    |
| UPC Germany GmbH, 8.13%, 12/01/17 (a)                        |     | 2,500 | 2,618,750 |
| Ziggo Finance BV, 6.13%, 11/15/17 (a)                        | EUR | 1,005 | 1,391,773 |
|  |     |       | 6,852,251 |
| <b>Metals &amp; Mining 0.8%</b>                              |     |       |           |
| FMG Resources August 2006 Property Ltd.,                     |     |       |           |
| 7.00%, 11/01/15 (a)  | USD | 1,695 | 1,737,375 |
| Foundation PA Coal Co., 7.25%, 8/01/14                       |     | 505   | 508,787   |
| New World Resources NV, 7.38%, 5/15/15                       | EUR | 285   | 393,988   |
|  |     |       | 2,640,150 |
| <b>Oil, Gas &amp; Consumable Fuels 5.5%</b>                  |     |       |           |
| Coffeyville Resources LLC, 9.00%, 4/01/15 (a)                | USD | 380   | 407,550   |
| Morgan Stanley Bank AG for OAO Gazprom,                      |     |       |           |
| 9.63%, 3/01/13   |     | 7,230 | 8,206,050 |
| OPTI Canada, Inc., 9.00%, 12/15/12 (a)                       |     | 1,575 | 1,606,500 |
| Petroleos de Venezuela SA:                                   |     |       |           |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |     |       |            |
|---|-----|-------|------------|
| 15.95%, 7/10/11 (e)                               |     | 4,000 | 3,750,000  |
| 5.25%, 4/12/17                                    |     | 4,000 | 2,360,000  |
| Repsol International Finance B.V., 6.50%, 3/27/14 | EUR | 1,500 | 2,310,679  |
|   |     |       | 18,640,779 |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

27

---

## Schedule of Investments (continued)

**BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|   |     | Par<br>(000) | Value      |
|---|-----|--------------|------------|
| <b>Corporate Bonds</b>  |     |              |            |
| <b>Paper &amp; Forest Products 0.5%</b>                                     |     |              |            |
| Ainsworth Lumber Co. Ltd., 11.00%, 7/29/15 (a)(g)                           | USD | 506          | \$ 448,076 |
| NewPage Corp., 11.38%, 12/31/14   |     | 1,015        | 974,400    |
| Verso Paper Holdings LLC, Series B, 4.04%, 8/01/14 (b)                      |     | 450          | 403,875    |
|   |     |              | 1,826,351  |
| <b>Pharmaceuticals 0.2%</b>   |     |              |            |
| Angiotech Pharmaceuticals, Inc., 4.05%, 12/01/13 (b)                        |     | 765          | 638,775    |
| Novasep Holding SAS, 9.63%, 12/15/16 (a)                                    | EUR | 159          | 185,890    |
|   |     |              | 824,665    |
| <b>Tobacco 0.6%</b>   |     |              |            |
| Imperial Tobacco Finance Plc, 4.38%, 11/22/13                               |     | 1,500        | 2,195,260  |
| <b>Wireless Telecommunication Services 1.2%</b>                             |     |              |            |
| Cricket Communications, Inc., 7.75%, 5/15/16                                | USD | 1,950        | 2,101,125  |
| iPCS, Inc., 2.41%, 5/01/13 (b)  |     | 1,155        | 1,114,575  |
| Nextel Communications, Inc., Series E,<br>6.88%, 10/31/13                   |     | 975          | 982,312    |
|   |     |              | 4,198,012  |
| <b>Total Corporate Bonds 20.2%</b>  |     |              | 69,009,858 |
| <b>Floating Rate Loan Interests (b)</b>                                     |     |              |            |
| <b>Aerospace &amp; Defense 1.6%</b>   |     |              |            |
| DynCorp International, Term Loan, 6.25%, 7/07/16                            |     | 1,500        | 1,507,013  |
| Hawker Beechcraft Acquisition Co., LLC:<br>Facility Deposit, 0.19%, 3/26/14 |     | 104          | 87,166     |
| Term Loan, 2.26% 2.29%, 3/26/14   |     | 1,788        | 1,492,376  |
| TASC, Inc.:<br>Tranche A Term Loan, 5.50%, 12/18/14                         |     | 786          | 788,216    |
| Tranche B Term Loan, 5.75%, 12/18/15  |     | 1,638        | 1,645,813  |
|   |     |              | 5,520,584  |
| <b>Airlines 0.3%</b>  |     |              |            |
| Delta Air Lines, Inc., Credit-Linked Deposit Loan,<br>2.25%, 4/30/12        |     | 1,132        | 1,107,255  |
| <b>Auto Components 2.8%</b>   |     |              |            |
| Affinion Group, Inc., Tranche B Term Loan,                                  |     |              |            |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |     |              |              |
|---|-----|--------------|--------------|
| 5.00%, 10/09/16   |     | 1,990        | 1,968,448    |
| Allison Transmission, Inc., Term Loan,                    |     |              |              |
| 3.01% 3.05%, 8/07/14                                      |     | 4,799        | 4,601,337    |
| Dana Holding Corp., Term Advance,                         |     |              |              |
| 4.51% 4.70%, 1/30/15                                      |     | 801          | 798,468      |
| Dayco Products LLC (Mark IV Industries, Inc.):            |     |              |              |
| Facility B U.S. Term Loan, 10.50%, 5/13/14                |     | 405          | 402,569      |
| Facility C U.S. Term Loan, 12.50%, 11/13/14 (g)           |     | 64           | 60,974       |
| Exide Global Holdings Netherlands C.V., European          |     |              |              |
| Borrower Euro Term Loan, 4.06%, 5/15/12                   | EUR | 388          | 506,375      |
| GPX International Tire Corp., Tranche B Term Loan (c)(f): |     |              |              |
| 8.37%, 3/30/12  | USD | 274          |              |
| 14.00%, 4/11/12   |     | 4            |              |
| United Components, Inc., Term Loan, 6.25%, 3/23/17        |     | 1,125        | 1,133,438    |
|   |     |              | 9,471,609    |
| <b>Automobiles 1.2%</b>                                   |     |              |              |
| Ford Motor Co., Tranche B-1 Term Loan,                    |     |              |              |
| 3.01% 3.05%, 12/15/13                                     |     | 4,125        | 4,081,932    |
| <b>Beverages 0.1%</b>                                     |     |              |              |
| Le-Nature s, Inc., Tranche B Term Loan,                   |     |              |              |
| 10.25%, 3/01/11 (c)(f)                                    |     | 1,000        | 375,000      |
| <b>Biotechnology 0.4%</b>                                 |     |              |              |
| Grifols SA, Term Loan B, 6.00% 10/01/16                   |     | 1,100        | 1,111,000    |
|   |     |              |              |
|   |     | <b>Par</b>   |              |
| <b>Floating Rate Loan Interests (b)</b>                   |     | <b>(000)</b> | <b>Value</b> |
| <b>Building Products 2.4%</b>                             |     |              |              |
| Building Materials Corp. of America, Term Loan Advance,   |     |              |              |
| 3.06%, 2/22/14  | USD | 273          | \$ 270,145   |
| Goodman Global, Inc., Term Loan B, 6.25%, 10/13/16        |     | 6,000        | 6,076,560    |
| Momentive Performance Materials (Blitz 06-103 GmbH):      |     |              |              |
| Tranche B-1 Term Loan, 2.56%, 12/04/13                    |     | 587          | 570,503      |
| Tranche B-2 Term Loan, 3.10%, 12/04/13                    | EUR | 823          | 1,084,186    |
| United Subcontractors, Inc., Term Loan (First Lien),      |     |              |              |
| 1.79%, 6/30/15  | USD | 179          | 154,085      |
|   |     |              | 8,155,479    |
| <b>Capital Markets 0.6%</b>                               |     |              |              |
| American Capital Ltd., Term Loan B, 7.50%, 12/31/13       |     | 375          | 375,938      |
| Marsico Parent Co., LLC, Term Loan, 5.31%, 12/14/14       |     | 376          | 288,207      |
| Nuveen Investments, Inc., Term Loan (First Lien),         |     |              |              |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|                 |  |       |           |
|-----------------|--|-------|-----------|
| 3.29%, 11/13/14 |  | 1,574 | 1,471,346 |
|                 |  |       | 2,135,491 |

### Chemicals 6.9%

Brenntag Holding Gmbh & Co. KG:

|  |     |       |           |
|--|-----|-------|-----------|
| Acquisition Facility 1, 4.01% 4.48%, 1/20/14   |     | 232   | 232,858   |
| Acquisition Facility 2, 4.53% 4.86%, 1/20/14   | EUR | 267   | 364,515   |
| Facility 2 (Second Lien), 6.45%, 7/17/15   | USD | 1,000 | 1,001,250 |
| Facility B2, 4.01% 4.06%, 1/20/14  |     | 1,332 | 1,338,210 |
| Facility B6A, 4.97%, 1/20/14   | EUR | 233   | 323,732   |
| Facility B6B, 4.97%, 1/20/14   |     | 181   | 250,630   |
| CF Industries, Inc., Term Loan B-1, 4.50%, 4/05/15   | USD | 791   | 798,101   |
| Chemtura Corp.:  |     |       |           |
| Debtor in Possession Term Facility, 6.00%, 2/11/11   |     | 2,000 | 1,995,000 |
| Term Facility, 5.50%, 8/27/16  |     | 1,800 | 1,812,001 |
| Cognis GmbH, Facility A, 2.88%, 9/16/13  | EUR | 803   | 1,103,635 |
| Cognis GmbH, Facility B (French), 2.88%, 9/16/13   |     | 197   | 270,278   |
| Gentek Holding, LLC, Term Loan B, 6.75%, 9/30/15   | USD | 2,200 | 2,219,250 |
| Huish Detergents, Inc., Loan (Second Lien),<br>4.51%, 10/26/14                                     |     | 750   | 713,438   |
| Ineos US Finance LLC, Senior Credit Term A2 Facility,<br>7.00%, 12/17/12                           |     | 227   | 232,102   |
| Lyondell Chemical Co., Term Loan, 5.50%, 4/08/16   |     | 808   | 814,363   |
| Matrix Acquisition Corp. (MacDermid, Inc.), Tranche C<br>Term Loan, 3.05%, 4/11/14                 | EUR | 1,535 | 1,975,632 |
| PQ Corp. (FKA Niagara Acquisition, Inc.), Original<br>Term Loan (First Lien), 3.51% 3.54%, 7/30/14 | USD | 2,489 | 2,376,024 |
| Rockwood Specialties Group, Inc., Tranche H Term Loan,<br>6.00%, 5/15/14                           |     | 1,024 | 1,023,123 |
| Solutia, Inc., Term Loan, 4.75%, 3/17/17   |     | 1,480 | 1,487,799 |
| Tronox Worldwide LLC, Exit Term Loan, 7.00%, 12/24/15  |     | 3,200 | 3,216,576 |

23,548,517

### Commercial Banks 1.4%

|  |  |       |           |
|--|--|-------|-----------|
| CIT Group, Inc., Tranche 3 Term Loan, 6.25%, 8/11/15 |  | 4,675 | 4,749,019 |
|--|--|-------|-----------|

### Commercial Services & Supplies 5.3%

ARAMARK Corp.:

|  |  |       |           |
|--|--|-------|-----------|
| Letter of Credit 1 Facility, 0.10%, 1/26/14                |  | 38    | 36,561    |
| Letter of Credit 2 Facility, 0.10%, 7/26/16                |  | 68    | 67,203    |
| US Term Loan, 2.16%, 1/26/14                               |  | 467   | 453,845   |
| US Term Loan B, 3.54%, 7/26/16                             |  | 1,031 | 1,021,874 |
| AWAS Finance Luxembourg Sarl, Term Loan,<br>7.75%, 6/10/16 |  | 1,575 | 1,603,547 |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |       |           |
|---|-------|-----------|
| Advanced Disposal Services, Inc., Term Loan B,<br>6.00%, 1/14/15                                | 1,241 | 1,245,277 |
| Altegrity, Inc., (FKA US Investigations Services, Inc.),<br>Tranche D Term Loan, 7.75%, 2/21/15 | 2,145 | 2,149,987 |
| Casella Waste Systems, Inc., Term Loan B,<br>7.00%, 4/09/14                                     | 1,086 | 1,093,039 |
| Delos Aircraft, Inc., Term Loan 2, 7.00%, 3/17/16   | 1,200 | 1,226,143 |
| Diversey, Inc. (FKA Johnson Diversey, Inc.), Tranche B<br>Dollar Term Loan, 5.50%, 11/24/15     | 1,034 | 1,041,681 |

See Notes to Financial Statements.

28 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments (continued)

**BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|   |     | Par<br>(000) | Value        |
|---|-----|--------------|--------------|
| <b>Floating Rate Loan Interests (b)</b>   |     |              |              |
| <b>Commercial Services &amp; Supplies (concluded)</b>   |     |              |              |
| International Lease Finance Corp., Term Loan 1,<br>6.75%, 3/17/15   | USD | 2,600        | \$ 2,659,894 |
| Protection One, Inc., Term Loan, 6.00%, 6/04/16   |     | 1,995        | 1,990,012    |
| Quad/Graphics, Term Loan, 5.50%, 4/20/16  |     | 723          | 718,957      |
| Synagro Technologies, Inc., Term Loan (First Lien),<br>2.26%, 4/02/14   |     | 1,951        | 1,687,488    |
| Volume Services America, Inc. (Centerplate),<br>Term Loan B, 10.75%, 9/16/16  |     | 1,225        | 1,203,562    |
|   |     |              | 18,199,070   |
| <b>Communications Equipment 0.2%</b>  |     |              |              |
| Avaya, Inc., Term Loan B, 3.04%, 10/24/14   |     | 910          | 825,319      |
| <b>Construction &amp; Engineering 0.9%</b>  |     |              |              |
| Airport Development and Investment Ltd. (BAA), Facility<br>(Second Lien), 4.57%, 4/07/11  | GBP | 168          | 267,456      |
| Aquilex Holdings LLC, Term Loan, 5.50%, 4/01/16   | USD | 299          | 294,520      |
| Brand Energy & Infrastructure Services, Inc. (FR Brand<br>Acquisition Corp.), Synthetic Letter of Credit,<br>Term Loan (First Lien), 0.19%, 2/07/14 |     | 500          | 470,000      |
| Safway Services, LLC, First Out Tranche Loan,<br>9.00%, 12/18/17  |     | 2,100        | 2,100,000    |
|   |     |              | 3,131,976    |
| <b>Construction Materials 0.3%</b>  |     |              |              |
| Fairmount Minerals Ltd., Tranche B Term Loan,<br>6.25%, 8/05/16   |     | 1,100        | 1,112,375    |
| <b>Consumer Finance 1.0%</b>  |     |              |              |
| AGFS Funding Co., Term Loan, 7.25%, 4/21/15   |     | 3,500        | 3,530,079    |
| <b>Containers &amp; Packaging 1.2%</b>  |     |              |              |
| Anchor Glass Container Corp., Term Loan (First Lien),<br>6.00%, 3/02/16   |     | 811          | 810,771      |
| Graham Packaging Co., LP:<br>Term Loan C, 6.75%, 4/05/14  |     | 718          | 724,287      |
| Term Loan D, 6.00%, 9/23/16   |     | 1,400        | 1,409,500    |



## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

### Smurfit Kappa Acquisitions (JSG):

|  |     |     |           |
|--|-----|-----|-----------|
| Term B1, 4.11% 4.39%, 12/02/13               | EUR | 458 | 631,840   |
| Term Loan Facility C1, 4.25% 4.64%, 12/01/14 |     | 453 | 624,602   |
|  |     |     | 4,201,000 |

### **Diversified Consumer Services 3.3%**

Asurion Corp., Incremental Term Loan, 6.75%

|         |     |       |           |
|---------|-----|-------|-----------|
| 3/31/15 | USD | 2,000 | 1,962,188 |
|---------|-----|-------|-----------|

Coinmach Service Corp.:

|   |  |     |         |
|---|--|-----|---------|
| Delayed Draw Term Loan, 3.26% 3.35%, 11/20/14 |  | 492 | 428,049 |
|---|--|-----|---------|

|                            |  |       |           |
|----------------------------|--|-------|-----------|
| Term Loan, 3.35%, 11/20/14 |  | 2,513 | 2,190,866 |
|----------------------------|--|-------|-----------|

Laureate Education, Series A New Term Loan,

|                |  |       |           |
|----------------|--|-------|-----------|
| 7.00%, 8/15/14 |  | 4,208 | 4,163,321 |
|----------------|--|-------|-----------|

ServiceMaster Co.:

|  |  |       |           |
|--|--|-------|-----------|
| Closing Date Term Loan, 2.76% 2.80%, 7/24/14 |  | 2,354 | 2,232,084 |
|--|--|-------|-----------|

|  |  |     |         |
|--|--|-----|---------|
| Delayed Draw Term Loan, 2.76%, 7/24/14 |  | 234 | 222,282 |
|--|--|-----|---------|

11,198,790

### **Diversified Financial Services 2.7%**

|                                       |  |       |           |
|---------------------------------------|--|-------|-----------|
| MSCI, Inc., Term Loan, 4.75%, 6/01/16 |  | 1,970 | 1,979,298 |
|---------------------------------------|--|-------|-----------|

Professional Service Industries, Inc., Term Loan

|                               |  |     |         |
|-------------------------------|--|-----|---------|
| (First Lien), 3.01%, 10/31/12 |  | 461 | 368,507 |
|-------------------------------|--|-----|---------|

Reynolds Group Holdings, Inc., Incremental US

|                           |  |       |           |
|---------------------------|--|-------|-----------|
| Term Loan, 6.25%, 5/05/16 |  | 3,578 | 3,593,878 |
|---------------------------|--|-------|-----------|

SIG Euro Holding AG & Co., KGAA European

|                            |     |       |           |
|----------------------------|-----|-------|-----------|
| Term Loan, 6.75%, 10/28/15 | EUR | 2,453 | 3,405,743 |
|----------------------------|-----|-------|-----------|

9,347,426

### **Diversified Telecommunication Services 4.5%**

BCM Ireland Holdings Ltd. (Eircom):

|                            |  |     |         |
|----------------------------|--|-----|---------|
| Facility B, 2.72%, 9/30/14 |  | 499 | 579,547 |
|----------------------------|--|-----|---------|

|                            |  |     |         |
|----------------------------|--|-----|---------|
| Facility C, 2.97%, 9/30/15 |  | 499 | 579,565 |
|----------------------------|--|-----|---------|

Cincinnati Bell Inc., Tranche B Term Loan,

|                |     |     |         |
|----------------|-----|-----|---------|
| 6.50%, 6/11/17 | USD | 490 | 492,590 |
|----------------|-----|-----|---------|

| <b>Floating Rate Loan Interests (b)</b> | <b>Par</b>   | <b>Value</b> |
|---|--------------|--------------|
|   | <b>(000)</b> |              |

### **Diversified Telecommunication Services (concluded)**

Hawaiian Telcom Communications, Inc., Term Loan B,

|                 |     |     |            |
|-----------------|-----|-----|------------|
| 9.00%, 10/28/15 | USD | 914 | \$ 913,859 |
|-----------------|-----|-----|------------|

Integra Telecom Holdings, Inc., Term Loan,

|                |  |       |           |
|----------------|--|-------|-----------|
| 9.25%, 4/15/15 |  | 2,020 | 2,033,835 |
|----------------|--|-------|-----------|

Level 3 Financing, Inc., Tranche A Term Loan,

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |     |       |            |
|--|-----|-------|------------|
| 2.54%, 3/13/14   |     | 4,800 | 4,465,713  |
| Nordic Telephone Co. Holdings APS:                                 |     |       |            |
| Facility B2 Swiss, 2.12%, 1/30/14                                  | EUR | 885   | 1,216,430  |
| Facility C2 Swiss, 2.75%, 1/30/15                                  |     | 1,058 | 1,453,397  |
| Wind Telecomunicazioni SpA:  |     |       |            |
| Term Loan Facility A1, 3.06%, 5/25/12                              |     | 600   | 822,597    |
| Term Loan Facility B1, 3.81%, 5/27/13                              |     | 993   | 1,365,485  |
| Term Loan Facility C1, 5.06%, 5/26/14                              |     | 993   | 1,365,485  |
|  |     |       | 15,288,503 |
| <b>Electric Utilities 1.4%</b>                                     |     |       |            |
| Astoria Generating Co. Acquisitions, LLC, Term B Facility,         |     |       |            |
| 2.04%, 2/23/13   | USD | 258   | 253,963    |
| New Development Holdings LLC, Term Loan,                           |     |       |            |
| 7.00%, 7/03/17   |     | 3,741 | 3,807,657  |
| TPF Generation Holdings, LLC:                                      |     |       |            |
| Synthetic Letter of Credit Deposit (First Lien),                   |     |       |            |
| 0.19%, 12/15/13  |     | 151   | 143,705    |
| Synthetic Revolving Deposit, 0.19%, 12/15/11                       |     |       |            |
| Term Loan (First Lien), 2.29%, 12/15/13                            |     | 366   | 349,837    |
|  |     |       | 4,600,211  |
| <b>Electronic Equipment, Instruments<br/>&amp; Components 2.0%</b> |     |       |            |
| CDW LLC (FKA CDW Corp.), Term Loan,                                |     |       |            |
| 4.26%, 10/10/14  |     | 1,727 | 1,640,299  |
| Flextronics International Ltd.:                                    |     |       |            |
| Closing Date Loan A, 2.51%, 10/01/14                               |     | 1,151 | 1,120,862  |
| Closing Date Loan B, 2.51%, 10/01/12                               |     | 2,233 | 2,194,222  |
| Styron S.A.R.L, Term Loan, 7.50%, 6/17/16                          |     | 1,876 | 1,906,739  |
|  |     |       | 6,862,122  |
| <b>Energy Equipment &amp; Services 0.6%</b>                        |     |       |            |
| MEG Energy Corp., Tranche D Term Loan,                             |     |       |            |
| 6.00%, 4/03/16   |     | 1,963 | 1,964,516  |
| <b>Food &amp; Staples Retailing 2.6%</b>                           |     |       |            |
| AB Acquisitions UK Topco 2 Ltd. (FKA Alliance Boots),              |     |       |            |
| Facility B1, 3.56%, 7/06/15  | GBP | 3,000 | 4,327,570  |
| Pilot Travel Centers LLC, Initial Tranche B Term Loan,             |     |       |            |
| 5.25%, 6/30/16   | USD | 3,020 | 3,057,249  |
| Rite Aid Corp., Tranche 3 Term Loan, 6.00%, 6/04/14                |     | 594   | 587,944    |
| U.S. Foodservice, Inc., Term Loan B,                               |     |       |            |
| 2.75% 2.76%, 7/03/14   |     | 1,115 | 1,007,507  |
|  |     |       | 8,980,270  |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Food Products 4.7%**

Birds Eye Iglo Group Ltd. (Liberator Midco Ltd.):

Sterling Tranche Loan (Mezzanine),

|                 |     |     |         |
|-----------------|-----|-----|---------|
| 5.69%, 11/02/15 | GBP | 429 | 694,959 |
|-----------------|-----|-----|---------|

|                            |     |       |           |
|----------------------------|-----|-------|-----------|
| Facility D, 5.60%, 4/30/16 | EUR | 3,000 | 4,179,223 |
|----------------------------|-----|-------|-----------|

CII Investment, LLC (FKA Cloverhill):

|                              |     |    |        |
|------------------------------|-----|----|--------|
| Term Loan A, 8.50%, 10/14/14 | USD | 78 | 78,144 |
|------------------------------|-----|----|--------|

|                              |  |       |           |
|------------------------------|--|-------|-----------|
| Term Loan A, 8.50%, 10/14/14 |  | 1,075 | 1,074,864 |
|------------------------------|--|-------|-----------|

|                              |  |       |           |
|------------------------------|--|-------|-----------|
| Term Loan B, 8.50%, 10/14/14 |  | 1,307 | 1,307,279 |
|------------------------------|--|-------|-----------|

Dole Food Co., Inc., Tranche B-1 Term Loan,

|                      |  |     |         |
|----------------------|--|-----|---------|
| 5.00% 5.50%, 3/02/17 |  | 152 | 152,321 |
|----------------------|--|-----|---------|

Michael Foods Group, Inc. (FKA M-Foods Holdings, Inc.),

|                             |  |       |           |
|-----------------------------|--|-------|-----------|
| Term Loan B, 6.25%, 6/29/16 |  | 1,197 | 1,210,841 |
|-----------------------------|--|-------|-----------|

Pierre Foods, Term Loan:

|                                   |  |       |           |
|-----------------------------------|--|-------|-----------|
| (First Lien) 7.00% 7.50%, 9/29/16 |  | 2,170 | 2,144,682 |
|-----------------------------------|--|-------|-----------|

|                               |     |       |           |
|-------------------------------|-----|-------|-----------|
| (Second Lien) 11.25%, 9/29/17 | GBP | 1,400 | 1,407,000 |
|-------------------------------|-----|-------|-----------|

|   |     |       |           |
|---|-----|-------|-----------|
| Pilgrim s Pride Corp., Term Loan A, 5.29%, 12/01/12 | USD | 1,535 | 1,519,650 |
|---|-----|-------|-----------|

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

29

---

## Schedule of Investments (continued)

**BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|   |     | Par<br>(000) | Value        |
|---|-----|--------------|--------------|
| <b>Floating Rate Loan Interests (b)</b>   |     |              |              |
| <b>Food Products (concluded)</b>  |     |              |              |
| Pinnacle Foods Finance LLC, Tranche D Term Loan,<br>6.00%, 4/02/14  | USD | 1,954        | \$ 1,973,643 |
| Solvest Ltd. (Dole), Tranche C-1 Term Loan,<br>5.00% 5.50%, 3/02/17                                       |     | 379          | 379,931      |
|   |     |              | 16,122,537   |
| <b>Health Care Equipment &amp; Supplies 1.7%</b>  |     |              |              |
| Biomet, Inc., Euro Term Loan,<br>3.79% 3.83%, 3/25/15   | EUR | 2,496        | 3,358,445    |
| DJO Finance LLC (ReAble Therapeutics Finance LLC),<br>Term Loan, 3.26%, 5/20/14                           | USD | 1,212        | 1,177,373    |
| Fresenius SE:<br>Tranche C-1 Dollar Term Loan, 4.50%, 9/10/14   |     | 837          | 840,318      |
| Tranche C-2 Term Loan, 4.50%, 9/10/14   |     | 448          | 449,701      |
|   |     |              | 5,825,837    |
| <b>Health Care Providers &amp; Services 5.0%</b>  |     |              |              |
| CHS/Community Health Systems, Inc.:<br>Delayed Draw Term Loan, 2.55%, 7/25/14                             |     | 179          | 175,394      |
| Term Loan Facility, 2.55%, 7/25/14  |     | 3,482        | 3,412,123    |
| DaVita, Inc., Term Loan B, 4.50%, 10/20/16  |     | 1,900        | 1,914,250    |
| HCA, Inc.:<br>Tranche A-1 Term Loan, 1.54%, 11/14/12  |     | 2,335        | 2,284,315    |
| Tranche B-1 Term Loan, 2.54%, 11/18/13  |     | 185          | 180,875      |
| Harden Healthcare, Inc.:<br>Add-on Term Loan, 7.75%, 3/02/15  |     | 1,609        | 1,576,575    |
| Tranche A Term Loan, 8.50%, 2/22/15   |     | 966          | 946,814      |
| inVentiv Health, Inc. (FKA Ventive Health, Inc.),<br>Term Loan B, 6.50%, 8/04/16                          |     | 3,078        | 3,092,178    |
| Renal Advantage Holdings, Inc., Tranche B Term Loan,<br>6.00%, 6/03/16                                    |     | 1,396        | 1,405,228    |
| Vanguard Health Holding Co. II, LLC (Vanguard Health<br>Systems, Inc.), Initial Term Loan, 5.00%, 1/29/16 |     | 2,099        | 2,097,665    |
|   |     |              | 17,085,417   |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Health Care Technology 0.8%**

|   |       |           |
|---|-------|-----------|
| IMS Health, Inc., Tranche B Dollar Term Loan,<br>5.25%, 2/26/16 | 2,570 | 2,591,695 |
|---|-------|-----------|

