

SHELLS SEAFOOD RESTAURANTS INC
Form 424B3
April 10, 2007

Prospectus Supplement
(To Prospectus dated October 7, 2005)

Filed Pursuant to Rule 424(b)(3) and 424(c)
Commission File No. 333-126487

27,772,411 Shares

Common Stock

This prospectus supplement supplements the prospectus dated October 7, 2005, which relates to the shares of our common stock that may be sold by the selling stockholders named therein.

This prospectus supplement should be read in connection with, and may not be delivered or utilized without, the prospectus dated October 7, 2005, and the prospectus supplements dated November 2, 2005, December 1, 2005, December 2, 2005, March 23, 2006, April 7, 2006, April 27, 2006, May 1, 2006, August 2, 2006, August 3, 2006, August 4, 2006, August 28, 2006, August 29, 2006 and August 30, 2006. This prospectus supplement is qualified by reference to the prospectus and the prospectus supplements, except to the extent that the information in this prospectus supplement updates or supersedes the information contained in the prospectus dated October 7, 2005, or the prospectus supplements dated November 2, 2005, December 1, 2005, December 2, 2005, March 23, 2006, April 7, 2006, April 27, 2006, May 1, 2006, August 2, 2006, August 3, 2006, August 4, 2006, August 28, 2006, August 29, 2006 and August 30, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is April 10, 2007

Explanatory Note

Attached to this prospectus supplement are the following documents filed by the Shells Seafood Restaurants, Inc. (the “Company”) pursuant to Sections 13 or 15(d) of the Securities Act of 1934, as amended:

- (i) the Company’s Current Report on Form 8K, dated September 28, 2006;
 - (ii) the Company’s Current Report on Form 8K, dated October 27, 2006;
 - (iii) the Company’s Current Report on Form 8K, dated October 30, 2006;
 - (iv) the Company’s Amended Quarterly Report on Form 10Q/A for the quarter ended October 2, 2005;
 - (v) the Company’s Quarterly Report on Form 10Q for the quarter ended October 1, 2006;
 - (vi) the Company’s Current Report on Form 8K, dated December 21, 2006;
 - (vii) the Company’s Current Report on Form 8K, dated December 20, 2006;
 - (viii) the Company’s Current Report on Form 8K, dated March 30, 2007; and
 - (ix) the Company’s Annual Report on Form 10K for the year ended December 31, 2006.
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) September 28, 2006

Shells Seafood Restaurants, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation)	0-28258 (Commission File Number)	65-0427966 (IRS Employer Identification No.)
16313 N. Dale Mabry Hwy, Suite 100, Tampa, FL (Address of Principal Executive Offices)		33618 (Zip Code)

Registrant's telephone number, including area code: (813) 961-0944

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On September 28, 2006, Colonial Bank (the “Bank”) agreed to renew the bank credit facility with Shells Seafood Restaurants, Inc. (the “Company”) in the principal amount of \$500,000. The credit facility is set to mature on October 28, 2006. The credit facility originated in December 2005 and the full amount was immediately drawn on to fund remodeling.

The renewal of the credit facility is filed with this Report as Exhibit 10.1 and is incorporated by reference into this Item 1.01. The preceding description of the terms of the renewal is qualified by reference to Exhibit 10.1 to this Report.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Item No.</u>	<u>Description</u>
10.1	Renewal letter on credit facility dated September 28, 2006

SIGNATURES

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

Date: October 4, 2006

SHELLS SEAFOOD RESTAURANTS, INC.

By: /s/ Warren R. Nelson

Name: Warren R. Nelson

Title: Vice President and Chief Financial Officer

Exhibit Index

<u>Item No.</u>	<u>Description</u>
10.1	Renewal letter on credit facility dated September 28, 2006

EXHIBIT 10.1

September 28, 2006

Mr. Warren R. Nelson
Shells Seafood Restaurants, Inc.
16313 N. Dale Mabry Hwy
Suite 100
Tampa, FL 33618

Re: Colonial Bank, NA (the "Bank")
Loan to Shells Seafood Restaurants, Inc. ("Shells")

Dear Mr. Nelson:

This letter will confirm that effective as of September 28, 2006, the Bank has agreed to renew Loan Number 8035494726 (the "Loan") and the repayment of the Promissory Note in the principal amount of \$500,000 (the "Note") issued thereunder from September 28, 2006 to October 28, 2006. The Bank acknowledges and agrees that no Event of Default has occurred under the Loan or the Note from the date it was entered into through the date of hereof. Except as set forth above, all of the terms and conditions of the Loan and the Note remain in full force and effect.

Please call me at 813-314-5285 with any questions.

Sincerely,

COLONIAL BANK, NA

By: /s/ David Ogburn
Name: J. David Ogburn
Title: Sr. Vice President

An Affiliate of The Colonial BancGroup, Inc.
400 North Tampa Street, Suite 2500, Tampa, Florida 33602
Telephone 813/223-3880
www.colonialbank.com
AN EQUAL OPPORTUNITY EMPLOYER

Item 1.01 Entry into a Material Definitive Agreement.