**Hotels, Restaurants & Leisure 5.2%**

|  |       |            |
|--|-------|------------|
| BLB Worldwide Holdings, Inc. (Wembley, Inc.):  |       |            |
| First Priority Term Loan, 4.75%, 7/18/11   | 2,418 | 1,819,703  |
| Second Priority Term Loan, 7.06%, 7/18/12 (c)(f)   | 1,500 | 18,750     |
| Harrah's Operating Co., Inc.:  |       |            |
| Term Loan B-3, 3.29%, 1/28/15  | 2,751 | 2,421,897  |
| Term Loan B-4, 9.50%, 10/31/16   | 1,489 | 1,546,439  |
| OSI Restaurant Partners, LLC, Pre-Funded RC Loan,<br>0.11% 2.63%, 6/14/13  | 32    | 30,198     |
| Penn National Gaming, Inc., Term Loan B,<br>2.01% 2.17%, 10/03/12  | 997   | 988,716    |
| SW Acquisitions Co., Inc., Term Loan, 5.75%, 6/01/16   | 3,276 | 3,296,471  |
| Six Flags Theme Parks, Inc., Tranche B Term Loan<br>(First Lien), 6.00%, 6/30/16   | 2,225 | 2,231,422  |
| Travelport LLC (FKA Travelport, Inc.):   |       |            |
| Delayed Draw Term Loan, 2.79% 2.96%, 8/23/13<br>Original Post-First Amendment and Restatement<br>Synthetic Letter of Credit Loan, 2.79%, 8/23/13 | 593   | 584,292    |
| Tranche B Dollar Term Loan, 2.96%, 8/23/13   | 56    | 55,225     |
| Universal City Development Partners Ltd., Term Loan,<br>5.50%, 11/06/14  | 309   | 304,133    |
| VML US Finance LLC (FKA Venetian Macau):   |       |            |
| Term B Delayed Draw Project Loan, 4.78%, 5/25/12   | 447   | 449,684    |
| Term B Funded Project Loan, 4.78%, 5/27/13   | 1,445 | 1,442,033  |
|  | 2,501 | 2,496,517  |
|  |       | 17,685,480 |

|  | Par<br>(000) | Value |
|--|--------------|-------|
|--|--------------|-------|

**Floating Rate Loan Interests (b)**

**Household Durables 0.5%**

|   |     |       |           |
|---|-----|-------|-----------|
| Berkline/Benchcraft, LLC, Term Loan, 14.00%<br>11/03/11 (c)(f)      | USD | 128   | \$ 6,418  |
| Visant Corp. (FKA Jostens), Tranche B Term Loan,<br>7.00%, 12/20/16 |     | 1,600 | 1,613,000 |
|   |     |       | 1,619,418 |

**IT Services 5.0%**

Amadeus IT Group SA/Amadeus Verwaltungs GmbH  
(WAM Acquisition):

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |     |       |            |
|--|-----|-------|------------|
| Term B3 Facility, 4.13%, 7/01/13   | EUR | 615   | 836,519    |
| Term B4 Facility, 4.13%, 7/01/13   |     | 317   | 431,603    |
| Term C3 Facility, 4.63%, 7/01/14   |     | 615   | 836,519    |
| Term C4 Facility, 4.63%, 7/01/14   |     | 314   | 421,585    |
| Ceridian Corp., US Term Loan, 3.26%, 11/09/14  | USD | 1,872 | 1,712,845  |
| EVERTEC, Inc., Term Loan B, 7.50%, 9/30/16   |     | 950   | 945,250    |
| First Data Corp.:  |     |       |            |
| Initial Tranche B-1 Term Loan, 3.01%, 9/24/14  |     | 2,549 | 2,288,510  |
| Initial Tranche B-2 Term Loan, 3.01%, 9/24/14  |     | 367   | 329,798    |
| Initial Tranche B-3 Term Loan, 3.01%, 9/24/14  |     | 2,442 | 2,192,373  |
| SunGard Data Systems, Inc. (Solar Capital Corp.),<br>Incremental Term Loan, 6.75%, 2/28/14 |     | 1,677 | 1,677,700  |
| Trans Union LLC, Term Loan, 6.75%, 6/15/17   |     | 3,242 | 3,291,518  |
| Travelex Plc:  |     |       |            |
| Tranche B5, 2.95%, 10/31/13  |     | 1,033 | 991,891    |
| Tranche C5, 3.45%, 10/31/14  |     | 1,033 | 991,891    |
|  |     |       | 16,948,002 |

### **Independent Power Producers & Energy Traders 1.0%**

|   |  |       |           |
|---|--|-------|-----------|
| Dynegy Holdings, Inc.:                                  |  |       |           |
| Term Letter of Credit Facility, 4.01%, 4/02/13          |  | 528   | 520,994   |
| Tranche B Term Loan, 4.01%, 4/02/13                     |  | 42    | 41,618    |
| Texas Competitive Electric Holdings Co., LLC (TXU):     |  |       |           |
| Initial Tranche B-1 Term Loan,<br>3.76% 3.79%, 10/10/14 |  | 2,452 | 1,921,137 |
| Initial Tranche B-2 Term Loan,<br>3.76% 4.07%, 10/10/14 |  | 627   | 491,447   |
| Initial Tranche B-3 Term Loan,<br>3.76% 3.79%, 10/10/14 |  | 377   | 295,874   |
|   |  |       | 3,271,070 |

### **Industrial Conglomerates 2.5%**

|  |  |       |           |
|--|--|-------|-----------|
| Pinafore, LLC/Pinafore, Inc., Term Loan B,<br>6.75%, 9/29/16 |  | 3,750 | 3,792,187 |
| Sequa Corp., Term Loan, 3.54% 3.55%, 12/03/14                |  | 5,122 | 4,842,653 |
|  |  |       | 8,634,840 |

### **Insurance 0.3%**

|   |  |     |         |
|---|--|-----|---------|
| Alliant Holdings I, Inc., Term Loan, 3.29%, 8/21/14 |  | 956 | 920,535 |
|---|--|-----|---------|

### **Internet & Catalog Retail 0.2%**

|  |  |     |         |
|--|--|-----|---------|
| FTD Group, Inc., Tranche B Term Loan, 6.75%, 8/26/14 |  | 573 | 573,173 |
|--|--|-----|---------|

### **Machinery 0.3%**

|  |  |  |  |
|--|--|--|--|
| LN Acquisition Corp. (Lincoln Industrial): |  |  |  |
| Delayed Draw Term Loan (First Lien),       |  |  |  |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |     |         |
|---|-----|---------|
| 3.51%, 7/11/14                                      | 245 | 240,449 |
| Initial U.S. Term Loan (First Lien), 3.51%, 7/11/14 | 637 | 623,972 |
|   |     | 864,421 |

**Marine 0.2%**

Horizon Lines, LLC:

|                                      |     |         |
|--------------------------------------|-----|---------|
| Revolving Loan, 3.51% 3.54%, 8/08/12 | 451 | 390,986 |
| Term Loan, 3.54%, 8/08/12            | 352 | 334,507 |
|                                      |     | 725,493 |

**Media 18.2%**

Amsterdamse Beheer En Consultingmaatschappij BV

(Casema), Kabelcom Term Loan Facility B,

|                |     |     |         |
|----------------|-----|-----|---------|
| 3.60%, 9/15/14 | EUR | 625 | 861,906 |
|----------------|-----|-----|---------|

See Notes to Financial Statements.

30 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments (continued)

**BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|  |     | Par<br>(000) | Value     |
|--|-----|--------------|-----------|
| <b>Floating Rate Loan Interests (b)</b>  |     |              |           |
| <b>Media (continued)</b>   |     |              |           |
| Atlantic Broadband Finance, LLC:   |     |              |           |
| Tranche B-2-A Term Loan, 2.54%, 9/01/11  | USD | 69           | \$ 68,748 |
| Tranche B-2-B, 6.75%, 6/01/13  |     | 1,845        | 1,827,309 |
| Cengage Learning Acquisitions, Inc. (Thomson Learning):  |     |              |           |
| Term Loan B, 2.54%, 7/03/14  |     | 3,750        | 3,421,448 |
| Tranche 1 Incremental Term Loan, 7.50%, 7/03/14  |     | 1,133        | 1,131,653 |
| Cequel Communications, LLC, New Term Loan,<br>2.25%, 11/05/13  |     | 325          | 320,074   |
| Charter Communications Operating, LLC:   |     |              |           |
| Term Loan B2, 7.25%, 3/06/14   |     | 1,142        | 1,180,558 |
| Term Loan C, 3.54%, 9/06/16  |     | 3,468        | 3,400,582 |
| FoxCo Acquisition Sub, LLC, Term Loan, 7.50%, 7/14/15  |     | 1,009        | 997,204   |
| HIT Entertainment, Inc., Term Loan (Second Lien),<br>5.94%, 2/26/13  |     | 300          | 219,000   |
| HMH Publishing Co., Ltd., Tranche A Term Loan,<br>5.76%, 6/12/14   |     | 1,943        | 1,810,677 |
| Hanley-Wood, LLC (FSC Acquisition), Term Loan,<br>2.56% 2.63%, 3/10/14                                     |     | 2,189        | 963,313   |
| Hargray Acquisition Co./DPC Acquisition LLC/HCP<br>Acquisition LLC, Loan (Second Lien), 5.92%, 1/29/15     |     | 500          | 476,250   |
| Harland Clarke Holdings Corp. (FKA Clarke<br>American Corp.), Tranche B Term Loan,<br>2.76% 2.79%, 6/30/14 |     | 1,444        | 1,293,652 |
| Intelsat Corp. (FKA PanAmSat Corp.):   |     |              |           |
| Tranche B-2-A Term Loan, 2.79%, 1/03/14  |     | 642          | 624,940   |
| Tranche B-2-B Term Loan, 2.79%, 1/03/14  |     | 642          | 624,747   |
| Tranche B-2-C Term Loan, 2.79%, 1/03/14  |     | 642          | 624,747   |
| Interactive Data Corp., Term Loan, 6.75%, 1/29/17  |     | 1,596        | 1,621,257 |
| Kabel Deutschland GmbH, Facility A1<br>(Consent and Roll), 3.10%, 3/31/14                                  | EUR | 3,913        | 5,371,319 |
| Knology, Inc., Term Loan B, 5.50%, 9/21/16   | USD | 1,300        | 1,304,063 |
| Lavena Holding 3 GmbH (Prosiebensat.1 Media AG):   |     |              |           |



## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |     |       |           |
|--|-----|-------|-----------|
| Facility B1, 3.52%, 3/06/15  | EUR | 337   | 372,876   |
| Facility C1, 3.77%, 3/04/16  |     | 674   | 745,751   |
| Liberty Cablevision of Puerto Rico, Ltd., Initial Term Facility, 2.29%, 6/15/14                | USD | 1,451 | 1,346,034 |
| MCNA Cable Holdings LLC (OneLink Communications), Loan, 7.00%, 3/01/13 (g)                     |     | 1,054 | 896,026   |
| Mediacom Illinois, LLC (FKA Mediacom Communications, LLC), Tranche D Term Loan, 5.50%, 3/31/17 |     | 2,235 | 2,190,281 |
| Newsday, LLC:<br>Fixed Rate Term Loan, 10.50%, 8/01/13   |     | 1,500 | 1,597,500 |
| Floating Rate Term Loan, 6.54%, 8/01/13  |     | 1,250 | 1,260,938 |
| Nielsen Finance LLC:<br>Class A Dollar Term Loan, 2.26%, 8/09/13                               |     | 66    | 64,809    |
| Class B Dollar Term Loan, 4.01%, 5/01/16   |     | 2,269 | 2,240,691 |
| Class C Dollar Term Loan, 4.01%, 5/01/16   |     | 1,075 | 1,056,916 |
| Penton Media, Inc., Term Loan (First Lien), 5.00%, 8/01/14                                     |     | 1,092 | 801,087   |
| Sinclair Television Group, Inc., New Tranche B Term Loan, 5.50%, 10/29/15                      |     | 1,018 | 1,026,923 |
| Springer Science+Business Media SA, Facility A1, 6.75%, 6/20/16                                | EUR | 3,200 | 4,442,651 |
| Sunshine Acquisition Ltd. (AKA HIT Entertainment), Term Facility, 5.68%, 6/01/12               | USD | 1,465 | 1,420,481 |
| TWCC Holding Corp., Replacement Term Loan, 5.00%, 9/14/15                                      |     | 2,511 | 2,518,496 |
| Telecommunications Management, LLC:<br>Multi-Draw Term Loan, 3.26%, 6/30/13                    |     | 229   | 206,471   |
| Term Loan, 3.26%, 6/30/13  |     | 910   | 818,663   |

| <b>Floating Rate Loan Interests (b)</b>                            |     | <b>Par</b>   | <b>Value</b> |
|--|-----|--------------|--------------|
|  |     | <b>(000)</b> |              |
| <b>Media (concluded)</b>   |     |              |              |
| UPC Financing Partnership, Facility U, 4.85%, 12/31/17             | EUR | 3,017        | \$ 3,974,376 |
| Virgin Media Investment Holdings Ltd., Facility B, 4.77%, 12/31/15 | GBP | 4,000        | 6,355,083    |
| Yell Group Plc, Facility B1, 4.01%, 7/31/14                        | USD | 1,113        | 600,948      |
|  |     |              | 62,080,448   |

**Multi-Utilities 0.2%**

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

FirstLight Power Resources, Inc. (FKA NE Energy, Inc.):

|  |     |         |
|--|-----|---------|
| Synthetic Letter of Credit, 0.16%, 11/01/13                                    | 10  | 9,860   |
| Term B Advance (First Lien), 2.81%, 11/01/13                                   | 571 | 536,452 |
| Mach Gen, LLC, Synthetic Letter of Credit Loan<br>(First Lien), 0.04%, 2/22/13 | 69  | 63,926  |
|  |     | 610,238 |

### **Multiline Retail 2.1%**

|  |         |           |
|--|---------|-----------|
| Dollar General Corp., Tranche B-2 Term Loan,<br>3.01%, 7/07/14 | 804     | 792,127   |
| Hema Holding BV:   |         |           |
| Facility B, 2.73%, 7/06/15                                     | EUR 172 | 229,206   |
| Facility C, 3.48%, 7/05/16                                     | 172     | 229,206   |
| Facility D, 5.73%, 1/05/17                                     | 3,800   | 5,077,315 |
| Neiman Marcus Group, Inc., Term Loan,<br>2.29%, 4/06/13        | USD 796 | 775,306   |
|  |         | 7,103,160 |

### **Oil, Gas & Consumable Fuels 0.2%**

|   |     |         |
|---|-----|---------|
| Big West Oil, LLC, Term Loan, 12.00%, 7/23/15 | 667 | 676,537 |
|---|-----|---------|

### **Paper & Forest Products 0.3%**

|   |     |           |
|---|-----|-----------|
| Georgia-Pacific LLC, Term Loan B, 2.29%, 12/23/12                   | 848 | 846,773   |
| Verso Paper Finance Holdings LLC, Loan,<br>6.70% 7.45%, 2/01/13 (g) | 385 | 288,814   |
|   |     | 1,135,587 |

### **Personal Products 0.5%**

|  |       |           |
|--|-------|-----------|
| NBTY, Inc., Term Loan B, 6.25%, 10/01/17 | 1,700 | 1,720,934 |
|--|-------|-----------|

### **Pharmaceuticals 1.3%**

|   |       |           |
|---|-------|-----------|
| Valeant Pharmaceuticals International, Inc., Tranche B<br>Term Loan, 5.50%, 9/27/16 | 1,280 | 1,291,680 |
| Warner Chilcott Co., LLC:   |       |           |
| Term Loan A, 6.00%, 10/30/14  | 885   | 882,695   |
| Term Loan B-2, 6.25%, 4/30/15   | 624   | 625,818   |
| Term Loan B-4, 6.50%, 2/20/16   | 228   | 229,364   |
| Warner Chilcott Corp.:  |       |           |
| Additional Term Loan, 6.25%, 4/30/15  | 525   | 526,861   |
| Term Loan B-1, 6.25%, 4/30/15   | 374   | 374,876   |
| WC Luxco S.A.R.L. (Warner Chilcott) Term Loan B-3,<br>6.50%, 2/20/16                | 702   | 705,318   |
|   |       | 4,636,612 |

### **Professional Services 1.1%**

|   |     |         |
|---|-----|---------|
| Booz Allen Hamilton, Inc.:<br>Tranche B Term Loan, 7.50%, 7/31/15 | 982 | 986,497 |
|---|-----|---------|

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |       |           |
|---|-------|-----------|
| Tranche C Term Loan, 6.00%, 7/31/15   | 1,241 | 1,242,796 |
| Fifth Third Processing Solutions, LLC, Term Loan B,<br>5.75%, 10/21/16      | 1,700 | 1,683,000 |
|   |       | 3,912,293 |
| <b>Real Estate Investment Trusts (REITs) 0.1%</b>                           |       |           |
| iStar Financial, Inc., Term Loan (Second Lien),<br>1.75% 1.76%, 6/28/11     | 300   | 282,000   |
| <b>Real Estate Management &amp; Development 1.4%</b>                        |       |           |
| Enclave, Term Loan, 6.14%, 3/01/12 (c)(f)                                   | 2,000 |           |
| Pivotal Promontory, LLC, Term Loan (Second Lien),<br>14.75%, 8/31/11 (c)(f) | 750   | 37,500    |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

31

---

## Schedule of Investments (continued)

**BlackRock Floating Rate Income Trust (BGT)**

(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>Floating Rate Loan Interests (b)</b>                                     |              |            |
| <b>Real Estate Management &amp; Development (concluded)</b>                 |              |            |
| Realogy Corp.:  |              |            |
| Delayed Draw Term Loan B,<br>3.26% 3.29%, 10/10/13                          | USD 1,067    | \$ 964,483 |
| Initial Term Loan B, 3.26%, 10/10/13  | 2,446        | 2,212,071  |
| Synthetic Letter of Credit, 0.10%, 10/10/13                                 | 333          | 301,525    |
| Term Loan (Second Lien), 13.50%, 10/15/17                                   | 1,250        | 1,339,584  |
|   |              | 4,855,163  |
| <b>Semiconductors &amp; Semiconductor Equipment 0.5%</b>                    |              |            |
| Freescale Semiconductor, Inc., Extended Maturity                            |              |            |
| Term Loan, 4.51%, 12/01/16  | 568          | 533,839    |
| Microsemi Corp., Term Loan B, 5.00%, 10/25/17                               | 1,100        | 1,110,541  |
|   |              | 1,644,380  |
| <b>Software 0.4%</b>  |              |            |
| Bankruptcy Management Solutions, Inc.:                                      |              |            |
| Second Lien Facility, 1.26%, 8/20/15  | 241          | 30,078     |
| Term Loan (Second Lien), 7.50%, 8/20/14                                     | 719          | 388,443    |
| Reynolds & Reynolds, Term Loan, 5.25%, 4/21/17                              | 4            | 3,991      |
| Vertafore, Inc., Term Loan, 6.75%, 7/28/16                                  | 833          | 834,370    |
|   |              | 1,256,882  |
| <b>Specialty Retail 2.3%</b>  |              |            |
| Burlington Coat Factory Warehouse Corp., Term Loan,<br>2.51% 2.53%, 5/28/13 |              |            |
|   | 740          | 719,802    |
| Matalan Finance Plc, Term Facility, 5.57%, 3/30/16                          | GBP 1,248    | 1,989,244  |
| Michaels Stores, Inc., Term Loan B-1,<br>2.56% 2.75%, 10/31/13              | USD 1,770    | 1,714,931  |
| OSH Properties LLC (Orchard Supply) B-Note,<br>2.71%, 12/09/10              | 1,500        | 1,500,000  |
| Toys R US Delaware, Inc., Initial Loan, 6.00%, 9/01/16                      | 1,985        | 1,994,570  |
|   |              | 7,918,547  |
| <b>Textiles, Apparel &amp; Luxury Goods 1.3%</b>                            |              |            |
| Tommy Hilfiger B.V. (Philips-Van Heusen Corp.), Foreign                     |              |            |
| Tranche B Term Loan, 5.00%, 5/04/16   | EUR 3,312    | 4,586,734  |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

### Wireless Telecommunication Services 3.0%

|  |     |       |                    |
|--|-----|-------|--------------------|
| Cavtel Holdings, LLC, Term Loan, 10.50%, 12/31/12                                  | USD | 1,094 | 1,101,845          |
| Digicel International Finance Ltd., US Term Loan<br>(Non-Rollover), 2.81%, 3/30/12 |     | 5,190 | 5,021,686          |
| MetroPCS Wireless, Inc.:   |     |       |                    |
| Tranche B-1 Term Loan, 2.56%, 11/03/13   |     | 154   | 152,486            |
| Tranche B-2 Term Loan, 3.81%, 11/03/16   |     | 1,682 | 1,677,271          |
| Vodafone Americas Finance 2 Inc., Initial Loan,<br>6.88%, 8/11/15                  |     | 2,250 | 2,250,000          |
|  |     |       | 10,203,288         |
| <b>Total Floating Rate Loan Interests 104.0%</b>                                   |     |       | <b>354,988,264</b> |

### Foreign Agency Obligations

Argentina Bonos:

|   |     |       |                   |
|---|-----|-------|-------------------|
| 0.68%, 8/03/12 (b)  |     | 2,500 | 2,320,734         |
| 7.00%, 10/03/15   |     | 2,000 | 1,907,333         |
| Brazilian Government International Bond,<br>8.00%, 1/15/18    |     | 6,667 | 8,056,667         |
| Colombia Government International Bond,<br>3.84%, 3/17/13 (b) |     | 1,020 | 1,035,300         |
| Republic of Venezuela, 1.51%, 4/20/11 (b)                     |     | 4,000 | 3,890,000         |
| Uruguay Government International Bond,<br>6.88%, 1/19/16      | EUR | 950   | 1,459,067         |
| <b>Total Foreign Agency Obligations 5.5%</b>                  |     |       | <b>18,669,101</b> |

### Other Interests (h)

#### Beneficial Interest (000)

#### Value

### Auto Components 1.3%

|   |     |        |           |
|---|-----|--------|-----------|
| Delphi Debtor-in-Possession Holding Co. LLP | USD | (i) \$ | 4,395,954 |
| Lear Corp. Escrow                           |     | 500    | 6,250     |
|   |     |        | 4,402,204 |

### Diversified Financial Services 0.3%

|   |  |   |           |
|---|--|---|-----------|
| J.G. Wentworth LLC Preferred Equity Interests (j) |  | 1 | 1,130,844 |
|---|--|---|-----------|

### Health Care Providers & Services 0.0%

|   |  |   |     |
|---|--|---|-----|
| Critical Care Systems International, Inc. |  | 1 | 191 |
|---|--|---|-----|

### Household Durables 0.0%

|                                |  |   |  |
|--------------------------------|--|---|--|
| Berkline Benchcraft Equity LLC |  | 6 |  |
|--------------------------------|--|---|--|

### Total Other Interests 1.6%

5,533,239

### Preferred Securities

#### Preferred Stocks

#### Shares

### Specialty Retail 0.0%

|                              |  |    |        |
|------------------------------|--|----|--------|
| Lazydays RV Center, Inc. (c) |  | 58 | 85,828 |
|------------------------------|--|----|--------|

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |               |           |             |
|--|---------------|-----------|-------------|
| <b>Total Preferred Securities</b>                  | <b>0.0%</b>   |           | 85,828      |
| <b>Warrants (k)</b>                                |               |           |             |
| <b>Chemicals 0.0%</b>                              |               |           |             |
| British Vita Holding Co. (Non-Expiring) (a)        |               | 166       |             |
| <b>Machinery 0.0%</b>                              |               |           |             |
| Synventive Molding Solutions (Expires 1/15/13)     |               | 2         |             |
| <b>Media 0.0%</b>                                  |               |           |             |
| New Vision Holdings LLC:                           |               |           |             |
| (Expires 9/30/14)                                  |               | 19        | 190         |
| (Expires 9/30/14)                                  |               | 3         | 34          |
|  |               |           | 224         |
| <b>Software 0.0%</b>                               |               |           |             |
| Bankruptcy Management Solutions, Inc.              |               |           |             |
| (Expires 9/29/17)                                  |               | 251       | 3           |
| HMH Holdings/EduMedia (Expires 3/09/17)            |               | 21,894    |             |
|  |               |           | 3           |
| <b>Total Warrants</b>                              | <b>0.0%</b>   |           | 227         |
| <b>Total Long-Term Investments</b>                 |               |           |             |
| <b>(Cost \$452,773,340)</b>                        | <b>132.1%</b> |           | 451,003,077 |
| <b>Short-Term Securities</b>                       |               |           |             |
| BlackRock Liquidity Funds, TempFund, Institutional |               |           |             |
| Class, 0.21% (l)(m)                                |               | 8,770,511 | 8,770,511   |
| <b>Total Short-Term Securities</b>                 |               |           |             |
| <b>(Cost \$8,770,511)</b>                          | <b>2.6%</b>   |           | 8,770,511   |

See Notes to Financial Statements.

32 ANNUAL REPORT

OCTOBER 31, 2010

---

## Schedule of Investments (continued)

### BlackRock Floating Rate Income Trust (BGT)

(Percentages shown are based on Net Assets)

| Options Purchased  | Contracts | Value          |
|--|-----------|----------------|
| <b>Over-the-Counter Call Options</b> 0.0%  |           |                |
| Marsico Parent Superholdco LLC,<br>Strike Price USD 942.86, Expires 12/21/19,<br>Broker Goldman Sachs Bank USA | 26        |                |
| <b>Total Options Purchased (Cost \$25,422)</b> 0.0%  |           |                |
| <b>Total Investments (Cost \$461,569,273*)</b> 134.6%  |           | \$ 459,773,588 |
| <b>Liabilities in Excess of Other Assets</b> (17.4)%   |           | (59,525,205)   |
| <b>Preferred Shares, at Redemption Value</b> (17.2)%   |           | (58,812,248)   |
| <b>Net Assets Applicable to Common Shares</b> 100.0%   |           | \$ 341,436,135 |

\* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2010, as computed for federal income tax purposes, were as follows:

|                               |                |
|-------------------------------|----------------|
| Aggregate cost                | \$ 458,807,766 |
| Gross unrealized appreciation | \$ 18,276,820  |
| Gross unrealized depreciation | (17,310,998)   |
| Net unrealized appreciation   | \$ 965,822     |

(a) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(b) Variable rate security. Rate shown is as of report date.

(c) Non-income producing security.

(d) Convertible security.

(e) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.

(f) Issuer filed for bankruptcy and/or is in default of interest payments.

(g) Represents a payment-in-kind security which may pay interest/dividends in additional face/shares.

(h) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.

(i) Amount is less than \$1,000.

(j) The investment is held by a wholly-owned taxable subsidiary of the Fund.

(k) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

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

| Affiliate  | Shares Held at<br>October 31,<br>2009 | Net<br>Activity | Shares Held at<br>October 31,<br>2010 | Income   |
|--|---------------------------------------|-----------------|---------------------------------------|----------|
| BlackRock Liquidity<br>Funds, TempFund,<br>Institutional Class | 9,320,934                             | (550,423)       | 8,770,511                             | \$ 6,845 |

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

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

Foreign currency exchange contracts as of October 31, 2010 were as follows:

| Currency<br>Purchased | Currency<br>Sold | Counterparty           | Settlement<br>Date | Unrealized<br>Appreciation<br>(Depreciation) |
|-----------------------|------------------|------------------------|--------------------|--|
| EUR 2,590,000         | USD 3,367,959    | Citibank NA            | 11/17/10           | \$ 236,049                                   |
| USD 69,193,247        | EUR 54,072,500   | Citibank NA            | 11/17/10           | (6,049,119)                                  |
| USD 507,650           | EUR 371,000      | RBS<br>Securities Inc. | 11/17/10           | (8,600)                                      |
| USD 13,182,422        | GBP 8,299,000    | Citibank NA            | 1/19/11            | (106,297)                                    |
| <b>Total</b>          |                  |                        |                    | <b>\$ (5,927,967)</b>                        |

Credit default swaps on single-name issuers sold protection outstanding as of October 31, 2010 were as follows:

| Issuer                               | Receive<br>Fixed<br>Rate | Counter-<br>party   | Expiration    | Credit<br>Rating <sup>1</sup> | Notional<br>Amount<br>(000) <sup>2</sup> | Unrealized<br>Appreciation |
|--------------------------------------|--------------------------|---------------------|---------------|-------------------------------|--|----------------------------|
| BAA Ferrovial<br>Junior Term<br>Loan | 2.00%                    | Deutsche<br>Bank AG | March<br>2012 | NR                            | GBP 1,800                                | \$ 19,172                  |

<sup>1</sup> Using Standard & Poor's rating of the issuer.

<sup>2</sup> The maximum potential amount the Fund may pay should a negative credit event take place as defined under the terms of the agreement.



## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

Fair Value Measurements Various inputs are used in determining the fair value of investments, which are as follows:

Level 1 price quotations in active markets/exchanges for identical assets and liabilities

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

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

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the inputs used as of October 31, 2010 in determining the fair valuation of the Fund's investments and derivatives:

| Valuation Inputs           | Level 1    | Level 2      | Level 3    | Total        |
|----------------------------|------------|--------------|------------|--------------|
| <b>Assets:</b>             |            |              |            |              |
| Investments in Securities: |            |              |            |              |
| Long-Term                  |            |              |            |              |
| Investments:               |            |              |            |              |
| Asset-Backed               |            |              |            |              |
| Securities                 |            | \$ 1,351,175 |            | \$ 1,351,175 |
| Common                     |            |              |            |              |
| Stocks                     | \$ 125,690 | 644,175      | \$ 595,520 | 1,365,385    |
| Corporate                  |            |              |            |              |
| Bonds                      |            | 68,947,946   | 61,912     | 69,009,858   |
| Floating Rate              |            |              |            |              |
| Loan Interests             |            | 290,288,787  | 64,699,477 | 354,988,264  |
| Foreign Agency             |            |              |            |              |
| Obligations                |            | 14,441,034   | 4,228,067  | 18,669,101   |
| Other                      |            |              |            |              |
| Interests                  |            |              | 5,533,239  | 5,533,239    |
| Preferred                  |            |              |            |              |
| Stocks                     |            |              | 85,828     | 85,828       |
| Warrants                   |            |              | 227        | 227          |
| Short-Term                 |            |              |            |              |
| Securities                 | 8,770,511  |              |            | 8,770,511    |
| Unfunded Loan              |            |              |            |              |
| Commitments                |            |              | 160,394    | 160,394      |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Liabilities:**

Unfunded Loan

Commitments

|              |              |               |               |               |
|--------------|--------------|---------------|---------------|---------------|
| <b>Total</b> | \$ 8,896,201 | \$375,673,117 | \$ 75,321,957 | \$459,891,275 |
|--------------|--------------|---------------|---------------|---------------|

(42,707)

(42,707)

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

33

---

## Schedule of Investments (concluded)

### BlackRock Floating Rate Income Trust (BGT)

#### Derivative Financial Instruments<sup>1</sup>

| Valuation Inputs                    | Level 1 | Level 2              | Level 3         | Total                 |
|-------------------------------------|---------|----------------------|-----------------|-----------------------|
| <b>Assets:</b>                      |         |                      |                 |                       |
| Credit contracts                    |         |                      | \$19,172        | \$ 19,172             |
| Foreign currency exchange contracts |         | \$236,049            |                 | 236,049               |
| <b>Liabilities:</b>                 |         |                      |                 |                       |
| Credit contracts                    |         |                      |                 |                       |
| Foreign currency exchange contracts |         | (6,164,016)          |                 | (6,164,016)           |
| <b>Total</b>                        |         | <b>\$(5,927,967)</b> | <b>\$19,172</b> | <b>\$ (5,908,795)</b> |

<sup>1</sup> Derivative financial instruments are swaps, foreign currency exchange contracts, and options. Swaps and foreign currency exchange contracts are shown at the unrealized appreciation/depreciation on the instrument and options are shown at value.

#### Unfunded Loan Commitments

#### Liabilities:

Balance, as of October 31, 2009

Accrued discounts/premiums

Net realized gain (loss)

Net change in unrealized appreciation/depreciation<sup>2</sup>

\$ (42,707)

Purchases

Sales

Transfers in<sup>3</sup>

Transfers out<sup>3</sup>

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

Balance, as of October 31, 2010

\$ (42,707)

The following tables are a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

|  | Common<br>Stocks  | Corporate<br>Bonds | Floating Rate<br>Interests | Foreign<br>Agency<br>Loan<br>Obligations | Other<br>Interests  | Preferred<br>Securities | Warrants      | Unfunded<br>Loan<br>Commitments | Total                |
|--|-------------------|--------------------|----------------------------|--|---------------------|-------------------------|---------------|---------------------------------|----------------------|
| <b>Assets:</b>                         |                   |                    |                            |  |                     |                         |               |                                 |                      |
| Balance, as of                         |                   |                    |                            |  |                     |                         |               |                                 |                      |
| October 31, 2009                       | \$ 112,485        | \$ 288,246         | \$84,427,073               |  | \$ 2,726,281        |                         | \$ 224        |                                 | \$ 87,554,309        |
| Accrued discounts/                     |                   |                    |                            |  |                     |                         |               |                                 |                      |
| premiums                               |                   | 260,168            | 1,314,935                  | \$92,320                                 |                     |                         |               |                                 | 1,667,423            |
| Net realized gain (loss)               | 41,366            |                    | (12,743,987)               | 138,199                                  | (2,000,875)         |                         |               |                                 | (14,565,297)         |
| Net change in unrealized appreciation/ |                   |                    |                            |  |                     |                         |               |                                 |                      |
| depreciation <sup>2</sup>              | 388,511           | (158,970)          | 18,707,857                 | 65,457                                   | 7,813,339           |                         |               | \$ 160,394                      | 26,976,588           |
| Purchases                              |                   | 59,419             | 14,871,374                 | 3,244,436                                | (3,738,190)         |                         | 3             |                                 | 14,437,042           |
| Sales                                  | (42,252)          | (386,951)          | (63,470,817)               | (1,219,678)                              | (404,410)           |                         |               |                                 | (65,524,108)         |
| Transfers in <sup>3</sup>              | 595,520           |                    | 38,576,371                 | 1,907,333                                | 1,137,094           | \$ 85,828               |               |                                 | 42,302,146           |
| Transfers out <sup>3</sup>             | (500,110)         |                    | (16,983,329)               |  |                     |                         |               |                                 | (17,483,439)         |
| <b>Balance, as of</b>                  |                   |                    |                            |  |                     |                         |               |                                 |                      |
| <b>October 31, 2010</b>                | <b>\$ 595,520</b> | <b>\$ 61,912</b>   | <b>\$64,699,477</b>        | <b>\$4,228,067</b>                       | <b>\$ 5,533,239</b> | <b>\$ 85,828</b>        | <b>\$ 227</b> | <b>\$ 160,394</b>               | <b>\$ 75,364,664</b> |

<sup>2</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations. The net change in unrealized appreciation/depreciation on securities still held at October 31, 2010 was \$4,463,089.

<sup>3</sup> The Fund's policy is to recognize transfers in and transfers out as of the end of the period of the event or the change in circumstances that caused the transfer.

**Credit Contracts**

|   | Assets   | Liabilities | Total       |
|---|----------|-------------|-------------|
| Balance, as of October  |          |             |             |
| 31, 2009  |          | \$(388,694) | \$(388,694) |
| Accrued discounts/premiums                                      |          |             |             |
| Net realized gain (loss)  |          |             |             |
| Net change in unrealized appreciation/depreciation <sup>4</sup> | \$19,172 | 388,694     | 407,866     |
| Purchases   |          |             |             |
| Sales   |          |             |             |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

Transfers in<sup>5</sup>

Transfers out<sup>5</sup>

**Balance, as of October 31, 2010**

\$19,172

\$ 19,172

<sup>4</sup> Included in the related net change in unrealized appreciation/depreciation on the Statements of Operations. The net change in unrealized appreciation/depreciation on securities still held at October 31, 2010 was \$407,866.

<sup>5</sup> The Fund's policy is to recognize transfers in and transfers out as of the end of the period of the event or the change in circumstances that caused the transfer.

See Notes to Financial Statements.

34 ANNUAL REPORT

OCTOBER 31, 2010

---

## Statements of Assets and Liabilities

|  | BlackRock<br>Credit<br>Allocation<br>Income<br>Trust I, Inc.<br>(PSW) | BlackRock<br>Credit<br>Allocation<br>Income<br>Trust II, Inc.<br>(PSY) | BlackRock<br>Credit<br>Allocation<br>Income<br>Trust III<br>(BPP) | BlackRock<br>Credit<br>Allocation<br>Income<br>Trust IV<br>(BTZ) | BlackRock<br>Floating<br>Rate<br>Income<br>Trust<br>(BGT) |
|--|---|--|---|--|---|
| <b>October 31, 2010</b>  |   |  |   |  |   |
| <b>Assets</b>  |   |  |   |  |   |
| Investments at value unaffiliated <sup>1</sup>                 | \$ 149,060,592  | \$ 632,548,874   | \$ 261,584,504  | \$ 939,054,088   | 451,003,077   |
| Investments at value affiliated <sup>2</sup>                   | 5,884,098   | 1,483,567  | 34,466,527  | 26,924,664   | 8,770,511   |
| Unrealized appreciation on foreign currency exchange contracts |   |  |   |  | 236,049   |
| Unrealized appreciation on unfunded loan commitments           |   |  |   |  | 160,394   |
| Unrealized appreciation on swaps                               |   |  |   |  | 19,172  |
| Foreign currency at value <sup>3</sup>                         | 401   |  | 500   | 46   |   |
| Cash pledged as collateral for financial futures contracts     | 50,000  | 60,000   | 40,000  | 630,000  |   |
| Cash pledged as collateral for swaps                           |   |  |   |  | 100,000   |
| Cash   | 1,000   |  |   | 57,893   |   |
| Interest receivable  | 2,110,470   | 9,212,105  | 3,716,396   | 13,871,160   | 3,240,896   |
| Reverse repurchase agreements receivable                       |   | 2,015,000  |   |  |   |
| Margin variation receivable                                    | 8,063   | 14,375   | 8,625   | 166,094  |   |
| Dividends receivable affiliated                                |   | 283  | 208   |  |   |
| Investments sold receivable                                    |   |  |   |  | 4,821,721   |
| Dividends receivable   |   |  |   | 706,852  | 1,690   |
| Principal paydowns receivable                                  |   |  |   |  | 10,616,945  |
| Swaps receivable   |   |  |   |  | 6,730   |
| Commitment fees receivable                                     |   |  |   |  | 9,782   |
| Prepaid expenses   | 16,086  | 46,009   | 34,632  | 99,978   | 130,609   |
| Other assets   | 167,003   | 1,346,323  | 54,404  | 131,970  | 347,098   |
| <b>Total assets</b>  | <b>157,297,713</b>  | <b>646,726,536</b>   | <b>299,905,796</b>  | <b>981,642,745</b>   | <b>479,464,674</b>  |
| <b>Liabilities</b>   |   |  |   |  |   |
| Unrealized depreciation on foreign currency exchange contracts |   |  |   |  | 6,164,016   |
| Unrealized depreciation on unfunded loan commitments           |   |  |   |  | 42,707  |
| Bank overdraft   |   |  |   |  | 705,486   |
| Bank overdraft on foreign currency <sup>3</sup>                |   |  |   |  | 19,094  |
| Reverse repurchase agreements                                  | 6,082,500   | 4,020,000  |   |  |   |
| Investment advisory fees payable                               | 79,696  | 334,596  | 163,685   | 555,656  | 235,805   |
| Loans payable  |   |  |   |  | 38,000,000  |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|                                       |           |           |         |           |            |
|---------------------------------------|-----------|-----------|---------|-----------|------------|
| Income dividends payable              | 31,096    | 150,975   | 60,723  | 363,581   |            |
| Interest expense payable              | 1,111     | 27        |         |           | 64,201     |
| Other affiliates payable              | 968       | 4,048     | 1,856   | 6,636     | 2,636      |
| Officer's and Directors' fees payable | 260       | 86,247    | 56,083  | 133,546   | 105,258    |
| Investments purchased payable         |           |           |         |           | 33,359,111 |
| Deferred income                       |           |           |         |           | 196,354    |
| Other accrued expenses payable        | 34,688    | 54,739    | 98,036  | 178,296   | 321,623    |
| Total liabilities                     | 6,230,319 | 4,650,632 | 380,383 | 1,237,715 | 79,216,291 |

**Preferred Shares at Redemption Value**

|   |                |                |                |                |             |
|---|----------------|----------------|----------------|----------------|-------------|
| \$25,000 per share liquidation preference, plus unpaid dividends <sup>4,5,6</sup> | 40,259,104     | 169,091,462    | 70,427,344     | 231,045,110    | 58,812,248  |
|   |                |                |                |                | \$          |
| <b>Net Assets Applicable to Common Shareholders</b>                               | \$ 110,808,290 | \$ 472,984,442 | \$ 229,098,069 | \$ 749,359,920 | 341,436,135 |

**Net Assets Applicable to Common Shareholders Consist of**

|  |                |                |                |                 |              |
|--|----------------|----------------|----------------|-----------------|--------------|
|  |                |                |                |                 | \$           |
| Paid-in capital <sup>4,7,8</sup>                             | \$ 236,754,281 | \$ 937,350,272 | \$ 422,218,171 | \$1,123,084,063 | 428,014,310  |
| Undistributed net investment income                          | 114,857        | 324,705        | 328,304        | 525,038         | 10,644,933   |
| Accumulated net realized loss                                | (132,343,516)  | (484,977,132)  | (200,586,041)  | (402,520,946)   | (89,589,030) |
| Net unrealized appreciation/depreciation                     | 6,282,668      | 20,286,597     | 7,137,635      | 28,271,765      | (7,634,078)  |
|  |                |                |                |                 | \$           |
| <b>Net Assets Applicable to Common Shareholders</b>          | \$ 110,808,290 | \$ 472,984,442 | \$ 229,098,069 | \$ 749,359,920  | 341,436,135  |
| Net asset value per Common Share                             | \$ 10.75       | \$ 11.59       | \$ 12.41       | \$ 14.46        | \$ 14.48     |
|  |                |                |                |                 | \$           |
| <sup>1</sup> Investments at cost unaffiliated                | \$ 142,780,701 | \$ 612,196,614 | \$ 254,407,512 | \$ 911,010,062  | 452,798,762  |
| <sup>2</sup> Investments at cost affiliated                  | \$ 5,884,098   | \$ 1,483,567   | \$ 34,466,527  | \$ 26,924,664   | \$ 8,770,511 |
| <sup>3</sup> Foreign currency at cost                        | \$ 368         |                | \$ 459         | \$ 43           | \$ (20,820)  |
| <sup>4</sup> Preferred and Common Shares par value per share | \$ 0.10        | \$ 0.10        | \$ 0.001       | \$ 0.001        | \$ 0.001     |
| <sup>5</sup> Preferred Shares outstanding                    | 1,610          | 6,761          | 2,817          | 9,240           | 2,352        |
| <sup>6</sup> Preferred Shares authorized                     | 5,460          | 22,000         | unlimited      | unlimited       | unlimited    |
| <sup>7</sup> Common Shares outstanding                       | 10,311,941     | 40,807,418     | 18,467,785     | 51,828,157      | 23,577,416   |
| <sup>8</sup> Common Shares authorized                        | 199,994,540    | 199,978,000    | unlimited      | unlimited       | unlimited    |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

35

## Statements of Operations

|  | BlackRock<br>Credit<br>Allocation<br>Income<br>Trust I, Inc.<br>(PSW) | BlackRock<br>Credit<br>Allocation<br>Income<br>Trust II, Inc.<br>(PSY) | BlackRock<br>Credit<br>Allocation<br>Income<br>Trust III<br>(BPP) | BlackRock<br>Credit<br>Allocation<br>Income<br>Trust IV<br>(BTZ) | BlackRock<br>Floating<br>Rate<br>Income<br>Trust<br>(BGT) |
|--|---|--|---|--|---|
| <b>Year Ended October 31, 2010</b>                   |   |  |   |  |   |
| <b>Investment Income</b>                             |   |  |   |  |   |
| Interest   | \$ 6,411,944  | \$ 27,382,556  | \$ 13,000,342   | \$ 42,589,211  | \$ 26,379,532   |
| Dividends  | 1,243,202   | 6,579,290  | 2,765,944   | 9,249,905  |   |
| Income affiliated                                    | 33,438  | 117,385  | 57,375  | 182,102  | 15,194  |
| Facility and other fees                              |   |  |   |  | 636,980   |
| Total income   | 7,688,584   | 34,079,231   | 15,823,661  | 52,021,218   | 27,031,706  |
| <b>Expenses</b>                                      |   |  |   |  |   |
| Investment advisory                                  | 894,188   | 3,751,752  | 1,863,029   | 6,456,622  | 3,074,143   |
| Commissions for Preferred Shares                     | 61,116  | 256,350  | 105,244   | 324,347  | 85,717  |
| Professional   | 58,505  | 65,864   | 62,732  | 111,057  | 250,898   |
| Transfer agent                                       | 47,301  | 126,149  | 34,591  | 38,546   | 31,183  |
| Accounting services                                  | 27,504  | 119,589  | 68,894  | 155,165  | 64,175  |
| Custodian  | 12,177  | 32,370   | 19,578  | 49,284   | 156,817   |
| Printing   | 11,832  | 46,299   | 65,411  | 214,887  | 61,585  |
| Officer and Directors                                | 10,867  | 60,142   | 34,386  | 94,343   | 53,877  |
| Registration   | 10,011  | 15,436   | 10,130  | 18,613   | 9,356   |
| Borrowing costs <sup>1</sup>                         |   |  |   |  | 426,973   |
| Miscellaneous  | 49,282  | 90,999   | 69,823  | 145,818  | 134,937   |
| Total expenses excluding interest expense            | 1,182,783   | 4,564,950  | 2,333,818   | 7,608,682  | 4,349,661   |
| Interest expense                                     | 18,062  | 44,124   | 7,505   | 227,126  | 332,702   |
| Total expenses                                       | 1,200,845   | 4,609,074  | 2,341,323   | 7,835,808  | 4,682,363   |
| Less fees waived by advisor                          | (16,708)  | (56,440)   | (26,236)  | (96,105)   | (582,407)   |
| Less fees paid indirectly                            | (101)   | (113)  | (5,640)   | (1,098)  |   |
| Total expenses after fees waived and paid indirectly | 1,184,036   | 4,552,521  | 2,309,447   | 7,738,605  | 4,099,956   |
| Net investment income                                | 6,504,548   | 29,526,710   | 13,514,214  | 44,282,613   | 22,931,750  |
| <b>Realized and Unrealized Gain (Loss)</b>           |   |  |   |  |   |
| Net realized gain (loss) from:                       |   |  |   |  |   |
| Investments  | (4,345,290)   | (34,637,394)   | (12,808,940)  | (7,021,203)  | (18,024,646)  |
| Litigation proceeds                                  | 167,003   | 1,261,324  |   |  |   |
| Financial futures contracts                          | 389,076   | 404,976  | 241,450   | 10,760,694   |   |
| Foreign currency transactions                        |   |  |   |  | 10,047,357  |
| Options written                                      |   |  |   | (2,202,351)  |   |
| Swaps  | (206,127)   | (412,254)  | (206,128)   | (824,509)  | (12,936)  |



Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |             |              |              |             |             |
|--|-------------|--------------|--------------|-------------|-------------|
|  | (3,995,338) | (33,383,348) | (12,773,618) | 712,631     | (7,990,225) |
| Net change in unrealized appreciation/depreciation on: |             |              |              |             |             |
| Investments  | 20,055,896  | 104,269,808  | 39,829,752   | 110,225,036 | 37,941,975  |
| Financial futures contracts                            | (92,228)    | (100,508)    | (58,911)     | (609,704)   |             |
| Foreign currency transactions                          | (23)        |              | (28)         | (3)         | (5,039,603) |
| Options written  |             |              |              | (661,829)   |             |
| Unfunded loan commitments                              |             |              |              |             | 188,636     |
| Swaps  | 168,952     | 337,904      | 168,952      | 675,809     | 468,218     |
|  | 20,132,597  | 104,507,204  | 39,939,765   | 109,629,309 | 33,559,226  |
| Total realized and unrealized gain                     | 16,137,259  | 71,123,856   | 27,166,147   | 110,341,940 | 25,569,001  |

**Dividends to Preferred Shareholders From**

|                       |           |             |           |             |           |
|-----------------------|-----------|-------------|-----------|-------------|-----------|
| Net investment income | (611,907) | (2,578,803) | (202,609) | (3,511,929) | (893,902) |
|-----------------------|-----------|-------------|-----------|-------------|-----------|

**Net Increase in Net Assets Applicable to Common**

|   |               |               |               |             |               |
|---|---------------|---------------|---------------|-------------|---------------|
|   |               |               |               | \$          |               |
| <b>Shareholders Resulting from Operations</b> | \$ 22,029,900 | \$ 98,071,763 | \$ 40,477,752 | 151,112,624 | \$ 47,606,849 |

<sup>1</sup> See Note 8 of the Notes to the Financial Statements for details of short-term borrowings.

See Notes to Financial Statements.

36 ANNUAL REPORT

OCTOBER 31, 2010

---

## Statements of Changes in Net Assets

| Increase (Decrease) in Net Assets Applicable to Common Shareholders:                     | BlackRock Credit Allocation<br>Income Trust I, Inc. (PSW)<br>Year Ended October 31, |               | BlackRock Credit Allocation<br>Income Trust II, Inc. (PSY)<br>Year Ended October 31, |                |
|--|---|---------------|--|----------------|
|  | 2010  | 2009          | 2010   | 2009           |
| <b>Operations</b>  |   |               |  |                |
| Net investment income  | \$ 6,504,548  | \$ 8,880,738  | \$ 29,526,710  | \$ 45,246,551  |
| Net realized loss  | (3,995,338)   | (56,926,270)  | (33,383,348)   | (196,959,541)  |
| Net change in unrealized appreciation/depreciation                                       | 20,132,597  | 78,150,799    | 104,507,204  | 285,726,033    |
| Dividends to Preferred Shareholders from net investment income                           | (611,907)   | (774,824)     | (2,578,803)  | (3,570,342)    |
| Net increase in net assets applicable to Common Shareholders resulting from operations   | 22,029,900  | 29,330,443    | 98,071,763   | 130,442,701    |
| <b>Dividends and Distributions to Common Shareholders From</b>                           |   |               |  |                |
| Net investment income  | (6,360,087)   | (8,498,069)   | (29,029,600)   | (45,358,157)   |
| Tax return of capital  | (909,831)   | (1,345,345)   | (5,350,650)  | (116,310)      |
| Decrease in net assets resulting from dividends and distributions to Common Shareholders | (7,269,918)   | (9,843,414)   | (34,380,250)   | (45,474,467)   |
| <b>Capital Share Transactions</b>  |   |               |  |                |
| Reinvestment of common dividends   |   | 131,419       |  | 1,192,453      |
| <b>Net Assets Applicable to Common Shareholders</b>                                      |   |               |  |                |
| Total increase in net assets applicable to Common Shareholders                           | 14,759,982  | 19,618,448    | 63,691,513   | 86,160,687     |
| Beginning of year  | 96,048,308  | 76,429,860    | 409,292,929  | 323,132,242    |
| End of year  | \$ 110,808,290  | \$ 96,048,308 | \$ 472,984,442   | \$ 409,292,929 |
| Undistributed net investment income  | \$ 114,857  | \$ 636,666    | \$ 324,705   | \$ 2,088,988   |
| Increase (Decrease) in Net Assets Applicable to Common Shareholders:                     | BlackRock Credit Allocation<br>Income Trust III (BPP)<br>Year Ended October 31,     |               | BlackRock Credit Allocation<br>Income Trust IV (BTZ)<br>Year Ended October 31,       |                |
|  | 2010  | 2009          | 2010   | 2009           |
| <b>Operations</b>  |   |               |  |                |
| Net investment income  | \$ 13,514,214   | \$ 20,010,967 | \$ 44,282,613  | \$ 51,505,911  |
| Net realized gain (loss)   | (12,773,618)  | (116,393,404) | 712,631  | (247,029,147)  |
| Net change in unrealized appreciation/depreciation                                       | 39,939,765  | 160,906,851   | 109,629,309  | 378,816,964    |
| Dividends to Preferred Shareholders from net investment income                           | (202,609)   | (577,861)     | (3,511,929)  | (3,828,948)    |
| Net increase in net assets applicable to Common Shareholders resulting from operations   | 40,477,752  | 63,946,553    | 151,112,624  | 179,464,780    |
| <b>Dividends and Distributions to Common Shareholders From</b>                           |   |               |  |                |
| Net investment income  | (14,081,286)  | (17,461,459)  | (41,824,719)   | (48,398,817)   |
| Tax return of capital  | (1,431,653)   | (4,250,036)   | (14,927,112)   | (24,678,883)   |
| Decrease in net assets resulting from dividends and distributions                        |   |               |  |                |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|                        |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|
| to Common Shareholders | (15,512,939) | (21,711,495) | (56,751,831) | (73,077,700) |
|------------------------|--------------|--------------|--------------|--------------|

**Capital Share Transactions**

|                                  |  |         |  |  |
|----------------------------------|--|---------|--|--|
| Reinvestment of common dividends |  | 587,363 |  |  |
|----------------------------------|--|---------|--|--|

**Net Assets Applicable to Common Shareholders**

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Total increase in net assets applicable to Common Shareholders | 24,964,813     | 42,822,421     | 94,360,793     | 106,387,080    |
| Beginning of year  | 204,133,256    | 161,310,835    | 654,999,127    | 548,612,047    |
| End of year  | \$ 229,098,069 | \$ 204,133,256 | \$ 749,359,920 | \$ 654,999,127 |
| Undistributed net investment income                            | \$ 328,304     | \$ 952,028     | \$ 525,038     | \$ 1,348,832   |

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

37

---

## Statements of Changes in Net Assets (concluded)

|  | <b>BlackRock</b>                        |               |
|--|---|---------------|
|  | <b>Floating Rate Income Trust (BGT)</b> |               |
|  | <b>Year Ended October 31,</b>           |               |
| <b>Increase (Decrease) in Net Assets Applicable to Common Shareholders:</b>              | <b>2010</b>                             | <b>2009</b>   |
| <b>Operations</b>  |   |               |
| Net investment income  | \$ 22,931,750                           | \$ 23,060,864 |
| Net realized loss  | (7,990,225)                             | (48,386,859)  |
| Net change in unrealized appreciation/depreciation                                       | 33,559,226                              | 112,537,512   |
| Dividends to Preferred Shareholders from net investment income                           | (893,902)                               | (971,243)     |
| Net increase in net assets applicable to Common Shareholders resulting from operations   | 47,606,849                              | 86,240,274    |
| <b>Dividends and Distributions to Common Shareholders From</b>                           |   |               |
| Net investment income  | (19,496,826)                            | (27,963,106)  |
| Tax return of capital  |   | (9,994,857)   |
| Decrease in net assets resulting from dividends and distributions to Common Shareholders | (19,496,826)                            | (37,957,963)  |
| <b>Capital Share Transactions</b>  |   |               |
| Reinvestment of common dividends   | 453,913                                 |               |
| <b>Net Assets Applicable to Common Shareholders</b>                                      |   |               |
| Total increase in net assets applicable to Common Shareholders                           | 28,563,936                              | 48,282,311    |
| Beginning of year  | 312,872,199                             | 264,589,888   |
| End of year  | \$ 341,436,135                          | 312,872,199   |
| Undistributed (distributions in excess of) net investment income                         | \$ 10,644,933                           | \$ (397,610)  |

See Notes to Financial Statements.

38 ANNUAL REPORT

OCTOBER 31, 2010

## Statement of Cash Flows

|  | Year Ended<br>October 31,<br>2010 |
|--|-----------------------------------|
| <b>BlackRock Floating Rate Income Trust (BGT)</b>  |                                   |
| <b>Cash Used for Operating Activities</b>  |                                   |
| Net increase in net assets resulting from operations, excluding dividends to Preferred Shareholders                      | \$ 48,500,751                     |
| Adjustments to reconcile net increase in net assets resulting from operations to net cash used for operating activities: |                                   |
| Increase in interest receivable  | (109,064)                         |
| Decrease in swaps receivable   | 163                               |
| Increase in commitment fees receivable   | (9,782)                           |
| Increase in other assets   | (222,444)                         |
| Increase in dividends receivable   | (1,690)                           |
| Decrease in income receivable affiliated   | 341                               |
| Increase in prepaid expenses   | (3,068)                           |
| Increase in investment advisory fees payable   | 29,586                            |
| Increase in interest expense payable   | 23,375                            |
| Increase in other affiliates payable   | 412                               |
| Increase in other accrued expenses payable   | 136,571                           |
| Decrease in swaps payable  | (4,317)                           |
| Decrease in cash pledged as collateral in connection for swaps   | 500,000                           |
| Decrease in other liabilities  | (845,950)                         |
| Increase in Officer s and Directors payable  | 26,382                            |
| Net periodic and termination payments of swaps   | 35,386                            |
| Net realized and unrealized gain   | (14,015,142)                      |
| Amortization of premium and discount on investments  | (4,186,072)                       |
| Paid-in-kind income  | (550,314)                         |
| Proceeds from sales and paydowns of long-term investments  | 360,294,678                       |
| Purchases of long-term investments   | (404,454,967)                     |
| Net proceeds from sales of short-term securities   | 550,423                           |
| Cash used for operating activities   | (14,304,742)                      |
| <b>Cash Provided by Financing Activities</b>   |                                   |
| Cash receipts from borrowings  | 300,000,000                       |
| Cash payments from borrowings  | (276,000,000)                     |
| Cash dividends paid to Common Shareholders   | (19,094,026)                      |
| Cash dividends paid to Preferred Shareholders  | (893,689)                         |
| Increase in bank overdraft and bank overdraft on foreign currency  | 724,580                           |
| Cash provided by financing activities  | 4,736,865                         |
| <b>Cash Impact from Foreign Exchange Fluctuations</b>  |                                   |
| Cash impact from foreign exchange fluctuations   | 50,575                            |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

**Cash and Foreign Currency**

|  |             |
|--|-------------|
| Net decrease in cash and foreign currency      | (9,517,302) |
| Cash and foreign currency at beginning of year | 9,517,302   |
| Cash and foreign currency at end of year       | \$          |

**Cash Flow Information**

|                        |            |
|------------------------|------------|
| Cash paid for interest | \$ 309,327 |
|------------------------|------------|

**Noncash Financing Activities**

|   |            |
|---|------------|
| Capital shares issued in reinvestment of dividends paid to shareholders | \$ 453,913 |
|---|------------|

A Statement of Cash Flows is presented when a Fund had a significant amount of borrowings during the year, based on the average borrowings outstanding in relation to total assets.

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

39

---

BlackRock Credit Allocation Income Trust I,  
Inc. (PSW)

## Financial Highlights

|  | Year Ended October<br>31, |           |           |            |            |
|--|---------------------------|-----------|-----------|------------|------------|
|  | 2010                      | 2009      | 2008      | 2007       | 2006       |
| <b>Per Share Operating Performance</b>   |                           |           |           |            |            |
| Net asset value, beginning of year   | \$ 9.31                   | \$ 7.43   | \$ 19.54  | \$ 22.25   | \$ 22.36   |
| Net investment income <sup>1</sup>   | 0.63                      | 0.86      | 1.70      | 2.01       | 2.14       |
| Net realized and unrealized gain (loss)  | 1.58                      | 2.06      | (12.06)   | (2.41)     | 0.07       |
| Dividends to Preferred Shareholders from net investment income                                   | (0.06)                    | (0.08)    | (0.48)    | (0.71)     | (0.63)     |
| Net increase (decrease) from investment operations   | 2.15                      | 2.84      | (10.84)   | (1.11)     | 1.58       |
| Dividends and distributions to Common Shareholders from:   |                           |           |           |            |            |
| Net investment income  | (0.62)                    | (0.83)    | (1.22)    | (1.18)     | (1.69)     |
| Tax return of capital  | (0.09)                    | (0.13)    | (0.05)    | (0.42)     |            |
| Total dividends and distributions  | (0.71)                    | (0.96)    | (1.27)    | (1.60)     | (1.69)     |
| Net asset value, end of year   | \$ 10.75                  | \$ 9.31   | \$ 7.43   | \$ 19.54   | \$ 22.25   |
| Market price, end of year  | \$ 9.67                   | \$ 8.24   | \$ 7.00   | \$ 17.29   | \$ 21.26   |
| <b>Total Investment Return<sup>2</sup></b>   |                           |           |           |            |            |
| Based on net asset value   | 24.77% <sup>3</sup>       | 46.46%    | (58.09)%  | (5.03)%    | 7.97%      |
| Based on market price  | 26.81%                    | 37.59%    | (55.38)%  | (12.05)%   | 9.69%      |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                           |           |           |            |            |
| Total expenses <sup>4</sup>  | 1.16%                     | 1.61%     | 2.00%     | 1.32%      | 1.29%      |
| Total expenses after fees waived and paid indirectly <sup>4</sup>                                | 1.14%                     | 1.59%     | 2.00%     | 1.32%      | 1.29%      |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>4</sup> | 1.13%                     | 1.44%     | 1.48%     | 1.29%      | 1.29%      |
| Net investment income <sup>4</sup>   | 6.28%                     | 12.45%    | 10.79%    | 9.38%      | 9.70%      |
| Dividends to Preferred Shareholders  | 0.59%                     | 1.09%     | 3.03%     | 3.29%      | 2.84%      |
| Net investment income to Common Shareholders   | 5.69%                     | 11.36%    | 7.76%     | 6.09%      | 6.86%      |
| <b>Supplemental Data</b>   |                           |           |           |            |            |
| Net assets applicable to Common Shareholders, end of year (000)                                  | \$ 110,808                | \$ 96,048 | \$ 76,430 | \$ 201,155 | \$ 228,734 |
| Preferred Shares outstanding at \$25,000 liquidation preference, end of year (000)               | \$ 40,250                 | \$ 40,250 | \$ 68,250 | \$ 136,500 | \$ 136,500 |
| Borrowings outstanding, end of year (000)  | \$ 6,083                  | \$ 4,972  | \$ 4,024  | \$ 590     |            |
| Average borrowings outstanding, during the year (000)  | \$ 5,269                  | \$ 5,321  | \$ 25,692 | \$ 2,690   |            |
| Portfolio turnover   | 66%                       | 36%       | 119%      | 88%        | 19%        |
| Asset coverage per Preferred Share at \$25,000 liquidation preference, end of year               | \$ 93,831                 | \$ 84,663 | \$ 53,009 | \$ 61,846  | \$ 66,907  |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns.

Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

<sup>3</sup> Includes proceeds from a settlement of litigation which impacted the Fund. Not including these proceeds the Fund's total return would have been 24.54%.

<sup>4</sup> Do not reflect the effect of dividends to Preferred Shareholders.

See Notes to Financial Statements.

40 ANNUAL REPORT

OCTOBER 31, 2010

---



## Financial Highlights

BlackRock Credit Allocation Income Trust  
II, Inc. (PSY)

|  | Year Ended October 31, |                     |            |            |            |
|--|------------------------|---------------------|------------|------------|------------|
|  | 2010                   | 2009                | 2008       | 2007       | 2006       |
| <b>Per Share Operating Performance</b>   |                        |                     |            |            |            |
| Net asset value, beginning of year   | \$ 10.03               | \$ 7.96             | \$ 19.93   | \$ 22.36   | \$ 22.26   |
| Net investment income <sup>1</sup>   | 0.72                   | 1.11                | 1.73       | 2.02       | 2.03       |
| Net realized and unrealized gain (loss)  | 1.74                   | 2.17                | (11.84)    | (2.35)     | 0.32       |
| Dividends to Preferred Shareholders from net investment income                                   | (0.06)                 | (0.09)              | (0.49)     | (0.73)     | (0.65)     |
| Net increase (decrease) from investment operations   | 2.40                   | 3.19                | (10.60)    | (1.06)     | 1.70       |
| Dividends and distributions to Common Shareholders from:   |                        |                     |            |            |            |
| Net investment income  | (0.71)                 | (1.12)              | (1.15)     | (1.16)     | (1.51)     |
| Tax return of capital  | (0.13)                 | (0.00) <sup>2</sup> | (0.22)     | (0.21)     | (0.09)     |
| Total dividends and distributions  | (0.84)                 | (1.12)              | (1.37)     | (1.37)     | (1.60)     |
| Net asset value, end of year   | \$ 11.59               | \$ 10.03            | \$ 7.96    | \$ 19.93   | \$ 22.36   |
| Market price, end of year  | \$ 10.39               | \$ 8.90             | \$ 8.10    | \$ 16.94   | \$ 20.12   |
| <b>Total Investment Return<sup>3</sup></b>   |                        |                     |            |            |            |
| Based on net asset value   | 25.70% <sup>4</sup>    | 48.36%              | (55.71)%   | (4.35)%    | 8.77%      |
| Based on market price  | 26.99%                 | 29.37%              | (46.97)%   | (9.65)%    | 2.77%      |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                        |                     |            |            |            |
| Total expenses <sup>5</sup>  | 1.04%                  | 1.41%               | 1.90%      | 1.27%      | 1.23%      |
| Total expenses after fees waived and paid indirectly <sup>5</sup>                                | 1.03%                  | 1.41%               | 1.90%      | 1.27%      | 1.23%      |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>5</sup> | 1.02%                  | 1.33%               | 1.40%      | 1.23%      | 1.23%      |
| Net investment income <sup>5</sup>   | 6.66%                  | 15.05%              | 10.71%     | 9.29%      | 9.26%      |
| Dividends to Preferred Shareholders  | 0.58%                  | 1.19%               | 3.04%      | 3.34%      | 2.96%      |
| Net investment income to Common Shareholders   | 6.08%                  | 13.86%              | 7.67%      | 5.95%      | 6.30%      |
| <b>Supplemental Data</b>   |                        |                     |            |            |            |
| Net assets applicable to Common Shareholders, end of year (000)                                  | \$ 472,984             | \$ 409,293          | \$ 323,132 | \$ 809,411 | \$ 907,897 |
| Preferred Shares outstanding at \$25,000 liquidation preference, end of year (000)               | \$ 169,025             | \$ 169,025          | \$ 275,000 | \$ 550,000 | \$ 550,000 |
| Borrowings outstanding, end of year (000)  | \$ 4,020               | \$ 9,511            | \$ 54,369  |            |            |
| Average borrowings outstanding, during the year (000)  | \$ 13,407              | \$ 15,842           | \$ 94,908  | \$ 14,375  |            |
| Portfolio turnover   | 73%                    | 16%                 | 120%       | 81%        | 18%        |
| Asset coverage per Preferred Share at \$25,000 liquidation preference, end of year               | \$ 94,968              | \$ 85,547           | \$ 54,408  | \$ 61,817  | \$ 66,294  |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Amount is less than \$(0.01) per share.

<sup>3</sup> Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns.

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

<sup>4</sup> Includes proceeds from a settlement of litigation which impacted the Fund. Not including these proceeds the Fund's total return would have been 25.37%.

<sup>5</sup> Do not reflect the effect of dividends to Preferred Shareholders.

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

41

---

## Financial Highlights

BlackRock Credit Allocation Income Trust  
III (BPP)

|  | Period                 |                   |                       |                         |            |            |
|--|------------------------|-------------------|-----------------------|-------------------------|------------|------------|
|  | Year Ended October 31, |                   | October 31,           | Year Ended December 31, |            |            |
|  | 2010                   | 2009              | 2008                  | 2007                    | 2006       | 2005       |
| <b>Per Share Operating Performance</b>   |                        |                   |                       |                         |            |            |
| Net asset value, beginning of period   | \$ 11.05               | \$ 8.77           | \$ 19.47              | \$ 24.52                | \$ 24.43   | \$ 25.88   |
| Net investment income  | 0.73 <sup>1</sup>      | 1.09 <sup>1</sup> | 1.48 <sup>1</sup>     | 2.05                    | 2.05       | 2.11       |
| Net realized and unrealized gain (loss)  | 1.48                   | 2.40              | (10.74)               | (4.72)                  | 0.62       | (0.82)     |
| Dividends and distributions to Preferred Shareholders from:                                      |                        |                   |                       |                         |            |            |
| Net investment income  | (0.01)                 | (0.03)            | (0.31)                | (0.62)                  | (0.46)     | (0.26)     |
| Net realized gain  |                        |                   |                       |                         | (0.12)     | (0.13)     |
| Net increase (decrease) from investment operations   | 2.20                   | 3.46              | (9.57)                | (3.29)                  | 2.09       | 0.90       |
| Dividends and distributions to Common Shareholders from:   |                        |                   |                       |                         |            |            |
| Net investment income  | (0.76)                 | (0.95)            | (0.83)                | (1.59)                  | (1.58)     | (1.74)     |
| Net realized gain  |                        |                   |                       | (0.02)                  | (0.42)     | (0.61)     |
| Tax return of capital  | (0.08)                 | (0.23)            | (0.30)                | (0.15)                  |            |            |
| Total dividends and distributions  | (0.84)                 | (1.18)            | (1.13)                | (1.76)                  | (2.00)     | (2.35)     |
| Net asset value, end of period   | \$ 12.41               | \$ 11.05          | \$ 8.77               | \$ 19.47                | \$ 24.52   | \$ 24.43   |
| Market price, end of period  | \$ 11.23               | \$ 9.94           | \$ 8.51               | \$ 17.31                | \$ 26.31   | \$ 24.20   |
| <b>Total Investment Return<sup>2</sup></b>   |                        |                   |                       |                         |            |            |
| Based on net asset value   | 21.52%                 | 47.16%            | (51.22)% <sup>3</sup> | (13.86)%                | 8.89%      | 3.81%      |
| Based on market price  | 22.25%                 | 36.42%            | (46.76)% <sup>3</sup> | (28.62)%                | 17.98%     | 4.83%      |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                        |                   |                       |                         |            |            |
| Total expenses <sup>4</sup>  | 1.09%                  | 1.66%             | 1.96% <sup>5</sup>    | 1.46%                   | 1.62%      | 1.51%      |
| Total expenses after fees waived and paid indirectly <sup>4</sup>                                | 1.08%                  | 1.64%             | 1.96% <sup>5</sup>    | 1.45%                   | 1.62%      | 1.51%      |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>4</sup> | 1.07%                  | 1.39%             | 1.39% <sup>5</sup>    | 1.24%                   | 1.25%      | 1.22%      |
| Net investment income <sup>4</sup>   | 6.31%                  | 13.08%            | 10.53% <sup>5</sup>   | 8.90%                   | 8.46%      | 8.37%      |
| Dividends to Preferred Shareholders  | 0.10%                  | 0.38%             | 2.19% <sup>5</sup>    | 2.70%                   | 1.89%      | 1.27%      |
| Net investment income to Common Shareholders   | 6.21%                  | 12.70%            | 8.34% <sup>5</sup>    | 6.20%                   | 6.58%      | 7.10%      |
| <b>Supplemental Data</b>   |                        |                   |                       |                         |            |            |
| Net assets applicable to Common Shareholders, end of period (000)                                | \$ 229,098             | \$ 204,133        | \$ 161,311            | \$ 358,017              | \$ 449,995 | \$ 447,190 |
| Preferred Shares outstanding at \$25,000 liquidation preference,                                 |                        |                   |                       |                         |            |            |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |            |           |            |            |            |            |
|--|------------|-----------|------------|------------|------------|------------|
| end of period (000)  | \$ 70,425  | \$ 70,425 | \$ 110,400 | \$ 220,800 | \$ 220,800 | \$ 220,800 |
| Borrowings outstanding, end of period (000)                            |            | \$ 13,235 | \$ 44,281  |            |            |            |
| Average borrowings outstanding, during the period (000)                | \$ 2,121   | \$ 16,330 | \$ 51,995  | \$ 903     | \$ 1,303   | \$ 2,904   |
| Portfolio turnover   | 67%        | 16%       | 121%       | 97%        | 91%        | 77%        |
| Asset coverage per Preferred Share at \$25,000 liquidation preference, |            |           |            |            |            |            |
| end of period  | \$ 106,328 | \$ 97,465 | \$ 61,540  | \$ 65,554  | \$ 75,965  | \$ 75,642  |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns.

Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

<sup>3</sup> Aggregate total investment return.

<sup>4</sup> Do not reflect the effect of dividends to Preferred Shareholders.

<sup>5</sup> Annualized.

See Notes to Financial Statements.

42 ANNUAL REPORT

OCTOBER 31, 2010

---

**BlackRock Credit Allocation Income Trust IV  
(BTZ)**
**Financial Highlights**

|  | Year Ended October 31, |                   |                   | Period<br>December<br>27,<br>2006 <sup>1</sup> to<br>October 31,<br>2007 |
|--|------------------------|-------------------|-------------------|--|
|  | 2010                   | 2009              | 2008              |  |
| <b>Per Share Operating Performance</b>   |                        |                   |                   |  |
| Net asset value, beginning of period   | \$ 12.64               | \$ 10.59          | \$ 21.39          | \$ 23.88 <sup>2</sup>  |
| Net investment income  | 0.85 <sup>3</sup>      | 0.99 <sup>3</sup> | 1.33 <sup>3</sup> | 1.25   |
| Net realized and unrealized gain (loss)  | 2.14                   | 2.54              | (10.06)           | (1.86)   |
| Dividends to Preferred Shareholders from net investment income                                   | (0.07)                 | (0.07)            | (0.33)            | (0.31)   |
| Net increase (decrease) from investment operations   | 2.92                   | 3.46              | (9.06)            | (0.92)   |
| Dividends and distributions to Common Shareholders from:   |                        |                   |                   |  |
| Net investment income  | (0.81)                 | (0.93)            | (0.90)            | (0.93)   |
| Tax return of capital  | (0.29)                 | (0.48)            | (0.84)            | (0.47)   |
| Total dividends and distributions  | (1.10)                 | (1.41)            | (1.74)            | (1.40)   |
| Capital charge with respect to issuance of:  |                        |                   |                   |  |
| Common Shares  |                        |                   |                   | (0.04)   |
| Preferred Shares   |                        |                   |                   | (0.13)   |
| Total capital charges  |                        |                   |                   | (0.17)   |
| Net asset value, end of period   | \$ 14.46               | \$ 12.64          | \$ 10.59          | \$ 21.39   |
| Market price, end of period  | \$ 13.02               | \$ 10.96          | \$ 9.36           | \$ 18.65   |
| <b>Total Investment Return<sup>4</sup></b>   |                        |                   |                   |  |
| Based on net asset value   | 25.16%                 | 41.06%            | (44.27)%          | (4.42)% <sup>5</sup>   |
| Based on market price  | 29.98%                 | 38.38%            | (43.51)%          | (20.34)% <sup>5</sup>  |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                        |                   |                   |  |
| Total expenses <sup>6</sup>  | 1.12%                  | 1.60%             | 1.65%             | 1.90% <sup>7</sup>   |
| Total expenses after fees waived and paid indirectly <sup>6</sup>                                | 1.11%                  | 1.58%             | 1.65%             | 1.88% <sup>7</sup>   |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>6</sup> | 1.07%                  | 1.24%             | 1.21%             | 1.04% <sup>7</sup>   |
| Net investment income <sup>6</sup>   | 6.33%                  | 9.93%             | 7.63%             | 6.50% <sup>7</sup>   |
| Dividends to Preferred Shareholders  | 0.50%                  | 0.74%             | 1.89%             | 1.64% <sup>7</sup>   |
| Net investment income to Common Shareholders   | 5.83%                  | 9.19%             | 5.74%             | 4.86% <sup>7</sup>   |
| <b>Supplemental Data</b>   |                        |                   |                   |  |
| Net assets applicable to Common Shareholders, end of period (000)                                | \$ 749,360             | \$ 654,999        | \$ 548,612        | \$ 1,108,534   |
| Preferred Shares outstanding at \$25,000 liquidation preference, end of period (000)             | \$ 231,000             | \$ 231,000        | \$ 231,000        | \$ 462,000   |
| Borrowings outstanding, end of period (000)  |                        | \$ 61,576         | \$ 223,512        | \$ 88,291  |
| Average borrowings outstanding, during the period (000)  | \$ 63,660              | \$ 76,521         | \$ 107,377        | \$ 96,468  |
| Portfolio turnover   | 64%                    | 30%               | 126%              | 35%  |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

Asset coverage per Preferred Share at \$25,000 liquidation preference, end of period

\$ 106,104   \$ 95,892   \$ 84,384   \$ 89,737

<sup>1</sup> Commencement of operations.

<sup>2</sup> Net asset value, beginning of period, reflects a deduction of \$1.12 per share sales charge from initial offering price of \$25.00 per share.

<sup>3</sup> Based on average shares outstanding.

<sup>4</sup> Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns.

Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

<sup>5</sup> Aggregate total investment return.

<sup>6</sup> Do not reflect the effect of dividends to Preferred Shareholders.

<sup>7</sup> Annualized.

See Notes to Financial Statements.

ANNUAL REPORT

OCTOBER 31, 2010

43

---

## Financial Highlights

BlackRock Floating Rate Income Trust  
(BGT)

|  | Period                 |                   |   |                            |            |                     |
|--|------------------------|-------------------|---|----------------------------|------------|---------------------|
|  | Year Ended October 31, |                   | January 1,<br>2008 to<br>October<br>31, | Year Ended December<br>31, |            |                     |
|  | 2010                   | 2009              | 2008                                    | 2007                       | 2006       | 2005                |
| <b>Per Share Operating Performance</b>   |                        |                   |   |                            |            |                     |
| Net asset value, beginning of period   | \$ 13.29               | \$ 11.24          | \$ 17.71                                | \$ 19.11                   | \$ 19.13   | \$ 19.21            |
| Net investment income  | 0.97 <sup>1</sup>      | 0.98 <sup>1</sup> | 1.42 <sup>1</sup>                       | 2.03                       | 1.99       | 1.64                |
| Net realized and unrealized gain (loss)  | 1.09                   | 2.72              | (6.62)                                  | (1.39)                     | (0.06)     | (0.17)              |
| Dividends and distributions to Preferred Shareholders from:                                      |                        |                   |   |                            |            |                     |
| Net investment income  | (0.04)                 | (0.04)            | (0.24)                                  | (0.54)                     | (0.48)     | (0.33)              |
| Net realized gain  |                        |                   |   |                            | (0.01)     | (0.00) <sup>2</sup> |
| Net increase (decrease) from investment operations   | 2.02                   | 3.66              | (5.44)                                  | 0.10                       | 1.44       | 1.14                |
| Dividends and distributions to Common Shareholders from:   |                        |                   |   |                            |            |                     |
| Net investment income  | (0.83)                 | (1.19)            | (1.03)                                  | (1.14)                     | (1.44)     | (1.22)              |
| Net realized gain  |                        |                   |   |                            | (0.02)     | (0.00) <sup>2</sup> |
| Tax return of capital  |                        | (0.42)            |   | (0.36)                     |            |                     |
| Total dividends and distributions  | (0.83)                 | (1.61)            | (1.03)                                  | (1.50)                     | (1.46)     | (1.22)              |
| Net asset value, end of period   | \$ 14.48               | \$ 13.29          | \$ 11.24                                | \$ 17.71                   | \$ 19.11   | \$ 19.13            |
| Market price, end of period  | \$ 14.52               | \$ 12.58          | \$ 9.63                                 | \$ 15.78                   | \$ 19.27   | \$ 17.16            |
| <b>Total Investment Return<sup>3</sup></b>   |                        |                   |   |                            |            |                     |
| Based on net asset value   | 15.55%                 | 39.51%            | (31.62)% <sup>4</sup>                   | 0.98%                      | 7.93%      | 6.63%               |
| Based on market price  | 22.41%                 | 54.14%            | (34.24)% <sup>4</sup>                   | (10.92)%                   | 21.31%     | (1.34)%             |
| <b>Ratios to Average Net Assets Applicable to Common Shareholders</b>                            |                        |                   |   |                            |            |                     |
| Total expenses <sup>5</sup>  | 1.43%                  | 1.96%             | 2.22% <sup>6</sup>                      | 1.67%                      | 1.75%      | 1.56%               |
| Total expenses after fees waived and paid indirectly <sup>5</sup>                                | 1.25%                  | 1.68%             | 1.89% <sup>6</sup>                      | 1.33%                      | 1.43%      | 1.23%               |
| Total expenses after fees waived and paid indirectly and excluding interest expense <sup>5</sup> | 1.15%                  | 1.24%             | 1.21% <sup>6</sup>                      | 1.16%                      | 1.19%      | 1.15%               |
| Net investment income <sup>5</sup>   | 7.01%                  | 8.92%             | 10.56% <sup>6</sup>                     | 10.83%                     | 10.38%     | 8.52%               |
| Dividends to Preferred Shareholders  | 0.27%                  | 0.38%             | 1.75% <sup>6</sup>                      | 2.88%                      | 2.51%      | 1.71%               |
| Net investment income to Common Shareholders   | 6.74%                  | 8.54%             | 8.81% <sup>6</sup>                      | 7.95%                      | 7.87%      | 6.81%               |
| <b>Supplemental Data</b>   |                        |                   |   |                            |            |                     |
| Net assets applicable to Common Shareholders, end of period (000)                                | \$ 341,436             | \$ 312,872        | \$ 264,590                              | \$ 417,086                 | \$ 449,065 | \$ 449,219          |
| Preferred Shares outstanding at \$25,000 liquidation preference,                                 |                        |                   |   |                            |            |                     |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|
| end of period (000)  | \$ 58,800  | \$ 58,800  | \$ 58,800  | \$ 243,450 | \$ 243,450 | \$ 243,450 |
| Borrowings outstanding, end of period (000)                            | \$ 38,000  | \$ 14,000  | \$ 123,150 |            | \$ 26,108  |            |
| Average borrowings outstanding during the period (000)                 | \$ 24,321  | \$ 53,156  | \$ 71,780  | \$ 10,524  | \$ 19,562  | \$ 10,722  |
| Portfolio turnover   | 87%        | 42%        | 25%        | 41%        | 50%        | 46%        |
| Asset coverage per Preferred Share at \$25,000 liquidation preference, |            |            |            |            |            |            |
| end of period  | \$ 170,174 | \$ 158,029 | \$ 137,505 | \$ 67,849  | \$ 73,810  | \$ 71,139  |

<sup>1</sup> Based on average shares outstanding.

<sup>2</sup> Amount is less than \$(0.01) per share.

<sup>3</sup> Total investment returns based on market price, which can be significantly greater or lesser than the net asset value, may result in substantially different returns.

Where applicable, total investment returns exclude the effects of any sales charges and include the reinvestment of dividends and distributions.

<sup>4</sup> Aggregate total investment return.

<sup>5</sup> Do not reflect the effect of dividends to Preferred Shareholders.

<sup>6</sup> Annualized.

See Notes to Financial Statements.

44 ANNUAL REPORT

OCTOBER 31, 2010

---



## Notes to Financial Statements

### 1. Organization and Significant Accounting Policies:

BlackRock Credit Allocation Income Trust I, Inc. ( PSW ) and BlackRock Credit Allocation Income Trust II, Inc. ( PSY ) are registered as diversified, closed-end management investment companies under the Investment Company Act of 1940, as amended (the 1940 Act ). BlackRock Credit Allocation Income Trust III ( BPP ), BlackRock Credit Allocation Income Trust IV ( BTZ ) and BlackRock Floating Rate Income Trust ( BGT ) are registered as non-diversified, closed-end management investment companies under the 1940 Act. PSW and PSY are organized as Maryland corporations. BPP, BTZ and BGT are organized as Delaware statutory trusts. PSW, PSY, BPP, BTZ and BGT are collectively referred to as the Funds or individually as the Fund. The Funds financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ( US GAAP ), which may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates. The Board of Directors and Board of Trustees of the Funds, as applicable, are referred to throughout this report as the Board of Directors or the Board. The Funds determine and make available for publication the net asset values of their Common Shares on a daily basis.

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

**Valuation:** The Funds fair value their financial instruments at market value using independent dealers or pricing services under policies approved by the Board. The Funds value their bond investments on the basis of last available bid prices or current market quotations provided by dealers or pricing services. Floating rate loan interests are valued at the mean of the bid prices from one or more brokers or dealers as obtained from a pricing service. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments and calculated yield measures based on valuation technology commonly employed in the market for such investments. Financial futures contracts traded on exchanges are valued at their last sale price. Swap agreements are valued utilizing quotes received daily by the Funds' pricing service or through brokers, which are derived using daily swap curves and models that incorporate a number of market data factors, such as discounted cash flows and trades and values of the underlying reference instruments. Investments in open-end investment companies are valued at net asset value each business day. Short-term securities with remaining maturities of 60 days or less may be valued at amortized cost, which approximates fair value.

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

price will be used, unless it is determined that such prior day's price no longer reflects the fair value of the security.

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

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

In the event that application of these methods of valuation results in a price for an investment which is deemed not to be representative of the market value of such investment or is not available, the investment will be valued in accordance with a policy approved by the Board as reflecting fair value ( Fair Value Assets ). When determining the price for Fair Value Assets, the investment advisor and/or the sub-advisor seeks to determine the price that each Fund might reasonably expect to receive from the current sale of that asset in an arm's-length transaction. Fair value determinations shall be based upon all available factors that the investment advisor and/or sub-advisor deems relevant. The pricing of all Fair Value Assets is subsequently reported to the Board or a committee thereof.

Generally, trading in foreign instruments is substantially completed each day at various times prior to the close of business on the NYSE. Occasionally, events affecting the values of such instruments may occur between the foreign market close and the close of business on the NYSE that may not be reflected in the computation of the Funds' net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially

affect the value of such instruments, those instruments may be Fair Value Assets and be valued at their fair value, as determined in good faith by the investment advisor using a pricing service and/or policies approved by the Board.

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

ANNUAL REPORT

OCTOBER 31, 2010

45

---

## Notes to Financial Statements (continued)

The Funds report foreign currency related transactions as components of realized gain (loss) for financial reporting purposes, whereas such components are treated as ordinary income for federal income tax purposes.

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

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

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

**Floating Rate Loan Interests:** The Funds may invest in floating rate loan interests. The floating rate loan interests the Funds hold are typically issued to companies (the borrower) by banks, other financial institutions, and privately and publicly offered corporations (the lender). Floating rate loan interests are generally non-investment grade, often involve borrowers whose financial condition is troubled or uncertain and companies that are highly leveraged. The Funds may invest in obligations of borrowers who are in

bankruptcy proceedings. Floating rate loan interests may include fully funded term loans or revolving lines of credit. Floating rate loan interests are typically senior in the corporate capital structure of the borrower.

Floating rate loan interests generally pay interest at rates that are periodically determined by reference to a base lending rate plus a premium. The base lending rates are generally the lending rate offered by one or more European banks, such as LIBOR (London Inter Bank Offered Rate), the prime rate offered by one or more US banks or the certificate of deposit

rate. Floating rate loan interests may involve foreign borrowers, and investments may be denominated in foreign currencies. The Funds consider these investments to be investments in debt securities for purposes of their investment policies.

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

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

Reverse Repurchase Agreements: The Funds may enter into reverse repurchase agreements with qualified third party broker-dealers. In a reverse

repurchase agreement, the Funds sell securities to a bank or broker-dealer and agrees to repurchase the same securities at a mutually agreed upon date and price. Certain agreements have no stated maturity and can be terminated by either party at any time. Interest on the value of the reverse repurchase agreements issued and outstanding is based upon competitive market rates determined at the time of issuance. The Funds may utilize reverse repurchase agreements when it is anticipated that the interest income to be earned from the investment of the proceeds of the transaction is greater than the interest expense of the transaction. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities that the Funds are obligated to repurchase under the agreement may decline below the repurchase price. In the event the

46 ANNUAL REPORT

OCTOBER 31, 2010

---

## Notes to Financial Statements (continued)

buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Funds' use of the proceeds of the agreement may be restricted while the other party, or its trustee or receiver, determines whether or not to enforce the Funds' obligation to repurchase the securities.

**Defensive Positions:** PSW, PSY, BPP and BTZ may vary their investment policies for temporary defensive purposes during periods in which the investment advisor believes that conditions in the securities markets or other economic, financial or political conditions warrant. Under such conditions, the Funds for temporary defensive purposes may invest up to 100% of its total assets in, as applicable and described in each Fund's prospectus, U.S. government securities, certificates of deposit, repurchase agreements that involve purchases of debt securities, bankers' acceptances and other bank obligations, commercial paper, money market funds and/or other debt securities deemed by the investment advisor to be consistent with a defensive posture, or may hold its assets in cash.

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

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

Dividends and Distributions: Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates. If the total dividends and distributions made in any tax year exceed net investment income and accumulated realized capital gains, a portion of the total distribution may be treated as a tax return of capital. The amount and timing of dividends and distributions are determined in accordance with federal income tax regulations, which may differ

from US GAAP. Dividends and distributions to Preferred Shareholders are accrued and determined as described in Note 7.

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

BGT has a wholly owned taxable subsidiary organized as a limited liability company (the Taxable Subsidiary ) which holds one of the investments listed in the Schedule of Investments. The Taxable Subsidiary allows the Fund to hold an investment that is organized as an operating partnership while still satisfying Regulated Investment Company tax requirements. Income earned on the investment held by the Taxable Subsidiary is taxable to such subsidiary. Income tax expense, if any, of the Taxable Subsidiary is reflected in the market value of the investment held by the Taxable Subsidiary.

Each Fund files US federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on PSW s and PSY s US federal tax returns remains open for the four years ended October 31, 2010. The statute of limitations on BPP s and BGT s US federal tax returns remains open for the year ended December 31, 2007, the period ended October 31, 2008 and the two years ended October 31, 2010. The statute of limitations on BTZ s US Federal tax returns remains open for the three years ended October 31, 2010 and the period ended October 31, 2007. The statutes of limitations on the Funds state and local tax returns may remain open for an additional year depending upon the jurisdiction. There are no uncertain tax positions that require recognition of a tax liability.

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



The deferred compensation plan is not funded and obligations there-under represent general unsecured claims against the general assets of each Fund. Each Fund may, however, elect to invest in common shares of certain other BlackRock Closed-End Funds selected by the Independent Directors in order to match its deferred compensation obligations. Investments to cover each Fund's deferred compensation liability, if any, are included in other assets in the Statements of Assets and Liabilities. Dividends and distributions from the BlackRock Closed-End Fund investments under the plan are included in income affiliated in the Statements of Operations.

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

ANNUAL REPORT

OCTOBER 31, 2010

47

---

## Notes to Financial Statements (continued)

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

### 2. Derivative Financial Instruments:

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

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

The Funds may mitigate counterparty risk by procuring collateral and through netting provisions included within an International Swaps and Derivatives Association, Inc. ( ISDA ) Master Agreement implemented between a Fund and each of its respective counterparties. The ISDA Master Agreement allows each Fund to offset with each separate counterparty certain derivative financial instrument s payables and/or receivables with collateral held. The amount of collateral moved to/from applicable counterparties is generally based upon minimum transfer amounts of up to \$500,000. To the extent amounts due to the Funds from their counterparties are not fully collateralized contractually or otherwise, the Funds bear the risk of loss from counterparty non-performance. See Note 1

Segregation and Collateralization for information with respect to collateral practices. In addition, the Funds manage counterparty risk by entering into agreements only with counterparties that it believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties.

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

**Financial Futures Contracts:** The Funds purchase or sell financial futures contracts and options on financial futures contracts to gain exposure to, or economically hedge against, changes in interest rates (interest rate risk) or foreign currencies (foreign currency exchange rate risk). Financial futures

contracts are contracts for delayed delivery of securities or currencies at a specific future date and at a specific price or yield. Pursuant to the contract, the Funds agree to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as margin variation and are recognized by the Funds as unrealized gains or losses. When the contract is closed, the Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The use of financial futures transactions involves the risk of an imperfect correlation in the movements in the price of financial futures contracts, interest or foreign currency exchange rates and the underlying assets.

**Foreign Currency Exchange Contracts:** The Funds enter into foreign currency exchange contracts as an economic hedge against either specific transactions or portfolio instruments or to obtain exposure to foreign currencies (foreign currency exchange rate risk). A foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. Foreign currency exchange contracts, when used by a Fund, help to manage the overall exposure to the currency backing some of the investments held by the Fund. The contract is marked-to-market daily and the change in market value is recorded by the Funds as an unrealized gain or loss. When the contract is closed, the Funds record a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed. The use of foreign currency exchange contracts involves the risk that the value of a foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies and the risk that a counterparty to the contract does not perform its obligations under the agreement.

**Options:** The Funds purchase and write call and put options to increase or decrease their exposure to underlying instruments (including equity risk and/or interest rate risk) and/or, in the case of options written, to generate gains from options premiums. A call option gives the purchaser of the option the right (but not the obligation) to buy, and obligates the seller to sell (when the option is exercised), the underlying instrument at the exercise price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the exercise price at any time or at a specified time during the option period. When the Funds purchase (write) an option,

an amount equal to the premium paid (received) by the Funds is reflected as an asset (liability). The amount of the asset (liability) is subsequently marked-to-market to reflect the current market value of the option purchased (written). When an instrument is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the instrument acquired or deducted from (or added to) the proceeds of the instrument sold. When an option expires (or the Funds enter into a closing transaction), the Funds realize a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premiums received or paid). When the Funds write a call option, such option is covered, meaning that the Funds hold the underlying instrument subject to being called by the option counterparty. When the Funds write a

48 ANNUAL REPORT

OCTOBER 31, 2010

---

## Notes to Financial Statements (continued)

put option, such option is covered by cash in an amount sufficient to cover the obligation.

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

**Swaps:** The Funds enter into swap agreements, in which the Funds and a counterparty agree to make periodic net payments on a specified notional amount. These periodic payments received or made by the Funds are recorded in the Statements of Operations as realized gains or losses, respectively. Any upfront fees paid are recorded as assets and any upfront fees received are recorded as liabilities and amortized over the term of the swap, which is recognized as realized gain or loss in the Statements of Operations. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). When the swap is terminated, the Funds will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Funds' basis in the contract, if any. Generally, the basis of the contracts is the premium received or paid. Swap transactions involve, to varying degrees, elements of interest rate, credit and market risk in excess of the amounts recognized in the Statements of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreements, and that there may be unfavorable changes in interest rates and/or market values associated with these transactions.

**Credit default swaps** The Funds enter into credit default swaps to manage their exposure to the market or certain sectors of the market, to reduce their risk exposure to defaults of corporate and/or sovereign issuers or to create exposure to corporate and/or sovereign issuers to which they are not otherwise exposed (credit risk). The Funds enter into credit default agreements to provide a measure of protection against the default of an issuer (as buyer protection) and/or gain credit exposure to an issuer to which they are not otherwise exposed (as seller of protection). The Funds may either buy or sell (write) credit default swaps on single-name issuers (corporate or sovereign), a combination or basket of single-name issuers or traded indexes. Credit default swaps on single-name issuers are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a negative credit event take place (e.g., bankruptcy, failure to pay, obligation accelerators, repudiation, moratorium or restructuring). Credit default swaps on

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

traded indexes are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a write-down, principal or interest shortfall or default of all or individual underlying securities included in the index occurs. As a buyer, if an underlying credit event occurs, the Funds will either receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising of an index or receive a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising of an index. As a seller (writer), if an underlying credit event occurs, the Funds will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising of an index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising of an index.

**Derivatives Categorized by Risk**

**Exposure:**

**Fair Values of Derivative Instruments as of October 31, 2010**

| <b>Asset Derivatives</b>                                 |  |                  |                   |                   |                  |                    |              |
|--|--|------------------|-------------------|-------------------|------------------|--------------------|--------------|
| <b>Statements of Assets<br/>and Liabilities Location</b> |  | <b>PSW</b>       | <b>BTZ</b>        | <b>BGT</b>        | <b>Value</b>     |                    |              |
| Foreign currency exchange contracts                      | Unrealized appreciation on foreign<br>currency contracts |                  |                   |                   | \$ 236,049       |                    |              |
| Interest rate contracts*                                 | Net unrealized<br>appreciation/depreciation              | \$ 22,443        | \$ 319,663        |                   |                  |                    |              |
| Credit contracts   | Unrealized appreciation on swaps                         |                  |                   |                   | 19,172           |                    |              |
| <b>Total</b>   |  | <b>\$ 22,443</b> | <b>\$ 319,663</b> | <b>\$ 255,221</b> |                  |                    |              |
| <b>Liability Derivatives</b>                             |  |                  |                   |                   |                  |                    |              |
| <b>Statements of Assets<br/>and Liabilities Location</b> |  | <b>PSW</b>       | <b>PSY</b>        | <b>BPP</b>        | <b>BTZ</b>       | <b>BGT</b>         | <b>Value</b> |
| Foreign currency exchange contracts                      | Unrealized depreciation on foreign<br>currency contracts |                  |                   |                   |                  |                    | \$6,164,016  |
| Interest rate contracts*                                 | Net unrealized<br>appreciation/depreciation              | \$ 19,699        | \$ 65,663         | \$ 39,398         | \$ 91,928        |                    |              |
| <b>Total</b>   |  | <b>\$ 19,699</b> | <b>\$ 65,663</b>  | <b>\$ 39,398</b>  | <b>\$ 91,928</b> | <b>\$6,164,016</b> |              |

\* Includes cumulative appreciation/depreciation of financial futures contracts as reported in the Schedules of Investments. Only the current day's margin variation is reported within the Statements of Assets and Liabilities.

ANNUAL REPORT

OCTOBER 31, 2010

49

---

## Notes to Financial Statements (continued)

**The Effect of Derivative Instruments on the Statements of Operations**  
**Year Ended October 30, 2010**

| Net Realized Gain (Loss) From                                |                   |                   |                  |                     |                     |
|--|-------------------|-------------------|------------------|---------------------|---------------------|
|  | PSW               | PSY               | BPP              | BTZ                 | BGT                 |
| Interest rate contracts:                                     |                   |                   |                  |                     |                     |
| Financial futures contracts                                  | \$ 389,076        | \$ 404,976        | \$ 241,450       | \$ 5,653,071        |                     |
| Options**  |                   |                   | 17,338           | (42,018)            |                     |
| Foreign currency contracts:                                  |                   |                   |                  |                     |                     |
| Foreign currency exchange contracts                          |                   |                   |                  |                     | \$ 9,844,059        |
| Credit contracts:  |                   |                   |                  |                     |                     |
| Swaps  | (206,127)         | (412,254)         | (206,128)        | (824,509)           | (12,936)            |
| Equity contracts:  |                   |                   |                  |                     |                     |
| Financial futures contracts                                  |                   |                   |                  | 5,107,623           |                     |
| Options  |                   |                   |                  | (2,202,351)         |                     |
| <b>Total</b>   | <b>\$ 182,949</b> | <b>\$ (7,278)</b> | <b>\$ 52,660</b> | <b>\$ 7,691,816</b> | <b>\$ 9,831,123</b> |
| <b>Net Change in Unrealized Appreciation/Depreciation on</b> |                   |                   |                  |                     |                     |

|                                     | PSW              | PSY               | BPP               | BTZ                 | BGT                   |
|-------------------------------------|------------------|-------------------|-------------------|---------------------|-----------------------|
| Interest rate contracts:            |                  |                   |                   |                     |                       |
| Financial futures contracts         | \$ (92,228)      | \$ (100,508)      | \$ (58,911)       | \$ (755,139)        |                       |
| Foreign currency contracts:         |                  |                   |                   |                     |                       |
| Foreign currency exchange contracts |                  |                   |                   |                     | \$ (5,277,004)        |
| Credit contracts:                   |                  |                   |                   |                     |                       |
| Swaps                               | 168,952          | 337,904           | 168,952           | 675,809             | 468,218               |
| Equity contracts:                   |                  |                   |                   |                     |                       |
| Financial futures contracts         |                  |                   |                   | 145,435             |                       |
| Options                             |                  |                   |                   | (661,829)           | (6,110)               |
| <b>Total</b>                        | <b>\$ 76,724</b> | <b>\$ 237,396</b> | <b>\$ 110,041</b> | <b>\$ (595,724)</b> | <b>\$ (4,814,896)</b> |

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

For the year ended October 31, 2010, the average quarterly balance of outstanding derivative financial instruments was as follows:

|   | PSW          | PSY          | BPP       | BTZ           | BGT |
|---|--------------|--------------|-----------|---------------|-----|
| Financial futures contracts:                  |              |              |           |               |     |
| Average number of contracts purchased         | 43           | 21           | 13        | 602           |     |
| Average notional value of contracts purchased | \$ 8,742,875 | \$ 2,621,302 | 1,542,946 | \$ 59,459,293 |     |
| Foreign currency exchange contracts:          |              |              |           |               |     |



## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|  |            |              |            |              |              |           |
|--|------------|--------------|------------|--------------|--------------|-----------|
| Average number of contracts-US dollars purchased |            |              |            |              | 5            |           |
| Average number of contracts-US dollars sold      |            |              |            |              | 2            |           |
| Average US dollar amounts purchased              |            |              |            |              | \$85,480,436 |           |
| Average US dollar amounts sold                   |            |              |            |              | \$ 1,273,118 |           |
| Options:   |            |              |            |              |              |           |
| Average number of contracts purchased            |            | 21           | 52         |              |              | 26        |
| Average number of contracts written              |            |              |            |              | 155          |           |
| Average notional value of contracts purchased    |            | \$ 21,250    | \$ 51,500  |              |              | \$ 24,514 |
| Average notional value of contracts written      |            |              |            |              | \$17,668,875 |           |
| Credit default swaps:                            |            |              |            |              |              |           |
| Average number of contracts-buy protection       | 1          | 1            | 1          | 1            |              |           |
| Average number of contracts-sell protection      |            |              |            |              | 1            |           |
| Average notional value-buy protection            | \$ 750,000 | \$ 1,500,000 | \$ 750,000 | \$ 3,000,000 |              |           |
| Average notional value-sell protection           |            |              |            |              | \$ 2,835,024 |           |

### 3. Investment Advisory Agreement and Other Transactions with Affiliates:

The PNC Financial Services Group, Inc. ("PNC"), Bank of America Corporation ("BAC") and Barclays Bank PLC ("Barclays") are the largest stockholders of BlackRock, Inc. ("BlackRock"). Due to the ownership structure, PNC is an affiliate of the Funds for 1940 Act purposes, but BAC and Barclays are not.

Each Fund entered into an Investment Advisory Agreement with BlackRock Advisors, LLC (the Manager), the Funds' investment advisor, an indirect, wholly owned subsidiary of BlackRock, to provide investment advisory and administration services. The Manager is responsible for the management of each Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of each Fund. For such services, each Fund pays the Manager a monthly fee at the following annual rates of each Fund's average daily (weekly for BPP, BTZ

50 ANNUAL REPORT

OCTOBER 31, 2010

---

## Notes to Financial Statements (continued)

and BGT) net assets (including any assets attributable to borrowings or to the proceeds from the issuance of Preferred Shares) as follows:

|     |       |
|-----|-------|
| PSW | 0.60% |
| PSY | 0.60% |
| BPP | 0.65% |
| BTZ | 0.65% |
| BGT | 0.75% |

Average daily net assets is the average daily value of each Fund's total assets minus the sum of its liabilities (other than borrowings representing financial leverage). Average weekly net assets is the average weekly value of each Fund's total assets minus the sum of its liabilities (other than borrowings representing financial leverage).

The Manager has voluntarily agreed to waive a portion of the investment advisory fees or other expenses on BGT as a percentage of its average weekly net assets (including any assets attributable to borrowings or to the proceeds from the issuance of Preferred Shares) minus the sum of liabilities (other than borrowings representing financial leverage) as follows: 0.15% for the period September 1, 2009 to August 31, 2010, 0.10% for the period September 1, 2010 to August 31, 2011 and 0.05% for the period September 1, 2011 to August 31, 2012. For the year ended October 31, 2010, the Manager waived \$579,445, which is included in fees waived by advisor in the Statements of Operations.

The Manager voluntarily agreed to waive its advisory fees by the amount of investment advisory fees each Fund pays to the Manager indirectly through its investment in affiliated money market funds, however the Manager does not waive its investment advisory fees by the amount of investment advisory fees paid through each Fund's investment in other affiliated investment companies, if any. These amounts are included in fees waived by advisor in the Statements of Operations. For the year ended October 31, 2010, the amounts waived were as follows:

|     |          |
|-----|----------|
| PSW | \$16,708 |
| PSY | \$56,440 |
| BPP | \$26,236 |
| BTZ | \$96,105 |
| BGT | \$ 2,962 |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

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

For the year ended October 31, 2010, the Funds reimbursed the Manager for certain accounting services, which are included in accounting services in the Statements of Operations. The reimbursements were as follows:

|     | <b>Accounting<br/>Services</b> |
|-----|--------------------------------|
| PSW | \$ 2,966                       |
| PSY | \$12,303                       |
| BPP | \$ 5,600                       |
| BTZ | \$19,636                       |
| BGT | \$ 8,087                       |

Certain officers and/or directors of the Funds are officers and/or directors of BlackRock or its affiliates. The Funds reimburse the Manager for compensation paid to the Funds' Chief Compliance Officer.

#### 4. Investments:

Purchases and sales of investments including paydowns and payups, excluding short-term securities and US government securities for the year ended October 31, 2010, were as follows:

|     | <b>Purchases</b> | <b>Sales</b>  |
|-----|------------------|---------------|
| PSW | \$115,988,138    | \$ 82,863,953 |
| PSY | \$472,600,276    | \$402,962,517 |
| BPP | \$207,859,996    | \$167,396,151 |
| BTZ | \$691,257,697    | \$544,009,597 |
| BGT | \$402,565,841    | \$369,104,868 |

Purchases and sales of US government securities for the year ended October 31, 2010, were as follows:

|     | <b>Purchases</b> | <b>Sales</b> |
|-----|------------------|--------------|
| PSW | \$ 20,111,923    |              |
| PSY | \$ 95,441,506    |              |
| BPP | \$ 22,085,938    |              |
| BTZ | \$134,590,144    |              |

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

Transactions in options written for the year ended October 31, 2010, were as follows:

| <b>Call Options Written</b>            | <b>BTZ<br/>Contracts</b> | <b>Premiums<br/>Recieved</b> |
|--|--------------------------|------------------------------|
| Outstanding options, beginning of year | 400                      | \$ 828,039                   |
| Options written                        | 3,040                    | 5,516,038                    |
| Options closed                         | (2,654)                  | (4,834,709)                  |
| Options expired                        | (786)                    | (1,509,368)                  |
| Outstanding options, end of year       |                          |                              |

### 5. Commitments:

The Funds may invest in floating rate loan interests. In connection with these investments, the Funds may also enter into unfunded loan commitments ( commitments ). Commitments may obligate the Funds to furnish temporary financing to a borrower until permanent financing can be arranged. In connection with these commitments, the Funds earn a commitment fee, typically set as a percentage of the commitment amount. Such fee income, which is classified in the Statements of Operations as facility and other fees, is recognized ratably over the commitment period. As of October 31, 2010, BGT had the following unfunded loan commitments:

| <b>Borrower</b>  | <b>Unfunded<br/>Commitments</b> | <b>Value of<br/>Underlying<br/>Loans</b> |
|--|---------------------------------|--|
| American Safety Razor  | \$ 118,327                      | \$ 119,270                               |
| CII Investment, LLC (FKA Cloverhill),<br>Delayed Draw Term Loan    | \$ 406,423                      | \$ 414,303                               |
| Delphi Delayed Draw Term Loan A-1                                  | \$ 9,928                        | \$ 9,730                                 |
| Delphi Delayed Draw Term Loan A-2                                  | \$ 23,166                       | \$ 22,702                                |
| Delphi Delayed Draw Term Loan B-1A                                 | \$ 100,559                      | \$ 98,548                                |
| Delphi Delayed Draw Term Loan B-2A                                 | \$ 234,639                      | \$ 229,946                               |
| Delta Airlines, Inc., Revolver                                     | \$2,700,000                     | \$2,714,709                              |
| Horizon Lines, LLC   | \$ 394,366                      | \$ 359,025                               |
| Valeant Pharmaceuticals International, Inc.,<br>Tranch B Term Loan | \$ 320,000                      | \$ 325,435                               |
| Whitelabel IV S.A. Term Loan B1                                    | \$ 423,750                      | \$ 473,254                               |
| Whitelabel IV S.A. Term Loan B2                                    | \$ 701,250                      | \$ 783,173                               |

OCTOBER 31, 2010

51

---

## Notes to Financial Statements (continued)

### 6. Concentration, Market and Credit Risk:

PSW, PSY, BPP and BTZ invest a significant portion of each of their assets in securities in the financials sector and BGT invests a significant portion of its assets in the media sector. Please see the Schedules of Investments for these securities. Changes in economic conditions affecting the financials and media sectors would have a greater impact on the Funds and could affect the value, income and/or liquidity of positions in such securities.

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

### 7. Capital Share Transactions:

PSW and PSY are authorized to issue 200 million of \$0.10 par value shares, all of which were initially classified as Common Shares. Each Board is authorized, however, to reclassify any unissued shares without approval of Common Shareholders. There are an unlimited number of \$0.001 par value shares authorized for BPP, BTZ and BGT.

#### Common Shares

As of October 31, 2010, the shares owned by an affiliate of the Manager of the Funds were as follows:

|     | <b>Shares</b> |
|-----|---------------|
| PSW | 8,273         |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|     |       |
|-----|-------|
| PSY | 8,623 |
| BTZ | 4,817 |
| BGT | 8,239 |

For the years ended October 31, 2010 and October 31, 2009, shares issued and outstanding increased by the following amounts as a result of dividend reinvestment:

|     | Year Ended<br>October 31,<br>2010 | Year Ended<br>October 31,<br>2009 |
|-----|-----------------------------------|-----------------------------------|
| PSW |                                   | 20,060                            |
| PSY |                                   | 200,878                           |
| BPP |                                   | 76,154                            |
| BGT | 32,177                            |                                   |

Shares issued and outstanding for the years ended October 31, 2010 and October 31, 2009 remained constant for BTZ.

Preferred Shares

The Preferred Shares are redeemable at the option of each Fund, in whole or in part, on any dividend payment date at their liquidation preference per share plus any accumulated and unpaid dividends whether or not declared. The Preferred Shares are also subject to mandatory redemption at their liquidation preference plus any accumulated and unpaid dividends, whether or not declared, if certain requirements relating to the composition of the assets and liabilities of a Fund, as set forth in each Fund's Articles Supplementary (the Governing Instrument ) are not satisfied.

From time to time in the future, each Fund may effect repurchases of its Preferred Shares at prices below their liquidation preference as agreed upon by the Fund and seller. Each Fund also may redeem its Preferred Shares from time to time as provided in the applicable Governing Instrument. Each Fund intends to effect such redemptions and/or repurchases to the extent necessary to maintain applicable asset coverage requirements or for such other reasons as the Board may determine.

The holders of Preferred Shares have voting rights equal to the holders of Common Shares (one vote per share) and will vote together with holders of Common Shares (one vote per share) as a single class. However, the holders of Preferred Shares, voting as a separate class, are also entitled to elect two Directors for each Fund. In addition, the 1940 Act requires that along with approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding Preferred Shares, voting separately as a class would be required to (a) adopt any plan of

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

reorganization that would adversely affect the Preferred Shares, (b) change a Funds' sub-classification as a closed-end investment company or change its fundamental investment restrictions or (c) change its business so as to cease to be an investment company.

The Funds had the following series of Preferred Shares outstanding, effective yields and reset frequency as of October 31, 2010:

|     | Series | Preferred<br>Shares | Effective<br>Yield | Reset<br>Frequency<br>Days |
|-----|--------|---------------------|--------------------|----------------------------|
| PSW | M7     | 805                 | 1.50%              | 7                          |
|     | T7     | 805                 | 1.50%              | 7                          |
| PSY | M7     | 861                 | 1.50%              | 7                          |
|     | T7     | 861                 | 1.50%              | 7                          |
|     | W7     | 861                 | 1.50%              | 7                          |
|     | TH7    | 861                 | 1.50%              | 7                          |
|     | F7     | 861                 | 1.50%              | 7                          |
|     | W28    | 1,228               | 1.51%              | 28                         |
|     | TH28   | 1,228               | 1.51%              | 28                         |
| BPP | T7     | 939                 | 0.29%              | 7                          |
|     | W7     | 939                 | 0.33%              | 7                          |
|     | R7     | 939                 | 0.30%              | 7                          |
| BTZ | T7     | 2,310               | 1.50%              | 7                          |
|     | W7     | 2,310               | 1.50%              | 7                          |
|     | R7     | 2,310               | 1.50%              | 7                          |
|     | F7     | 2,310               | 1.50%              | 7                          |
| BGT | T7     | 784                 | 1.50%              | 7                          |
|     | W7     | 784                 | 1.50%              | 7                          |
|     | R7     | 784                 | 1.50%              | 7                          |

52 ANNUAL REPORT

OCTOBER 31, 2010

---



## Notes to Financial Statements (continued)

Dividends on seven-day and 28-day Preferred Shares are cumulative at a rate which is reset every seven or 28 days, respectively, based on the results of an auction. If the Preferred Shares fail to clear the auction on an auction date, each Fund is required to pay the maximum applicable rate on the Preferred Shares to holders of such shares for successive dividend periods until such time as the shares are successfully auctioned. The maximum applicable rate on the Preferred Shares is as follows: for PSW, PSY and BGT, the higher of 125% times or 1.25% plus the Telerate/BBA LIBOR rate; for BPP 150% of the interest equivalent of the 30-day commercial paper rate and for BTZ, the higher of 150% times or 1.25% plus the Telerate/BBA LIBOR rate. The low, high and average dividend rates for the year ended October 31, 2010 were as follows:

|     | <b>Series</b> | <b>Low</b> | <b>High</b> | <b>Average</b> |
|-----|---------------|------------|-------------|----------------|
| PSW | M7            | 1.46%      | 1.58%       | 1.50%          |
|     | T7            | 1.46%      | 1.58%       | 1.50%          |
| PSY | M7            | 1.46%      | 1.58%       | 1.50%          |
|     | T7            | 1.46%      | 1.58%       | 1.50%          |
|     | W7            | 1.46%      | 1.58%       | 1.50%          |
|     | TH7           | 1.46%      | 1.58%       | 1.50%          |
|     | F7            | 1.46%      | 1.58%       | 1.50%          |
|     | W28           | 1.48%      | 1.60%       | 1.52%          |
| BPP | TH28          | 1.48%      | 1.60%       | 1.52%          |
|     | T7            | 0.15%      | 0.42%       | 0.29%          |
|     | W7            | 0.15%      | 0.44%       | 0.29%          |
|     | R7            | 0.15%      | 0.42%       | 0.29%          |
| BTZ | T7            | 1.46%      | 1.58%       | 1.50%          |
|     | W7            | 1.46%      | 1.58%       | 1.50%          |
|     | R7            | 1.46%      | 1.58%       | 1.50%          |
|     | F7            | 1.46%      | 1.58%       | 1.50%          |
| BGT | T7            | 1.46%      | 1.58%       | 1.50%          |
|     | W7            | 1.46%      | 1.58%       | 1.50%          |
|     | R7            | 1.46%      | 1.58%       | 1.50%          |

Since February 13, 2008, the Preferred Shares of the Funds failed to clear any of their auctions. As a result, the Preferred Shares dividend rates were reset to the maximum applicable rate, which ranged from 0.15% to 1.60% for the year ended October 31, 2010. A failed auction is not an event of default for the Funds but it has a negative impact on the liquidity of Preferred Shares. A failed auction occurs when there are more sellers of a Fund's auction rate preferred shares than buyers. It is impossible to pre-

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

dict how long this imbalance will last. A successful auction for the Funds' Preferred Shares may not occur for some time, if ever, and even if liquidity does resume, holders of the Preferred Shares may not have the ability to sell the Preferred Shares at their liquidation preference.

The Funds may not declare dividends or make other distributions on Common Shares or purchase any such shares if, at the time of the declaration, distribution or purchase, asset coverage with respect to the outstanding Preferred Shares is less than 200%.

The Funds pay commissions of 0.25% on the aggregate principal amount of all shares that successfully clear their auctions and 0.15% on the aggregate principal amount of all shares that fail to clear their auctions. Certain broker dealers have individually agreed to reduce commissions for failed auctions.

Preferred Shares issued and outstanding remained constant during the year ended October 31, 2010 for PSW, PSY, BPP, BTZ and BGT. During the year ended October 31, 2009, the Funds announced the following redemptions of Preferred Shares at a price of \$25,000 per share plus any accrued and unpaid dividends through the redemption dates:

### March 26, 2009

|     | Series | Redemption | Shares   | Aggregate   |
|-----|--------|------------|----------|-------------|
|     |        | Date       | Redeemed | Principle   |
| PSY | M7     | 4/14/09    | 107      | \$2,675,000 |
|     | T7     | 4/15/09    | 107      | \$2,675,000 |
|     | W7     | 4/16/09    | 107      | \$2,675,000 |
|     | TH7    | 4/13/09    | 107      | \$2,675,000 |
|     | F7     | 4/13/09    | 107      | \$2,675,000 |
|     | W28    | 5/07/09    | 153      | \$3,825,000 |
|     | TH28   | 4/24/09    | 153      | \$3,825,000 |
| BPP | T7     | 4/15/09    | 267      | \$6,675,000 |
|     | W7     | 4/16/09    | 267      | \$6,675,000 |
|     | R7     | 4/17/09    | 267      | \$6,675,000 |

### February 24, 2009

|     | Series | Redemption | Shares   | Aggregate   |
|-----|--------|------------|----------|-------------|
|     |        | Date       | Redeemed | Principle   |
| PSW | M7     | 3/17/09    | 160      | \$4,000,000 |
|     | T7     | 3/18/09    | 160      | \$4,000,000 |
| PSY | M7     | 3/17/09    | 203      | \$5,075,000 |
|     | T7     | 3/18/09    | 203      | \$5,075,000 |
|     | W7     | 3/19/09    | 203      | \$5,075,000 |
|     | TH7    | 3/13/09    | 203      | \$5,075,000 |
|     | F7     | 3/16/09    | 203      | \$5,075,000 |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|      |         |     |             |
|------|---------|-----|-------------|
| W28  | 4/09/09 | 292 | \$7,300,000 |
| TH28 | 3/27/09 | 292 | \$7,300,000 |

November 25, 2008

|     | Series | Redemption Date | Shares Redeemed | Aggregate Principle |
|-----|--------|-----------------|-----------------|---------------------|
| PSW | M7     | 12/16/08        | 400             | \$10,000,000        |
|     | T7     | 12/17/08        | 400             | \$10,000,000        |
| PSY | M7     | 12/16/08        | 229             | \$ 5,725,000        |
|     | T7     | 12/17/08        | 229             | \$ 5,725,000        |
|     | W7     | 12/18/08        | 229             | \$ 5,725,000        |
|     | TH7    | 12/12/08        | 229             | \$ 5,725,000        |
|     | F7     | 12/15/08        | 229             | \$ 5,725,000        |
|     | W28    | 12/18/08        | 327             | \$ 8,175,000        |
|     | TH28   | 1/02/09         | 327             | \$ 8,175,000        |
| BPP | T7     | 12/17/08        | 266             | \$ 6,650,000        |
|     | W7     | 12/18/08        | 266             | \$ 6,650,000        |
|     | R7     | 12/19/08        | 266             | \$ 6,650,000        |

All of the Funds, except BGT, financed the Preferred Share redemptions with cash received from reverse repurchase agreements. BGT financed the Preferred Share redemption with cash received from a loan.

8. Borrowings:

BGT entered into a senior committed secured, 364-day revolving line of credit and a separate security agreement (the SSB Agreement ) with State Street Bank and Trust Company ( SSB ). The SSB Agreement provided the Fund with a maximum commitment of \$134 million. The Fund has granted a security interest in substantially all of its assets to SSB.

Advances are made by SSB to the Fund, at the Fund's option of (a) the higher of (i) 1.0% above the Fed Effective Rate and (ii) 1.0% above the

ANNUAL REPORT

OCTOBER 31, 2010

## Notes to Financial Statements (continued)

Overnight LIBOR or (b) 1.0% above 7-day, 30-day, 60-day or 90-day LIBOR.

In addition, the Fund pays a facility fee and a commitment fee based upon SSB's total commitment to the Fund. The fees associated with each of the agreements are included in the Statements of Operations as borrowing costs. Advances to the Fund as of October 31, 2010 are shown in the Statements of Assets and Liabilities as loan payable. The SSB Agreement was renewed for 364 days under substantially the same terms effective March 4, 2010. The commitment amount was increased from \$134 million to \$145 million. For the year ended October 31, 2010, the daily weighted average interest rate was 1.37%.

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

For the year ended October 31, 2010, the daily weighted average interest rates for Funds with reverse repurchase agreements were as follows:

|     |       |
|-----|-------|
| PSW | 0.34% |
| PSY | 0.33% |
| BPP | 0.35% |
| BTZ | 0.36% |

### 9. Income Tax Information:

Reclassifications: US GAAP require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting.

These reclassifications have no effect on net assets or net asset values per share. The following permanent differences as of October 31, 2010 attributable

to the accounting for swap agreements, amortization methods on fixed income securities, the classification of investments, and foreign currency transactions

were reclassified to the following accounts:

|                                     | PSW         | PSY          | BPP          | BTZ          | BGT            |
|-------------------------------------|-------------|--------------|--------------|--------------|----------------|
| Undistributed net investment income | \$ (54,363) | \$ 317,410   | \$ 145,957   | \$ 230,241   | \$ 8,501,521   |
| Accumulated net realized loss       | \$ 54,363   | \$ (317,410) | \$ (145,957) | \$ (230,241) | \$ (8,501,521) |

The tax character of distributions paid during the fiscal years ended October 31, 2010 and 2009 was as follows:

|                 | PSW          | PSY           | BPP           | BTZ           | BGT           |
|-----------------|--------------|---------------|---------------|---------------|---------------|
| Ordinary income |              |               |               |               |               |
| 10/31/2010      | \$ 6,971,994 | \$ 31,608,403 | \$ 14,283,895 | \$ 45,336,648 | \$ 20,390,728 |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|                       |               |               |               |               |               |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| 10/31/2009            | 9,272,893     | 48,928,499    | 18,039,320    | 52,227,765    | 28,934,349    |
| Tax return of capital |               |               |               |               |               |
| 10/31/2010            | 909,831       | 5,350,650     | 1,431,653     | 14,927,112    |               |
| 10/31/2009            | 1,345,345     | 116,310       | 4,250,036     | 24,678,883    | 9,994,857     |
| Total distributions   |               |               |               |               |               |
| 10/31/2010            | \$ 7,881,825  | \$ 36,959,053 | \$ 15,715,548 | \$ 60,263,760 | \$ 20,390,728 |
| 10/31/2009            | \$ 10,618,238 | \$ 49,044,809 | \$ 22,289,356 | \$ 76,906,648 | \$ 38,929,206 |

As of October 31, 2010 the tax components of accumulated net losses were as follows:

|                                | PSW                    | PSY                    | BPP                    | BTZ                    | BGT                   |
|--------------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|
| Undistributed ordinary income  |                        |                        |                        |                        | \$ 5,307,815          |
| Capital loss carryforwards     | \$(132,340,772)        | \$(485,042,795)        | \$(200,624,830)        | \$(402,259,993)        | (89,797,379)          |
| Net unrealized gains (losses)* | 6,394,781              | 20,676,965             | 7,504,728              | 28,535,850             | (2,088,611)           |
| <b>Total</b>                   | <b>\$(125,945,991)</b> | <b>\$(464,365,830)</b> | <b>\$(193,120,102)</b> | <b>\$(373,724,143)</b> | <b>\$(86,578,175)</b> |

\* The differences between book-basis and tax-basis net unrealized gains (losses) were attributable primarily to the tax deferral of losses on wash sales and straddles, the accrual of income on securities in default, the realization for tax purposes of unrealized gains/losses on certain futures and foreign currency exchange contracts, the timing and recognition of partnership income, the accounting for swap agreements, the deferral of compensation to directors, the classification of investments, and investments in wholly owned subsidiaries.

As of October 31, 2010, the Funds had capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates:

| Expires October 31, | PSW                   | PSY                | BPP                | BTZ                | BGT               |
|---------------------|-----------------------|--------------------|--------------------|--------------------|-------------------|
| 2011                | \$ 1,276,621          |                    |                    |                    |                   |
| 2012                | 10,243,141            | \$ 62,733,648      |                    |                    |                   |
| 2013                | 5,058,900             | 17,911,331         |                    |                    |                   |
| 2014                | 8,481,628             | 12,145,117         |                    |                    |                   |
| 2015                | 6,724,694             | 19,582,978         | \$ 18,184,893      | \$ 49,741,712      | \$ 3,268,804      |
| 2016                | 40,232,230            | 140,413,242        | 58,197,929         | 113,355,213        | 24,616,531        |
| 2017                | 55,825,534            | 194,970,854        | 108,996,120        | 223,939,227        | 45,385,443        |
| 2018                | 4,498,024             | 37,285,625         | 15,245,888         | 15,223,841         | 16,526,601        |
|                     |                       |                    | \$                 | \$                 | \$                |
| <b>Total</b>        | <b>\$ 132,340,772</b> | <b>485,042,795</b> | <b>200,624,830</b> | <b>402,259,993</b> | <b>89,797,379</b> |

54 ANNUAL REPORT

OCTOBER 31, 2010

## Notes to Financial Statements (concluded)

### 10. Subsequent Events:

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

Each Fund paid a net investment income dividend on November 30, 2010 to Common Shareholders of record on November 15, 2010 as follows:

|     | <b>Common<br/>Dividend<br/>Per Share</b> |
|-----|--|
| PSW | \$0.0570                                 |
| PSY | \$0.0635                                 |
| BPP | \$0.0665                                 |
| BTZ | \$0.0790                                 |
| BGT | \$0.0725                                 |

Each Fund paid a net investment income dividend on December 20, 2010 to Common Shareholders of record on December 15, 2010 as follows:

|     | <b>Common<br/>Dividend<br/>Per Share</b> |
|-----|--|
| PSW | \$0.0495                                 |
| PSY | \$0.0535                                 |
| BPP | \$0.0540                                 |
| BTZ | \$0.0690                                 |
| BGT | \$0.0750                                 |

The dividends declared on Preferred Shares for the period November 1, 2010 to November 30, 2010 were as follows:

|     | <b>Series</b> | <b>Dividends<br/>Declared</b> |
|-----|---------------|-------------------------------|
| PSW | M7            | \$25,185                      |
|     | T7            | \$25,104                      |
| PSY | M7            | \$26,937                      |
|     | T7            | \$26,850                      |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|     |      |          |
|-----|------|----------|
|     | W7   | \$26,861 |
|     | TH7  | \$26,852 |
|     | F7   | \$26,937 |
|     | W28  | \$38,456 |
|     | TH28 | \$38,424 |
| BPP | T7   | \$ 5,976 |
|     | W7   | \$ 6,324 |
|     | R7   | \$ 6,312 |
| BTZ | T7   | \$72,264 |
|     | W7   | \$72,066 |
|     | R7   | \$72,042 |
|     | F7   | \$72,271 |
| BGT | T7   | \$24,466 |
|     | W7   | \$24,478 |
|     | R7   | \$24,473 |

On November 12, 2010, the Funds' Boards approved the following redemptions of Preferred Shares at a price of \$25,000 per share plus any accrued and unpaid dividends through the redemption date:

|     | Series | Redemption Date | Shares Redeemed | Aggregate Principle |
|-----|--------|-----------------|-----------------|---------------------|
| PSW | M7     | 12/07/10        | 805             | \$20,125,000        |
|     | T7     | 12/08/10        | 805             | \$20,125,000        |
| PSY | M7     | 1/04/11         | 861             | \$21,525,000        |
|     | T7     | 1/05/11         | 861             | \$21,525,000        |
|     | W7     | 1/06/11         | 861             | \$21,525,000        |
|     | R7     | 1/07/11         | 861             | \$21,525,000        |
|     | F7     | 1/10/11         | 861             | \$21,525,000        |
|     | W28    | 1/13/11         | 1,228           | \$30,700,000        |
|     | R28    | 1/28/11         | 1,228           | \$30,700,000        |
| BPP | T7     | 12/08/10        | 939             | \$23,475,000        |
|     | W7     | 12/09/10        | 939             | \$23,475,000        |
|     | R7     | 12/10/10        | 939             | \$23,475,000        |
| BTZ | T7     | 1/05/11         | 2,310           | \$57,750,000        |
|     | W7     | 1/06/11         | 2,310           | \$57,750,000        |
|     | R7     | 1/07/11         | 2,310           | \$57,750,000        |
|     | F7     | 1/10/11         | 2,310           | \$57,750,000        |
| BGT | T7     | 12/08/10        | 784             | \$19,600,000        |
|     | W7     | 12/09/10        | 784             | \$19,600,000        |
|     | R7     | 12/10/10        | 784             | \$19,600,000        |

The Funds will finance the Preferred Share redemptions with cash received from either reverse repurchase agreement financing or credit facility financing on a fund-by-fund basis. The redemption dates for PSY and BTZ are conditioned upon the absence of any legal impediment to completing the redemptions as scheduled.

ANNUAL REPORT

OCTOBER 31, 2010

55

---



## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of  
BlackRock Credit Allocation Income Trust I, Inc. and  
BlackRock Credit Allocation Income Trust II, Inc.  
and to the Shareholders and Board of Trustees of  
BlackRock Credit Allocation Income Trust III,  
BlackRock Credit Allocation Income Trust IV and  
BlackRock Floating Rate Income Trust  
(Collectively the Trusts ):

We have audited the accompanying statements of assets and liabilities of BlackRock Credit Allocation Income Trust I, Inc. and BlackRock Credit Allocation Income Trust II, Inc., including the schedules of investments, as of October 31, 2010, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. We have also audited the accompanying statement of assets and liabilities of BlackRock Credit Allocation Income Trust III, including the schedule of investments, as of October 31, 2010, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the two years in the period ended October 31, 2010, the period January 1, 2008 to October 31, 2008, and each of the three years in the period ended December 31, 2007. We have also audited the accompanying statement of assets and liabilities of BlackRock Credit Allocation Income Trust IV, including the schedule of investments, as of October 31, 2010, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period ended October 31, 2010 and the period December 27, 2006 (commencement of operations) to October 31, 2007. We have also audited the accompanying statement of assets and liabilities of BlackRock Floating Rate Income Trust, including the schedule of investments, as of October 31, 2010, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the two years in the period ended October 31, 2010, the period January 1, 2008 to October 31, 2008, and each of the three years in the period ended December 31, 2007. These financial statements and financial highlights are the responsibility of the Trusts' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance

about whether the financial statements and financial highlights are free of material misstatement. The Trusts are not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trusts' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining,

on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of the securities owned as of October 31, 2010, by correspondence with the custodian, brokers and agent banks; where replies were not received from brokers or agent banks, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial positions of BlackRock Credit Allocation Income Trust I, Inc. and BlackRock Credit Allocation Income Trust II, Inc., the results of their operations for the year then ended, the changes in their net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of BlackRock Credit Allocation Income Trust III, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the two years in the period ended October 31, 2010, the period January 1, 2008 to October 31, 2008, and each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of BlackRock Credit Allocation Income Trust IV, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period ended October 31, 2010 and the period December 27, 2006 (commencement of operations) to October 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of BlackRock Floating Rate Income Trust, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the two years in the period ended October 31, 2010, the period January 1, 2008 to October 31, 2008, and each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally

accepted in the United States of America.

Deloitte & Touche LLP  
Princeton, New Jersey  
December 23, 2010

56 ANNUAL REPORT

OCTOBER 31, 2010

---

## Important Tax Information

The following information is provided with respect to the ordinary income distributions paid by the Funds for the taxable year ended October 31, 2010.

|  | PSW    | PSY    | BPP    | BTZ    | BGT    |
|--|--------|--------|--------|--------|--------|
| <b>Qualified Dividend Income for Individuals*</b>          |        |        |        |        |        |
| Months Paid:   |        |        |        |        |        |
| November December 2009                                     | 24.73% | 26.34% | 41.03% | 36.10% |        |
| January October 2010                                       | 12.36% | 19.05% | 27.05% | 24.10% |        |
| <b>Dividends Received Deductions for Corporations*</b>     |        |        |        |        |        |
| Months Paid:   |        |        |        |        |        |
| November December 2009                                     | 9.35%  | 13.38% | 12.88% | 15.78% |        |
| January October 2010                                       | 6.17%  | 12.54% | 8.79%  | 7.42%  |        |
| <b>Interest-Related Dividends for Non-U.S. Residents**</b> |        |        |        |        |        |
| Months Paid:   |        |        |        |        |        |
| November December 2009                                     | 57.59% | 60.22% | 39.38% | 30.10% | 60.48% |
| January October 2010                                       | 77.66% | 73.16% | 77.00% | 86.08% | 62.95% |
| <b>Federal Obligation Interest***</b>                      | 1.05%  | 1.10%  | 0.55%  | 3.95%  |        |

\* The Funds hereby designate the percentage indicated above or the maximum amount allowable by law.

\*\* Represents the portion of taxable ordinary income dividends eligible for exemption from US withholding tax for nonresident aliens and foreign corporations.

\*\*\* The law varies in each state as to whether and what percentage of dividend income attributable to federal obligations is exempt from state income tax. We recommend that you

consult your tax advisor to determine if any portion of the dividends you received is exempt from state income taxes.

Includes dividend paid on January 11, 2010 to PSW, PSY, BPP, BTZ and BGT Common Shareholders.

ANNUAL REPORT

OCTOBER 31, 2010

57

## Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements

The Board of Directors and the Board of Trustees, as the case may be (each, a Board, and, collectively, the "Boards," and the members of which are referred to as "Board Members") of each of BlackRock Credit Allocation Income Trust I, Inc. ( PSW ), BlackRock Credit Allocation Income Trust II, Inc. ( PSY ), BlackRock Credit Allocation Income Trust III ( BPP ), BlackRock Credit Allocation Income Trust IV ( BTZ ) and BlackRock Floating Rate Income Trust ( BGT, and together with PSW, PSY, BPP and BTZ, each a Fund and, collectively, the Funds ) met on April 8, 2010 and May 13 14, 2010 to consider the approval of each Fund s investment advisory agreement (collectively, the Advisory Agreements ) with BlackRock Advisors, LLC (the Manager ), each Fund s investment advisor. The Boards also considered the approval of the sub-advisory agreement (collectively, the Sub-Advisory Agreements ) between the Manager and BlackRock Financial Management, Inc. (the Sub-Advisor ), with respect to each Fund. The Manager and the Sub-Advisor are referred to herein as BlackRock. The Advisory Agreements and the Sub-Advisory Agreements are referred to herein as the Agreements.

### Activities and Composition of the Board

The Board of each Fund consists of ten individuals, eight of whom are not interested persons of the Funds as defined in the Investment Company Act of 1940 (the 1940 Act ) (the Independent Board Members ). The Board Members are responsible for the oversight of the operations of each Fund and perform the various duties imposed on the directors of investment companies by the 1940 Act. The Independent Board Members have retained independent legal counsel to assist them in connection with their duties. The Chairman of each Board is an Independent Board Member. Each Board has established five standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee and an Executive Committee, each of which is composed of Independent Board Members (except for the Executive Committee, which also has one interested Board Member) and is chaired by an Independent Board Member. Each Board also has two ad hoc committees, the Joint Product Pricing Committee, which consists of Independent Board Members and the directors/trustees of the boards of certain other BlackRock-managed funds, who are not interested persons of their respective funds, and the Ad Hoc Committee on Auction Market Preferred Shares.

### The Agreements

Pursuant to the 1940 Act, the Boards are required to consider the continuation of the Agreements on an annual basis. In connection with this process, the Boards assessed, among other things, the nature, scope and quality of the services provided to the Funds by the personnel of

BlackRock and its affiliates, including investment management, administrative and shareholder services, oversight of fund accounting and custody, marketing services and assistance in meeting applicable legal and regulatory requirements.

From time to time throughout the year, the Boards, acting directly and through their committees, considered at each of their meetings factors that are relevant to their annual consideration of the renewal of the Agreements, including the services and support provided by BlackRock to

the Funds and their shareholders. Among the matters the Boards considered were: (a) investment performance for one-, three- and five-year periods, as applicable, against peer funds, and applicable benchmarks, if any, as well as senior management's and portfolio managers' analysis of the reasons for any over performance or underperformance against a Fund's peers and/or benchmark, as applicable; (b) fees, including advisory and other amounts paid to BlackRock and its affiliates by each Fund for services such as call center and fund accounting; (c) each Fund's operating expenses; (d) the resources devoted to and compliance reports relating to each Fund's investment objective, policies and restrictions; (e) each Fund's compliance with its Code of Ethics and compliance policies and procedures; (f) the nature, cost and character of non-investment management services provided by BlackRock and its affiliates; (g) BlackRock's and other service providers' internal controls; (h) BlackRock's implementation of the proxy voting policies approved by the Boards; (i) execution quality of portfolio transactions; (j) BlackRock's implementation of each Fund's valuation and liquidity procedures; (k) an analysis of contractual and actual management fees for products with similar investment objectives across the open-end fund, closed-end fund and institutional account product channels, as applicable; and (l) periodic updates on BlackRock's business.

#### Board Considerations in Approving the Agreements

The Approval Process: Prior to the April 8, 2010 meeting, the Boards requested and each received materials specifically relating to the Agreements. The Boards are engaged in a process with BlackRock to periodically review the nature and scope of the information provided to better assist their deliberations. The materials provided in connection with the April meeting included (a) information independently compiled and prepared by Lipper, Inc. (Lipper) on Fund fees and expenses, and the investment performance of each Fund as compared with a peer group of funds as determined by Lipper, and in the case of PSW, PSY, BPP and BTZ, a customized peer group selected by BlackRock (collectively, Peers); (b) information on the profitability of the Agreements to BlackRock and a discussion of fall-out benefits to BlackRock and its affiliates and significant shareholders; (c) a general analysis provided by BlackRock concerning investment advisory fees charged to other clients, such as institutional clients and open-end funds, under similar investment mandates; (d) the impact of economies of scale; (e) a summary of aggregate amounts paid by each Fund to BlackRock and (f) if applicable, a comparison of management fees to similar BlackRock closed-end funds, as classified by Lipper.

At an in-person meeting held on April 8, 2010, the Boards reviewed materials relating to their consideration of the Agreements. As a result of the discussions that occurred during the April 8, 2010 meeting, the Boards presented BlackRock with questions and requests for additional information and BlackRock responded to these requests with additional written information in advance of the May 13 - 14, 2010 Board meeting.

At an in-person meeting held on May 13 - 14, 2010, each Board, including its Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and its respective Fund and the Sub-Advisory Agreement between the Manager and the

58 ANNUAL REPORT

OCTOBER 31, 2010

---

## Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

Sub-Advisor with respect to its respective Fund, each for a one-year term ending June 30, 2011. In approving the continuation of the Agreements, the Boards considered: (a) the nature, extent and quality of the services provided by BlackRock; (b) the investment performance of each Fund and BlackRock; (c) the advisory fee and the cost of the services and profits to be realized by BlackRock and its affiliates from their relationship with each Fund; (d) economies of scale; and (e) other factors deemed relevant by the Board Members.

The Boards also considered other matters they deemed important to the approval process, such as services related to the valuation and pricing of each Fund's portfolio holdings, direct and indirect benefits to BlackRock and its affiliates and significant shareholders from their relationship with each Fund and advice from independent legal counsel with respect to the review process and materials submitted for the Boards' review. The Boards noted the willingness of BlackRock personnel to engage in open, candid discussions with the Boards. The Boards did not identify any particular information as controlling, and each Board Member may have attributed different weights to the various items considered.

### A. Nature, Extent and Quality of the Services Provided by BlackRock:

The Boards, including the Independent Board Members, reviewed the nature, extent and quality of services provided by BlackRock, including the investment advisory services and the resulting performance of each Fund. Throughout the year, the Boards compared each Fund's performance to the performance of a comparable group of closed-end funds, and the performance of a relevant benchmark, if any. The Boards met with BlackRock's senior management personnel responsible for investment operations, including the senior investment officers. The Boards also reviewed the materials provided by each Fund's portfolio management team discussing each Fund's performance and each Fund's investment objective, strategies and outlook.

The Boards considered, among other factors, the number, education and experience of BlackRock's investment personnel generally and each Fund's portfolio management team, investments by portfolio managers in the funds they manage, BlackRock's portfolio trading capabilities, BlackRock's use of technology, BlackRock's commitment to compliance, BlackRock's credit analysis capabilities, BlackRock's risk analysis capabilities and BlackRock's approach to training and retaining portfolio managers and other research, advisory and management personnel. The Boards also reviewed a general description of BlackRock's compensation structure with respect to each Fund's portfolio management team and BlackRock's ability to attract and retain high-quality talent.

In addition to advisory services, the Boards considered the quality of the



administrative and non-investment advisory services provided to each Fund. BlackRock and its affiliates and significant shareholders provide each Fund with certain administrative and other services (in addition to any such services provided to each Fund by third parties) and officers and other personnel as are necessary for the operations of each Fund. In addition to investment advisory services, BlackRock and its affiliates provide each Fund with other services, including (i) preparing disclosure documents, such as the prospectus and the statement of additional information in connection with the initial public offering and periodic shareholder

reports; (ii) preparing communications with analysts to support secondary market trading of each Fund; (iii) assisting with daily accounting and pricing; (iv) preparing periodic filings with regulators and stock exchanges; (v) overseeing and coordinating the activities of other service providers; (vi) organizing Board meetings and preparing the materials for such Board meetings; (vii) providing legal and compliance support; and (viii) performing other administrative functions necessary for the operation of each Fund, such as tax reporting, fulfilling regulatory filing requirements, and call center services. The Boards reviewed the structure and duties of BlackRock's fund administration, accounting, legal and compliance departments and considered BlackRock's policies and procedures for assuring compliance with applicable laws and regulations.

B. The Investment Performance of the Funds and BlackRock: The Boards, including the Independent Board Members, also reviewed and considered the performance history of each Fund. In preparation for the April 8, 2010 meeting, the Boards were provided with reports, independently prepared by Lipper, which included a comprehensive analysis of each Fund's performance. The Boards also reviewed a narrative and statistical analysis of the Lipper data that was prepared by BlackRock, which analyzed various factors that affect Lipper's rankings. In connection with their reviews, the Boards received and reviewed information regarding the investment performance of each Fund as compared to a representative group of similar funds as determined by Lipper and to all funds in each Fund's applicable Lipper category, and in the case of PSW, PSY, BTZ and BPP, a customized peer group selected by BlackRock. The Boards were provided with a description of the methodology used by Lipper to select peer funds. The Boards regularly review the performance of each Fund throughout the year.

The Board of BGT noted that, in general, BGT performed better than its Peers in that BGT's performance was at or above the median of its Lipper Performance Universe in two of the one-, three- and five-year periods reported.

The Board of BTZ noted that, in general, BTZ performed better than its Peers in that BTZ's performance was at or above the median of its Customized Lipper Peer Group in the three-year period reported. Additionally, working with the Board of BTZ, BlackRock has restructured BTZ to focus on investment grade corporate bonds, high yield bonds and other opportunistic asset classes, including bank loans, preferred stock and convertible bonds.

The Boards of PSW and PSY noted that PSW and PSY performed below the median of their respective Customized Lipper Peer Group in the three- and five-year periods reported, but that each Fund performed better than or equal to the median of its Customized Lipper Peer Group in the one-year period reported. The Boards of PSW and PSY and BlackRock reviewed the reasons for each Fund's underperformance during the three- and five-year periods compared with its Peers. The Boards of PSW and PSY were informed that, among other things, being underweight to retail preferreds hurt each Fund relative to its Peers.

The Board of BPP noted that BPP performed below the median of its Customized Lipper Peer Group in each of the one-, three- and five-year

ANNUAL REPORT

OCTOBER 31, 2010

59

---

## Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

periods reported. The Board of BPP and BlackRock reviewed the reasons for BPP's underperformance during these periods compared with its Peers. The Board of BPP was informed that, among other things, being underweight to retail preferreds hurt BPP relative to Peers.

The Boards of PSW, PSY and BPP and BlackRock discussed BlackRock's strategy for improving each Fund's performance and BlackRock's commitment to providing the resources necessary to assist each Fund's portfolio managers and to improve each Fund's performance. Additionally, working with the Boards of PSW, PSY and BPP, BlackRock has restructured each Fund to focus on investment grade corporate bonds, high yield bonds and other opportunistic asset classes, including bank loans, preferred stock and convertible bonds.

The Boards noted that BlackRock has made changes to the organization of the overall fixed income group management structure designed to result in a strengthened leadership team with clearer accountability.

C. Consideration of the Advisory Fees and the Cost of the Services and Profits to be Realized by BlackRock and its Affiliates from their Relationship with the Funds: The Boards, including the Independent Board Members, reviewed each Fund's contractual advisory fee rate compared with the other funds in its Lipper category. The Boards also compared each Fund's total expenses, as well as actual management fees, to those of other funds in its Lipper category. The Boards considered the services provided and the fees charged by BlackRock to other types of clients with similar investment mandates, including separately managed institutional accounts.

The Boards received and reviewed statements relating to BlackRock's financial condition and profitability with respect to the services it provided each Fund. The Boards were also provided with a profitability analysis that detailed the revenues earned and the expenses incurred by BlackRock for services provided to each Fund. The Boards reviewed BlackRock's profitability with respect to each Fund and other funds the Boards currently oversee for the year ended December 31, 2009 compared to available aggregate profitability data provided for the year ended December 31, 2008. The Boards reviewed BlackRock's profitability with respect to other fund complexes managed by the Manager and/or its affiliates. The Boards reviewed BlackRock's assumptions and methodology of allocating expenses in the profitability analysis, noting the inherent limitations in allocating costs among various advisory products. The Boards recognized that profitability may be affected by numerous factors including, among other things, fee waivers and expense reimbursements by the Manager, the types of funds managed, expense allocations and business mix, and the difficulty

of comparing profitability as a result of those factors.

The Boards noted that, in general, individual fund or product line profitability of other advisors is not publicly available. Nevertheless, to the extent such information was available, the Boards considered BlackRock's overall operating margin, in general, compared to the operating margin for leading investment management firms whose operations include advising closed-end funds, among other product types. That data indicates that operating margins for BlackRock with respect to its registered funds are generally consistent with margins earned by similarly situated publicly traded

competitors. In addition, the Boards considered, among other things, certain third party data comparing BlackRock's operating margin with that of other publicly-traded asset management firms. That third party data indicates that larger asset bases do not, in themselves, translate to higher profit margins.

In addition, the Boards considered the cost of the services provided to each Fund by BlackRock, and BlackRock's and its affiliates' profits relating to the management and distribution of each Fund and the other funds advised by BlackRock and its affiliates. As part of their analysis, the Boards reviewed BlackRock's methodology in allocating its costs to the management of each Fund. The Boards also considered whether BlackRock has the financial resources necessary to attract and retain high quality investment management personnel to perform its obligations under the Agreements and to continue to provide the high quality of services that is expected by the Boards.

Each Board noted that its respective Fund's contractual management fee rate was lower than or equal to the median contractual management fee rate paid by the Fund's Peers, in each case, before taking into account any expense reimbursements or fee waivers.

D. Economies of Scale: The Boards, including the Independent Board Members, considered the extent to which economies of scale might be realized as the assets of each Fund increase. The Boards also considered the extent to which each Fund benefits from such economies and whether there should be changes in the advisory fee rate or structure in order to enable each Fund to participate in these economies of scale, for example through the use of breakpoints in the advisory fee based upon the asset level of each Fund.

The Boards noted that most closed-end fund complexes do not have fund level breakpoints because closed-end funds generally do not experience substantial growth after the initial public offering and each fund is managed independently consistent with its own investment objectives. The Boards noted that only one closed-end fund in the Fund Complex has breakpoints in its fee structure. Information provided by Lipper also revealed that only one closed-end fund complex with total closed-end fund nets assets exceeding \$10 billion, as of December 31, 2009, used a complex level breakpoint structure.

E. Other Factors Deemed Relevant by the Board Members: The Boards, including the Independent Board Members, also took into account other ancillary or fall-out benefits that BlackRock or its affiliates and significant shareholders may derive from their respective relationships with the Funds, both tangible and intangible, such as BlackRock's ability to leverage its investment professionals who manage other portfolios, an increase in BlackRock's profile in the investment advisory community, and the engagement of BlackRock's affiliates and significant shareholders as service providers to the Funds, including for administrative and distribution services. The Boards also considered BlackRock's overall operations and its efforts to expand the scale of, and improve the quality of, its operations. The Boards also noted that BlackRock may use and benefit from third party research obtained by soft dollars generated by certain mutual fund

60 ANNUAL REPORT

OCTOBER 31, 2010

---

## Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (concluded)

transactions to assist in managing all or a number of its other client accounts. The Boards further noted that BlackRock completed the acquisition of a complex of exchange-traded funds ( ETFs ) on December 1, 2009, and that BlackRock's funds may invest in such ETFs without any offset against the management fees payable by the funds to BlackRock.

In connection with its consideration of the Agreements, the Boards also received information regarding BlackRock's brokerage and soft dollar practices. The Boards received reports from BlackRock which included information on brokerage commissions and trade execution practices throughout the year.

The Boards noted the competitive nature of the closed-end fund marketplace, and that shareholders are able to sell their respective Fund shares in the secondary market if they believe that the Fund's fees and expenses are too high or if they are dissatisfied with the performance of the Fund.

### Conclusion

Each Board, including its Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and its respective Fund for a one-year term ending June 30, 2011 and the Sub-Advisory Agreement between the Manager and the Sub-Advisor, with respect to its respective Fund, for a one-year term ending June 30, 2011. As part of its approval, each Board considered the discussions of BlackRock's fee structure, as it applies to its respective Fund, being conducted by the ad hoc Joint Product Pricing Committee. Based upon its evaluation of all of the aforementioned factors in their totality, each Board, including its Independent Board Members, was satisfied that the terms of the Agreements were fair and reasonable and in the best interest of its respective Fund and its shareholders. In arriving at a decision to approve the Agreements, none of the Boards identified any single factor or group of factors as all-important or controlling, but considered all factors together, and different Board Members may have attributed different weights to the various factors considered. The Independent Board Members were also assisted by the advice of independent legal counsel in making this determination. The contractual fee arrangements for each Fund reflect the results of several years of review by the Board Members and predecessor Board Members, and discussions between such Board Members (and predecessor Board Members) and BlackRock. Certain aspects of the arrangements may be the subject of more attention in some years than in others, and the Board Members' conclusions may be based in part on their consideration of these arrangements in prior years.

OCTOBER 31, 2010

61

---

## Automatic Dividend Reinvestment Plans

Pursuant to each Fund's Dividend Reinvestment Plan (the Reinvestment Plan), Common Shareholders are automatically enrolled to have all distributions of dividends and capital gains reinvested by Computershare Trust Company, N.A. (the Plan Agent) in the respective Fund's shares pursuant to the Reinvestment Plan. Shareholders who do not participate in the Reinvestment Plan will receive all distributions in cash paid by check and mailed directly to the shareholders of record (or if the shares are held in street or other nominee name, then to the nominee) by the Plan Agent, which serves as agent for the shareholders in administering the Reinvestment Plan.

After the Funds declare a dividend or determine to make a capital gain distribution, the Plan Agent will acquire shares for the participants' accounts, depending upon the following circumstances, either (i) through receipt of unissued but authorized shares from the Fund (newly issued shares) or (ii) by purchase of outstanding shares on the open market, on the Fund's primary exchange (open-market purchases). If, on the dividend payment date, the net asset value per share (NAV) is equal to or less than the market price per share plus estimated brokerage commissions (such condition often referred to as a market premium), the Plan Agent will invest the dividend amount in newly issued shares on behalf of the participants. The number of newly issued shares to be credited to each participant's account will be determined by dividing the dollar amount of the dividend by the NAV on the date the shares are issued. However, if the NAV is less than 95% of the market price on the payment date, the dollar amount of the dividend will be divided by 95% of the market price on the payment date. If, on the dividend payment date, the NAV is greater than the market value per share plus estimated brokerage commissions (such condition often referred to as a market discount), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participants in open-market purchases. If the Plan Agent is unable to invest the full dividend amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any uninvested portion in newly issued shares.

Participation in the Reinvestment Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution.

The Plan Agent's fees for the handling of the reinvestment of dividends and distributions will be paid by each Fund. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends and distributions. The automatic reinvestment of dividends and



distributions will not relieve participants of any federal income tax that may be payable on such dividends or distributions.

Each Fund reserves the right to amend or terminate the Reinvestment Plan. There is no direct service charge to participants in the Reinvestment Plan; however, each Fund reserves the right to amend the Reinvestment Plan to include a service charge payable by the participants. Participants that request a sale of shares through Computershare Trust Company, N.A. are subject to a \$2.50 sales fee and a \$0.15 per share sold brokerage commission. All correspondence concerning the Plan should be directed to Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078, Telephone: (800) 699-1BFM or overnight correspondence should be directed to the Plan Agent at 250 Royall Street, Canton, MA 02021.

62 ANNUAL REPORT

OCTOBER 31, 2010

---

## Officers and Directors

| Name, Address and Year of Birth   | Position(s) Held with Funds  | Length of Time Served as a Director <sup>2</sup> | Principal Occupation(s) During Past 5 Years  | Number of BlackRock-Advised Registered Investment Companies ( RICs ) Consisting of Investment Portfolios ( Portfolios ) Overseen |  | Public Directorships                         |
|---|--|--|--|--|--|--|
|   |  |  |  |  |  |  |
| <b>Non-Interested Directors<sup>1</sup></b>                                     |  |  |  |  |  |  |
| <b>Richard E. Cavanagh</b><br>55 East 52nd Street<br>New York, NY 10055<br>1946 | Chairman of the Board and Director                                 | Since 2007                                       | Trustee, Aircraft Finance Trust from 1999 to 2009; Director, The GuardianLife Insurance Company of America since 1998; Trustee, Educational Testing Service from 1997 to 2009 and Chairman thereof from 2005 to 2009 Senior Advisor, The Fremont Group since 2008 and Director thereof since 1996; Adjunct Lecturer, Harvard University since 2007; President and Chief Executive Officer, The Conference Board, Inc. (global business research organization) from 1995 to 2007. | 99 RICS consisting of 97 Portfolios  |  | Arch Chemical (chemical and allied products) |
| <b>Karen P. Robards</b><br>55 East 52nd Street<br>New York, NY 10055<br>1950    | Vice Chair of the Board, Chair of the Audit Committee and Director | Since 2007                                       | Partner of Robards & Company, LLC (financial advisory firm) since 1987; Co-founder and Director of the Cooke Center for Learning and Development, (a not-for-profit organization) since 1987; Director of Care Investment Trust, Inc. (health care real estate investment trust) from 2007 to 2010; Director of Enable Medical Corp. from 1996 to 2005; Investment Banker at Morgan Stanley from 1976 to 1987.   | 99 RICS consisting of 97 Portfolios  |  | AtriCure, Inc. (medical devices)             |
| <b>Frank J. Fabozzi</b><br>55 East 52nd Street<br>New York, NY 10055<br>1948    | Director and Member of the Audit Committee                         | Since 2007                                       | Consultant/Editor of The Journal of Portfolio Management since 2006; Professor in the Practice of Finance and Becton Fellow, Yale University, School of Management, since 2006; Adjunct Professor of Finance and Becton Fellow, Yale University from 1994 to 2006.   | 99 RICS consisting of 97 Portfolios  |  | None   |
| <b>Kathleen F. Feldstein</b>  | Director   | Since  | President of Economics Studies, Inc. (private economic consulting  | 99 RICS consisting of  |  | The McClatchy                                |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|   |   |                   |   |   |  |
|---|---|-------------------|---|---|--|
| 55 East 52nd<br>Street<br>New York, NY<br>10055<br><br>1941                         |   | 2007              | firm) since 1987; Chair, Board of Trustees, McLean Hospital from 2000 to 2008 and Trustee Emeritus thereof since 2008; Member of the Board of Partners Community Healthcare, Inc. from 2005 to 2009; Member of the Corporation of Partners HealthCare since 1995; Trustee, Museum of Fine Arts, Boston since 1992; Member of the Visiting Committee to the Harvard University Art Museum since 2003; Director, Catholic Charities of Boston since 2009. Chief Financial Officer of JP Morgan & Co., Inc. from 1990 to 1995. | 97 Portfolios                                 | Company (publishing);<br><br>Bellsouth<br><br>(telecommunications);<br><br>Knight Ridder<br><br>(publishing) |
| <b>James T. Flynn</b><br>55 East 52nd<br>Street<br>New York, NY<br>10055<br>1939    | Director<br><br>and Member<br>of the Audit<br>Committee | Since<br><br>2007 |   | 99 RICs consisting<br>of<br><br>97 Portfolios | None   |
| <b>Jerrold B. Harris</b><br>55 East 52nd<br>Street<br>New York, NY<br>10055<br>1942 | Director  | Since<br><br>2007 | Trustee, Ursinus College since 2000; Director, Troemner LLC (scientific equipment) since 2000; Director of Delta Waterfowl Foundation since 2001; President and Chief Executive Officer, VWR Scientific Products Corporation from 1990 to 1999.   | 99 RICs consisting<br>of<br><br>97 Portfolios | BlackRock Kelso<br>Capital Corp.<br>(business<br>development<br>company)                                     |

ANNUAL REPORT

OCTOBER 31, 2010

63

Officers and Directors (continued)

| Name, Address and Year of Birth  | Held with Funds                            | Position(s) Held | Length of Time Served as a Director <sup>2</sup> | Principal Occupation(s) During Past 5 Years   | Number of BlackRock-Advised Registered Investment Companies ( RICs ) Consisting of Investment Portfolios ( Portfolios ) Overseen | Public Directorships  |
|--|--|------------------|--|---|--|---|
| <b>Non-Interested Directors<sup>1</sup> (concluded)</b>                      |  |                  |  |   |  |   |
| <b>R. Glenn Hubbard</b><br>55 East 52nd Street<br>New York, NY 10055<br>1958 | Director                                   |                  | Since 2007                                       | Dean, Columbia Business School since 2004; Columbia faculty member since 1988; Co-Director, Columbia Business School's Entrepreneurship Program from 1997 to 2004; Chairman, U.S. Council of Economic Advisers under the President of the United States from 2001 to 2003; Chairman, Economic Policy Committee of the OECD from 2001 to 2003.   | 99 RICs consisting of 97 Portfolios  | ADP (data and information services);<br>KKR Financial Corporation (finance);<br>Metropolitan Life Insurance Company (insurance) |
| <b>W. Carl Kester</b><br>55 East 52nd Street<br>New York, NY 10055<br>1951   | Director and Member of the Audit Committee |                  | Since 2007                                       | George Fisher Baker Jr. Professor of Business Administration, Harvard Business School; Deputy Dean for Academic Affairs, since 2006; Unit Head, Finance, Harvard Business School, from 2005 to 2006; Senior Associate Dean and Chairman of the MBA Program of Harvard Business School, from 1999 to 2005; Member of the faculty of Harvard Business School since 1981; Independent Consultant since 1978. | 99 RICs consisting of 97 Portfolios  | None  |

<sup>1</sup> Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.

<sup>2</sup> Date shown is the earliest date a person has served as a director for the Funds covered by this annual report. Following the combination of Merrill Lynch Investment Managers, L.P. ( MLIM ) and BlackRock, Inc. ( BlackRock ) in September 2006, the various legacy MLIM and legacy BlackRock Fund boards were realigned and consolidated into three new Fund boards in 2007. As a result, although the chart shows directors as joining the Funds' board in 2007, each director first became a member of the board of other legacy MLIM or legacy BlackRock Funds as follows: Richard E. Cavanagh, 1994; Frank J.

## Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

Fabozzi, 1988; Kathleen F. Feldstein, 2005; James T. Flynn, 1996; Jerrold B. Harris, 1999; R. Glenn Hubbard, 2004; W. Carl Kester, 1995 and Karen P.

Robards, 1998.

### Interested Directors<sup>3</sup>

|   |          |            |  |                                       |      |
|---|----------|------------|--|---------------------------------------|------|
| <b>Richard S. Davis</b>                           | Director | Since 2007 | Managing Director, BlackRock, Inc. since 2005; Chief Executive Officer, State Street Research & Management Company from 2000 to 2005; Chairman of the Board of Trustees, State Street Research Mutual Funds from 2000 to 2005.   | 169 RICs consisting of 290 Portfolios | None |
| 55 East 52nd Street<br>New York, NY 10055<br>1945 |          |            |  |                                       |      |
| <b>Henry Gabbay</b>                               | Director | Since 2007 | Consultant, BlackRock, Inc. from 2007 to 2008; Managing Director, BlackRock, Inc. from 1989 to 2007; Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; President of BlackRock Funds and BlackRock Bond Allocation Target Shares from 2005 to 2007; Treasurer of certain closed-end funds in the BlackRock fund complex from 1989 to 2006. | 169 RICs consisting of 290 Portfolios | None |
| 55 East 52nd Street<br>New York, NY 10055<br>1947 |          |            |  |                                       |      |

<sup>3</sup> Mr. Davis is an interested person, as defined in the Investment Company Act of 1940, of the Funds based on his position with BlackRock, Inc. and its affiliates. Mr. Gabbay is an interested person of the Funds based on his former positions with BlackRock, Inc. and its affiliates as well as his ownership of BlackRock, Inc. and The PNC Financial Services Group, Inc. securities. Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.

64 ANNUAL REPORT

OCTOBER 31, 2010

## Officers and Directors (concluded)

| <b>Name, Address and Year of Birth</b>  | <b>Position(s) Held with Funds</b>             | <b>Length of Time Served</b> | <b>Principal Occupation(s) During Past 5 Years</b>  |
|---|--|------------------------------|---|
| <b>Funds Officers<sup>1</sup></b>   |  |                              |   |
| <b>Anne Ackerley</b><br>55 East 52nd Street<br>New York, NY<br>10055<br>1962  | President<br>and Chief<br>Executive<br>Officer | Since<br>2007 <sup>2</sup>   | Managing Director of BlackRock, Inc. since 2000; Vice President of the BlackRock-advised funds from 2007 to 2009; Chief Operating Officer of BlackRock's Global Client Group (GCG) since 2009; Chief Operating Officer of BlackRock's US Retail Group from 2006 to 2009; Head of BlackRock's Mutual Fund Group from 2000 to 2006. |
| <b>Brendan Kyne</b><br>55 East 52nd Street<br>New York, NY<br>10055<br>1977   | Vice<br>President                              | Since<br>2009                | Managing Director of BlackRock, Inc. since 2010; Director of BlackRock, Inc. from 2008 to 2009; Head of Product Development and Management for BlackRock's US Retail Group since 2009, co-head thereof from 2007 to 2009; Vice President of BlackRock, Inc. from 2005 to 2008.  |
| <b>Neal Andrews</b><br>55 East 52nd Street<br>New York, NY<br>10055<br>1966   | Chief<br>Financial<br>Officer                  | Since<br>2007                | Managing Director of BlackRock, Inc. since 2006; Senior Vice President and Line of Business Head of Fund Accounting and Administration at PNC Global Investment Servicing (US) Inc. from 1992 to 2006.  |
| <b>Jay Fife</b><br>55 East 52nd Street<br>New York, NY<br>10055<br>1970       | Treasurer                                      | Since<br>2007                | Managing Director of BlackRock, Inc. since 2007; Director, of BlackRock, Inc. in 2006; Assistant Treasurer of the Merrill Lynch Investment Managers, L.P. ( MLIM ) and Fund Asset Management, L.P. advised funds from 2005 to 2006; Director of MLIM Fund Services Group from 2001 to 2006.                                       |
| <b>Brian Kindelan</b><br>55 East 52nd Street<br>New York, NY<br>10055<br>1959 | Chief<br>Compliance<br>Officer                 | Since<br>2007                | Chief Compliance Officer of the BlackRock-advised funds since 2007; Managing Director and Senior Counsel of BlackRock, Inc. since 2005.   |
| <b>Howard Surloff</b><br>55 East 52nd Street                                  | Secretary                                      | Since<br>2007                | Managing Director and General Counsel of US Funds at BlackRock, Inc. since 2006; General Counsel (US) of Goldman Sachs Asset Management, L.P. from 1993 to 2006.  |

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

New York, NY  
10055  
1965

<sup>1</sup> Officers of the Funds serve at the pleasure of the Board.

<sup>2</sup> Ms. Ackerley has been President and Chief Executive officer since 2009 and was Vice President from 2007 to 2009.

| <b>Investment<br/>Advisor</b>   | <b>Custodian</b>   | <b>Transfer Agent</b>  | <b>Independent</b>  | <b>Legal Counsel</b>   | <b>Address of the<br/>Funds</b>                    |
|---|--|--|---|--|--|
| BlackRock<br>Advisors, LLC<br>Wilmington, DE<br>19809                                     | State Street Bank<br>and<br>Trust Company<br><br>Boston, MA 02111  | Common Shares<br>Computershare<br>Trust<br><br>Company, N.A.<br><br>Canton, MA 02021               | <b>Registered Public</b><br><br><b>Accounting Firm</b><br>Deloitte & Touche<br>LLP<br><br>Princeton, NJ 08540 | Skadden, Arps,<br>Slate,<br>Meagher & Flom<br>LLP<br>New York, NY<br>10036 | 100 Bellevue<br>Parkway<br>Wilmington, DE<br>19809 |
| <b>Sub-Advisor</b><br>BlackRock<br>Financial<br>Management, Inc.<br>New York, NY<br>10022 | <b>Auction Agent</b><br>Preferred Shares<br><br>BNY Mellon<br>Shareowner<br>Services<br>Jersey City, NJ<br>07310 | <b>Accounting Agent</b><br><br>State Street Bank<br>and Trust<br>Company<br>Princeton, NJ<br>08540 |   |  |  |

ANNUAL REPORT

OCTOBER 31, 2010

65

## Additional Information

### Proxy Results

The Annual Meeting of Shareholders was held on September 2, 2010 for shareholders of record on July 6, 2010, to elect trustee nominees for each Trust.

There were no broker non-votes with regard to any non-routine matter for any of the Funds. Due to a lack of quorum of preferred shares, action on the proposal regarding the preferred shares nominees' election for BlackRock Credit Allocation Income Trust I, Inc. and BlackRock Credit Allocation Income Trust II, Inc. was subsequently adjourned to October 5, 2010.

Below are the results with respect to each nominee, who will continue to serve as Trustee for each of the Trusts:

|     | Richard E. Cavanagh |           |         | Kathleen F. Feldstein |           |         | Henry Gabbay |           |         | Jerrold B. Harris |           |         |
|-----|---------------------|-----------|---------|-----------------------|-----------|---------|--------------|-----------|---------|-------------------|-----------|---------|
|     | Votes For           | Withheld  | Abstain | Votes For             | Withheld  | Abstain | Votes For    | Withheld  | Abstain | Votes For         | Withheld  | Abstain |
| BPP | 15,931,616          | 400,210   | 0       | 15,911,181            | 420,645   | 0       | 15,929,800   | 402,026   | 0       | 15,928,309        | 403,517   | 0       |
| BTZ | 43,168,792          | 3,212,846 | 0       | 43,017,507            | 3,364,131 | 0       | 43,179,171   | 3,202,467 | 0       | 43,153,679        | 3,227,959 | 0       |
| BGT | 16,559,709          | 356,288   | 0       | 16,546,099            | 369,898   | 0       | 16,559,709   | 356,288   | 0       | 16,548,668        | 367,329   | 0       |

For the Funds listed above, Trustees whose term of office continued after the Annual Meeting of Shareholders because they were not up for election are Richard S. Davis, Frank J. Fabozzi, James T. Flynn, R. Glenn Hubbard, W. Carl Kester and Karen P. Robards.

Below are the results with respect to each nominee, who will continue to serve as Director for each of the Funds:

|     | Richard E. Cavanagh         |           |         | Richard S. Davis |           |         | Frank J. Fabozzi <sup>1</sup> |           |         | Kathleen F. Feldstein |           |         |
|-----|-----------------------------|-----------|---------|------------------|-----------|---------|-------------------------------|-----------|---------|-----------------------|-----------|---------|
|     | Votes For                   | Withheld  | Abstain | Votes For        | Withheld  | Abstain | Votes For                     | Withheld  | Abstain | Votes For             | Withheld  | Abstain |
| PSW | 8,953,536                   | 221,542   | 0       | 8,976,309        | 198,769   | 0       | 401                           | 5         | 131     | 8,961,523             | 213,555   | 0       |
| PSY | 32,840,671                  | 2,775,376 | 0       | 32,847,835       | 2,768,212 | 0       | 1,770                         | 251       | 382     | 32,943,188            | 2,672,859 | 0       |
|     | James T. Flynn              |           |         | Henry Gabbay     |           |         | Jerrold B. Harris             |           |         | R. Glenn Hubbard      |           |         |
|     | Votes For                   | Withheld  | Abstain | Votes For        | Withheld  | Abstain | Votes For                     | Withheld  | Abstain | Votes For             | Withheld  | Abstain |
| PSW | 8,972,999                   | 202,079   | 0       | 8,982,717        | 192,361   | 0       | 8,973,595                     | 201,483   | 0       | 8,979,270             | 195,808   | 0       |
| PSY | 32,887,756                  | 2,728,291 | 0       | 32,865,057       | 2,750,990 | 0       | 32,890,863                    | 2,725,184 | 0       | 32,888,504            | 2,727,543 | 0       |
|     | W. Carl Kester <sup>1</sup> |           |         | Karen P. Robards |           |         |                               |           |         |                       |           |         |
|     | Votes For                   | Withheld  | Abstain | Votes For        | Withheld  | Abstain |                               |           |         |                       |           |         |
| PSW | 401                         | 5         | 131     | 8,951,839        | 223,239   | 0       |                               |           |         |                       |           |         |



Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

|     |       |     |     |            |           |   |
|-----|-------|-----|-----|------------|-----------|---|
| PSY | 1,770 | 251 | 382 | 32,978,558 | 2,637,489 | 0 |
|-----|-------|-----|-----|------------|-----------|---|

1 Voted on by holders of  
Preferred Shares only.

66 ANNUAL REPORT

OCTOBER 31, 2010

---

## Additional Information (continued)

### Fund Certification

Each Fund is listed for trading on the New York Stock Exchange ( NYSE ) and have filed with the NYSE their annual chief executive officer certification regarding compliance with the NYSE s listing standards.

The Funds filed with the SEC the certification of its chief executive officer and chief financial officer required by section 302 of the Sarbanes-Oxley Act.

### Dividend Policy

Each Fund s dividend policy is to distribute all or a portion of its net investment income to its shareholders on a monthly basis. In order to provide shareholders with a more stable level of dividend distributions, the Funds may at times pay out less than the entire amount of net investment income earned in any particular month and may at times in any particular month pay out such accumulated but undistributed income in addition to net

investment income earned in that month. As a result, the dividends paid by the Funds for any particular month may be more or less than the amount of net investment income earned by the Funds during such month. The Funds current accumulated but undistributed net investment income, if any, is disclosed in the Statements of Assets and Liabilities, which comprises part of the financial information included in this report.

ANNUAL REPORT

OCTOBER 31, 2010

67

---

## Additional Information (continued)

### General Information

On July 29, 2010, the Manager announced that a derivative complaint had been filed by shareholders of PSY and BTZ on July 27, 2010 in the Supreme Court of the State of New York, New York County. The complaint names the Manager, BlackRock, Inc. and certain of the directors, officers and portfolio managers of PSY and BTZ as defendants. The complaint alleges, among other things, that the parties named in the complaint breached fiduciary duties owed to PSY and BTZ and their Common Shareholders by redeeming auction-market preferred shares, auction rate preferred securities, auction preferred shares and auction rate securities (collectively, AMPS) at their liquidation preference. The complaint seeks unspecified damages for losses purportedly suffered by PSY and BTZ as a result of the prior redemptions and injunctive relief preventing PSY and BTZ from redeeming AMPS at their liquidation preference in the future. The Manager, BlackRock, Inc. and the other parties named in the complaint believe that the claims asserted in the complaint are without merit and intend to vigorously defend themselves in the litigation.

On November 15, 2010, the Manager announced the intention to redeem all of the outstanding auction rate preferred shares (ARPS) issued by five of its taxable closed-end funds: PSW, PSY, BPP, BTZ, and BGT. The announced redemptions encompass all remaining taxable ARPS issued by BlackRock closed-end funds and total approximately \$569 million. BlackRock announced that the ARPS would be redeemed with available cash or proceeds from reverse repurchase agreement financing or a credit facility on a fund-by-fund basis and, in each case, the refinancing is expected to result in a lower cost of financing for each fund under current market conditions.

In exchange for the shareholder plaintiff's agreement to withdraw a previously filed motion for preliminary injunction enjoining any further redemptions of ARPS, each of these funds agreed to provide the plaintiffs in those actions with 30 days prior notice of any additional redemptions. On November 24, 2010, the Manager announced that counsel for the plaintiffs filed a motion for a preliminary injunction enjoining PSY and BTZ from redeeming outstanding AMPS pending final resolution of the underlying shareholder derivative suit. The Manager announced that it intends to vigorously oppose the motion announced that it intends to vigorously oppose the motion and complete the previously announced redemption of AMPS by PSY and BTZ as previously announced, although the redemption dates for BTZ and PSY are conditioned upon the absence of any legal impediments to completing the redemptions as scheduled.

BlackRock will continue to keep market participants and shareholders informed of its closed-end funds' progress to redeem ARPS via press

releases and on BlackRock's website at [www.blackrock.com](http://www.blackrock.com).

68 ANNUAL REPORT

OCTOBER 31, 2010

---

## Additional Information (concluded)

### General Information (concluded)

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

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

### Electronic Delivery

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

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

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

### Householding

The Funds will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called "householding" and it is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be househanded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please contact the Funds at (800) 441-7762.

### Availability of Quarterly Portfolio Schedule of Investments

Each Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. Each Fund's Forms N-Q are available

on the SEC's website at <http://www.sec.gov> and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. Each Fund's Forms N-Q may also be obtained upon request and without charge by calling (800) 441-7762.

#### Availability of Proxy Voting Policies and Procedures

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free (800) 441-7762; (2) at <http://www.blackrock.com>; and (3) on the SEC's website at <http://www.sec.gov>.

#### Availability of Proxy Voting Record

Information about how each Fund voted proxies relating to securities held in each Fund's portfolio during the most recent 12-month period ended June 30 is available upon request and without charge (1) at <http://www.blackrock.com> or by calling (800) 441-7762 and (2) on the SEC's website at <http://www.sec.gov>.

#### Availability of Fund Updates

BlackRock will update performance data for the Funds on a monthly basis on its website in the "Closed-end Funds" section of <http://www.blackrock.com>. Investors and others are advised to periodically check the website for updated performance information and the release of other material information about the Funds.

ANNUAL REPORT

OCTOBER 31, 2010

69

---

## Additional Information (concluded)

### Section 19(a) Notices

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

October 31, 2010

|     | Total Cumulative Distributions |          |            | % Breakdown of the Total Cumulative Distributions for the Fiscal Year |            |          |           |           |
|-----|--------------------------------|----------|------------|---|------------|----------|-----------|-----------|
|     | for the Fiscal Year            |          |            | Net   |            |          |           |           |
|     | Net                            | Net      |            | Total Per   | Net        | Net      |           | Total Per |
|     | Investment                     | Realized | Return of  | Common  | Investment | Realized | Return of | Common    |
|     | Income                         | Capital  | Capital    | Share   | Income     | Gains    | Capital   | Share     |
| PSW | \$0.577347                     |          | \$0.127653 | \$0.705000  | 82%        | 0%       | 18%       | 100%      |
| PSY | \$0.662449                     |          | \$0.180051 | \$0.842500  | 79%        | 0%       | 21%       | 100%      |
| BPP | \$0.717389                     |          | \$0.122611 | \$0.840000  | 85%        | 0%       | 15%       | 100%      |
| BTZ | \$0.786470                     |          | \$0.308530 | \$1.095000  | 72%        | 0%       | 28%       | 100%      |
| BGT | \$0.827500                     |          |            | \$0.827500  | 100%       | 0%       | 0%        | 100%      |

PSW, PSY, BPP and BTZ Fund estimates that it has distributed more than the amount of earned income and net realized gains; therefore, a portion of the distribution may be a return of capital. A return of capital may occur, for example, when some or all of the shareholder's investment in a Fund is returned to the shareholder. A return of capital does not necessarily reflect a Fund's investment performance and should not be confused with yield or income.

### BlackRock Privacy Principles

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

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

specific laws, rules or regulations.

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

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

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

70 ANNUAL REPORT

OCTOBER 31, 2010

---



This report is transmitted to shareholders only. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Funds leverage their Common Shares, which creates risk for Common Shareholders, including the likelihood of greater volatility of net asset value and market price of Common Shares, and the risk that fluctuations in short-term interest rates may reduce the Common Shares yield. Statements and other information herein are as dated

and are subject to change.

#CE-EQFI-6-10/10

---

Item 2 Code of Ethics The registrant (or the Fund ) has adopted a code of ethics, as of the end of the period covered by this report, applicable to the registrant's principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. During the period covered by this report, there have been no amendments to or waivers granted under the code of ethics. A copy of the code of ethics is available without charge at [www.blackrock.com](http://www.blackrock.com).

Item 3 Audit Committee Financial Expert The registrant's board of directors or trustees, as applicable (the board of directors ), has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent:

Kent Dixon (retired effective December 31, 2009)

Frank J. Fabozzi

James T. Flynn

W. Carl Kester

Karen P. Robards

The registrant's board of directors has determined that W. Carl Kester and Karen P. Robards qualify as financial experts pursuant to Item 3(c)(4) of Form N-CSR.

Prof. Kester has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Prof. Kester has been involved in providing valuation and other financial consulting services to corporate clients since 1978. Prof. Kester's financial consulting services present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements.

Ms. Robards has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Ms. Robards has been President of Robards & Company, a financial advisory firm, since 1987. Ms. Robards was formerly an investment banker for more than 10 years where she was responsible for evaluating and assessing the performance of companies based on their financial results. Ms. Robards has over 30 years of experience analyzing financial statements. She also is a member of the audit committee of one publicly held company and a non-profit organization.

Under applicable securities laws, a person determined to be an audit committee financial expert will not be deemed an expert for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification. The designation or identification as an audit committee financial expert does not affect the duties, obligations, or liability of any other member of the audit committee or board of directors.

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

Item 4 Principal Accountant Fees and Services

| Entity Name       | (a) Audit Fees |             | (b) Audit-Related Fees <sup>1</sup> |             | (c) Tax Fees <sup>2</sup> |             | (d) All Other Fees <sup>3</sup> |             |
|-------------------|----------------|-------------|-------------------------------------|-------------|---------------------------|-------------|---------------------------------|-------------|
|                   | Current        | Previous    | Current                             | Previous    | Current                   | Previous    | Current                         | Previous    |
|                   | Fiscal Year    | Fiscal Year | Fiscal Year                         | Fiscal Year | Fiscal Year               | Fiscal Year | Fiscal Year                     | Fiscal Year |
|                   | End            | End         | End                                 | End         | End                       | End         | End                             | End         |
| BlackRock Credit  |                |             |                                     |             |                           |             |                                 |             |
| Allocation Income | \$40,000       | \$40,000    | \$3,500                             | \$3,500     | \$6,100                   | \$6,100     | \$0                             | \$1,028     |
| Trust II, Inc.    |                |             |                                     |             |                           |             |                                 |             |

1 The nature of the services include assurance and related services reasonably related to the performance of the audit of financial statements not included in Audit Fees.

2 The nature of the services include tax compliance, tax advice and tax planning.

3 The nature of the services include a review of compliance procedures and attestation thereto.

(e)(1) Audit Committee Pre-Approval Policies and Procedures:

The registrant's audit committee (the Committee) has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific pre-approval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the registrant's affiliated service providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are a) consistent with the SEC's auditor independence rules and b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis (general pre-approval). The term of any general pre-approval is 12 months from the date of the pre-approval, unless the Committee provides for a different period. Tax or other non-audit services provided to the registrant which have a direct impact on the operation or financial reporting of the registrant will only be deemed pre-approved provided that any individual project does not exceed \$10,000 attributable to the registrant or \$50,000 per project. For this purpose, multiple projects will be aggregated to determine if they exceed the previously mentioned cost levels.

Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by the Committee, as will any other services not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is informed of each service approved subject to general pre-approval at the next regularly scheduled in-person board meeting. At this meeting, an analysis of such services is presented to the Committee for ratification. The Committee may delegate to the Committee Chairman the authority to approve the provision of and fees for any specific engagement of permitted non-audit services, including services exceeding pre-approved cost levels.

(e)(2) None of the services described in each of Items 4(b) through (d) were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not Applicable

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

(g) Affiliates Aggregate Non-Audit Fees:

| Entity Name                                       | Current Fiscal Year | Previous Fiscal Year |
|---|---------------------|----------------------|
|   | End                 | End                  |
| BlackRock Credit Allocation Income Trust II, Inc. | \$20,377            | \$413,128            |

---

(h) The registrant's audit committee has considered and determined that the provision of non-audit services that were rendered to the registrant's investment adviser (not including any non-affiliated sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by the registrant's investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Regulation S-X Rule 2-01(c)(7)(ii) \$10,777, 0%

#### Item 5 Audit Committee of Listed Registrants

(a) The following individuals are members of the registrant's separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(58)(A)):

Kent Dixon (retired effective December 31, 2009)

Frank J. Fabozzi

James T. Flynn

W. Carl Kester

Karen P. Robards

(b) Not Applicable

#### Item 6 Investments

(a) The registrant's Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this Form.

(b) Not Applicable due to no such divestments during the semi-annual period covered since the previous Form N-CSR filing.

Item 7 Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies The board of directors has delegated the voting of proxies for the Fund securities to the Fund's investment adviser (Investment Adviser) pursuant to the Investment Adviser's proxy voting guidelines. Under these guidelines, the Investment Adviser will vote proxies related to Fund securities in the best interests of the Fund and its stockholders. From time to time, a vote may present a conflict between the interests of the Fund's stockholders, on the one hand, and those of the Investment Adviser, or any affiliated person of the Fund or the Investment Adviser, on the other. In such event, provided that the Investment Adviser's Equity Investment Policy Oversight Committee, or a sub-committee thereof (the Oversight Committee) is aware of the real or potential conflict or material non-routine matter and if the Oversight Committee does not reasonably believe it is able to follow its general voting guidelines (or if the particular proxy matter is not addressed in the guidelines) and vote impartially, the Oversight Committee may retain an independent fiduciary to advise the Oversight Committee on how to vote or to cast votes on behalf of the Investment Adviser's clients. If the Investment Adviser determines not to retain an independent fiduciary, or does not desire to follow the advice of such independent fiduciary, the Oversight Committee shall determine how to vote the proxy after consulting with the Investment Adviser's Portfolio Management Group and/or the Investment Adviser's Legal

and Compliance Department and concluding that the vote cast is in its client's best interest

---

notwithstanding the conflict. A copy of the Fund's Proxy Voting Policy and Procedures are attached as Exhibit 99.PROXYPOL. Information on how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, (i) at [www.blackrock.com](http://www.blackrock.com) and (ii) on the SEC's website at <http://www.sec.gov>.

Item 8 Portfolio Managers of Closed-End Management Investment Companies as of October 31, 2010.

(a)(1) The registrant (or Fund) is managed by a team of investment professionals led by John Burger, Managing Director at BlackRock, Inc. Mr. Burger is a member of BlackRock, Inc.'s fixed income portfolio management group and is primarily responsible for the day-to-day management of the registrant's portfolio and the selection of its investments. Mr. Burger has been a member of the registrant's portfolio management team since 2003.

**Portfolio Manager**

John Burger

**Biography**

Managing Director of BlackRock, Inc. since 2006; Managing Director of Merrill Lynch Investment Managers, L.P. ( MLIM ) from 2004 to 2006.

(a)(2) As of October 31, 2010:

| (i) Name of Portfolio Manager | (ii) Number of Other Accounts Managed and Assets by Account Type |                                  |                      | (iii) Number of Other Accounts and Assets for Which Advisory Fee is Performance-Based |                                  |                |
|-------------------------------|--|----------------------------------|----------------------|---|----------------------------------|----------------|
|                               | Other Registered Investment Companies                            | Other Pooled Investment Vehicles | Other Accounts       | Other Registered Investment Companies   | Other Pooled Investment Vehicles | Other Accounts |
|                               | John Burger  | 4<br>\$1.49 Billion              | 1<br>\$40.70 Million | 60<br>\$18.44 Billion   | 0<br>\$0                         | 0<br>\$0       |

(iv) Potential Material Conflicts of Interest

BlackRock, Inc. (individually and together with its affiliates, BlackRock) has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous clients in addition to the Fund, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Fund. In addition, BlackRock, its affiliates and significant shareholders and any officer,

director, stockholder or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Fund. BlackRock, or any of its affiliates or significant shareholders, or any officer, director, stockholder, employee or any member of their families may take different actions than those recommended to the Fund by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from

---



rendering any advice or services concerning securities of companies of which any of BlackRock's (or its affiliates' or significant shareholders') officers, directors or employees are directors or officers, or companies as to which BlackRock or any of its affiliates or significant shareholders or the officers, directors and employees of any of them has any substantial economic interest or possesses material non-public information. Each portfolio manager also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for a fund. In this connection, it should be noted that a portfolio manager may currently manage certain accounts that are subject to performance fees. In addition, a portfolio manager may assist in managing certain hedge funds and may be entitled to receive a portion of any incentive fees earned on such funds and a portion of such incentive fees may be voluntarily or involuntarily deferred. Additional portfolio managers may in the future manage other such accounts or funds and may be entitled to receive incentive fees.

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this end, BlackRock has adopted a policy that is intended to ensure that investment opportunities are allocated fairly and equitably among client accounts over time. This policy also seeks to achieve reasonable efficiency in client transactions and provide BlackRock with sufficient flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base.

(a)(3) As of October 31, 2010:

#### **Portfolio Manager Compensation Overview**

BlackRock's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a performance-based discretionary bonus, participation in various benefits programs and one or more of the incentive compensation programs established by BlackRock such as its Long-Term Retention and Incentive Plan.

**Base compensation.** Generally, portfolio managers receive base compensation based on their seniority and/or their position with the firm. Senior portfolio managers who perform additional management functions within the portfolio management group or within BlackRock may receive additional compensation for serving in these other capacities.

#### **Discretionary Incentive Compensation**

Discretionary incentive compensation is a function of several components: the performance of BlackRock, Inc., the performance of the portfolio manager's group within BlackRock, the investment performance, including risk-adjusted returns, of the firm's assets under management or supervision by that portfolio manager relative to predetermined benchmarks, and the individual's seniority, role within the portfolio management team, teamwork and contribution to the overall performance of these portfolios and BlackRock. In most cases, including for the portfolio managers of the Fund, these benchmarks are the

same as the benchmark or benchmarks against which the performance of the Fund or other accounts managed by the portfolio managers are measured. BlackRock's Chief Investment

---

Officers determine the benchmarks against which the performance of funds and other accounts managed by each portfolio manager is compared and the period of time over which performance is evaluated. With respect to the portfolio manager, such benchmarks include a combination of Lipper Income and Preferred Stock Closed-end Funds classification.

BlackRock's Chief Investment Officers make a subjective determination with respect to the portfolio manager's compensation based on the performance of the funds and other accounts managed by each portfolio manager relative to the various benchmarks noted above. Performance is measured on both a pre-tax and after-tax basis over various time periods including 1, 3, 5 and 10-year periods, as applicable.

**Distribution of Discretionary Incentive Compensation**

Discretionary incentive compensation is distributed to portfolio managers in a combination of cash and BlackRock, Inc. restricted stock units which vest ratably over a number of years. The BlackRock, Inc. restricted stock units, if properly vested, will be settled in BlackRock, Inc. common stock. Typically, the cash bonus, when combined with base salary, represents more than 60% of total compensation for the portfolio managers. Paying a portion of annual bonuses in stock puts compensation earned by a portfolio manager for a given year at risk based on BlackRock's ability to sustain and improve its performance over future periods.

*Long-Term Retention and Incentive Plan ( LTIP )* From time to time long-term incentive equity awards are granted to certain key employees to aid in retention, align their interests with long-term shareholder interests and motivate performance. Equity awards are generally granted in the form of BlackRock, Inc. restricted stock units that, once vested, settle in BlackRock, Inc. common stock. Mr. Burger has received awards under the LTIP.

*Deferred Compensation Program* A portion of the compensation paid to eligible BlackRock employees may be voluntarily deferred into an account that tracks the performance of certain of the firm's investment products. Each participant in the deferred compensation program is permitted to allocate his deferred amounts among the various investment options. Mr. Burger has participated in the deferred compensation program.

**Other compensation benefits.** In addition to base compensation and discretionary incentive compensation, portfolio managers may be eligible to receive or participate in one or more of the following:

*Incentive Savings Plans* BlackRock, Inc. has created a variety of incentive savings plans in which BlackRock employees are eligible to participate, including a 401(k) plan, the BlackRock Retirement Savings Plan (RSP), and the BlackRock Employee Stock Purchase Plan (ESPP). The employer contribution components of the RSP include a company match equal to 50% of the first 6% of eligible pay contributed to the plan capped at \$4,000 per year, and a company retirement contribution equal to 3-5% of eligible compensation. The RSP offers a range of investment options, including registered investment companies managed by the firm. BlackRock contributions follow the investment direction set by participants for their own contributions or, absent employee investment direction, are invested into a balanced portfolio. The ESPP allows for investment in BlackRock common stock at a 5% discount on the fair market value of the stock on the

purchase date. Annual participation in the ESPP is limited to the purchase of 1,000 shares or a dollar value of \$25,000. Each portfolio manager is eligible to participate in these plans.

---

(a)(4) *Beneficial Ownership of Securities* As of October 31, 2010.

**Portfolio Manager Dollar Range of Equity Securities  
of the Fund Beneficially Owned**

John Burger None

(b) Not Applicable

Item 9 Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers Not Applicable due to no such purchases during the period covered by this report.

Item 10 Submission of Matters to a Vote of Security Holders On September 17, 2010, the Board of Directors of the Fund amended and restated in its entirety the bylaws of the Fund (the "Amended and Restated Bylaws"). The Amended and Restated Bylaws were deemed effective as of September 17, 2010 and set forth, among other things, the processes and procedures that shareholders of the Fund must follow, and specifies additional information that shareholders of the Fund must provide, when proposing director nominations at any annual meeting or special meeting in lieu of an annual meeting or other business to be considered at an annual meeting or special meeting.

Item 11 Controls and Procedures

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

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

Item 12 Exhibits attached hereto

12(a)(1) Code of Ethics See Item 2

12(a)(2) Certifications Attached hereto

12(a)(3) Not Applicable

12(b) Certifications Attached hereto

---

Edgar Filing: BLACKROCK CREDIT ALLOCATION INCOME TRUST II - Form N-CSR

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

BlackRock Credit Allocation Income Trust II, Inc.

By: /s/ Anne F. Ackerley

Anne F. Ackerley

Chief Executive Officer (principal executive officer) of  
BlackRock Credit Allocation Income Trust II, Inc.

Date: January 5, 2011

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

By: /s/ Anne F. Ackerley

Anne F. Ackerley

Chief Executive Officer (principal executive officer) of  
BlackRock Credit Allocation Income Trust II, Inc.

Date: January 5, 2011

By: /s/ Neal J. Andrews

Neal J. Andrews

Chief Financial Officer (principal financial officer) of  
BlackRock Credit Allocation Income Trust II, Inc.

Date: January 5, 2011

---