The information under Item 2.01 of this Current Report on Form 8-K is incorporated under this Item 1.01 as if set forth herein.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On October 27, 2006, Shells Seafood Restaurants, Inc. (the “Company”) completed a sale and leaseback transaction (the “Sale and Leaseback Transaction”) with FRI Fish LLC, pursuant to which the Company sold and simultaneously leased back the restaurant location at 725 East 3rd Avenue, New Smyrna Beach, Florida (the “New Smyrna Location”). In connection with the Sale and Leaseback Transaction, the Company entered into a Purchase and Sale Agreement, dated October 27, 2006, with FRI Fish LLC (the “Purchase and Sale Agreement”) pursuant to which it sold the New Smyrna Location to FRI Fish LLC for \$1.33 million. In addition, the Company entered into a Land and Building Lease, dated October 27, 2006, with FRI Fish LLC (the “Lease Agreement”) pursuant to which FRI Fish LLC agreed to lease the New Smyrna Location to the Company for a period of twenty years. FRI Fish LLC is affiliated with Drawbridge Global Funds, a beneficial owner of greater than 5% of the Company’s common stock. The consideration paid upon the consummation of the Sale and Leaseback Transaction was determined based on arms’ length negotiations between FRI Fish LLC and the Company. A copy of the Purchase and Sale Agreement and of the Lease Agreement are filed herewith as Exhibits 10.1 and 10.2, respectively.

Item 9.01 Financial Statements and Exhibits.

- (d) Exhibits.
- 10.1 Purchase and Sale Agreement, dated October 27, 2006, between the Company and FRI Fish, LLC.
 - 10.2 Land and Building Lease, dated October 27, 2006, between the Company and FRI Fish, LLC.

SIGNATURES

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

SHELLS SEAFOOD RESTAURANTS, INC.

Date: November 2, 2006

By: /s/ Warren R. Nelson

Name: Warren R. Nelson

Title: Vice President and Chief Financial Officer

Exhibit 10.1

PURCHASE AND SALE AGREEMENT
BY AND BETWEEN
SHELLS OF NEW SMYRNA BEACH, INC.
AS SELLER
AND
FRI FISH, LLC
AS BUYER

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (“**Agreement**”) is entered into as of October 27, 2006, by and between SHELLS OF NEW SMYRNA BEACH, INC. (“**Seller**”), and FRI FISH, LLC, a Delaware limited liability company (“**Buyer**”). Buyer and Seller are from time to time referred to herein individually as a “**Party**”, and collectively as the “**Parties**.”

RECITALS:

A. Seller owns one (1) Shells restaurant real property (the “**Property**”) more particularly described as follows:

I. All of the “**Real Property**” (“**Real Property**”), collectively described as follows: good and indefeasible title in fee simple to the land described on Schedule 1 attached hereto (collectively, the “**Land**”), together with all rights and interests appurtenant thereto, including, without limitation, Seller’s right, title, and interest in and to all (A) adjacent streets, alleys, rights-of-way and any adjacent strips or gores of real estate; (B) buildings, structures and other improvements located on the Land (the “**Improvements**”); (C) the leasehold interest for the parking area lease (“**Parking Area Lease**”) adjoining the Land; and (D) the fixtures located at or in the Land or Improvements, other than certain movable trade fixtures more particularly described in the Master Lease Agreement (as defined below); and

II. The following equipment located at any of the Real Property on the Closing Date (collectively, the “**Personal Property**”): walk-in coolers/refrigerator, freezers, HVAC equipment and hoods.

B. Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, the Property subject to the terms and conditions set forth in this Agreement.

C. Upon the consummation of the transactions contemplated herein, Seller desires to lease from Buyer, and Buyer desires to lease to Seller, the Property pursuant to certain Lease Agreement (as defined below). Any capitalized term used herein but not defined herein shall have the meaning set forth in the form Lease Agreement attached hereto as Exhibit A.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, Seller and Buyer agree as follows:

1. Conveyance of Property. On the terms and subject to the conditions set forth in this Agreement, at Closing (as hereinafter defined), Seller shall sell, convey and assign to Buyer, and Buyer shall buy and accept from Seller, the Property.

2. Purchase Price. Subject to the terms of this Agreement, the purchase price (the “**Purchase Price**”) for the Property shall be **\$1,333,333.34**, payable in cash by Buyer to Seller at Closing. The Purchase Price shall be paid to **Landamerica Title Company, Rambler Road, Suite 1200, Dallas, TX 75231, Attn: Nancy Shirar** (the “**Title Company**”) to be held in an escrow (the “**Escrow**”) at Title Company on behalf of the Parties and distributed by Title Company at Closing as designated by closing instructions agreed upon by Buyer, Seller and Title Company prior to the Closing Date.

3. Property Documents. Not more than five (5) business days following the date hereof, Seller shall deliver to Buyer, the documents set forth in subsections (a) through (n) of this Section 3 (collectively, the “**Property Documents**”), if available, or with respect to documents not in Seller’s possession and referenced as subsections (a), (b), and (c), has engaged directly third parties (including, without limitation, appraisers, environmental consultants, Title Company and surveyors), at Buyer’s request, in connection with the preparation of Property Documents. The scope of any such engagement with third parties shall be subject to Buyer’s prior written approval (not to be unreasonably withheld).

(a) Commitment for title insurance covering the fee estate in the Real Property and leasehold estate with respect to the Parking Area Lease (“**Title Commitment**”) from Title Company, setting forth the status of title to the Real Property, showing all matters of record affecting the Real Property, together with a true, complete and legible copy of all documents referred to in the Title Commitment;

(b) Current ALTA Land Title “As Built” Survey (“**Survey**”) for the Real Property, containing the certification set forth on Exhibit B, as the same may be required to be modified (subject to Buyer’s consent, which shall not be unreasonably withheld) to conform with requirements of particular jurisdictions and surveys;

(c) Phase I site assessment (to ASTM Guidelines) for the Real Property (the “**Site Assessments**”), dated no earlier than six (6) months prior to the Closing Date (as defined below); a reliance letter in favor of Buyer for the Site Assessment from the person or entity that prepared same; and all Phase II and other environmental assessment and remediation reports in the possession or control of Seller regarding the Real Property and a reliance letter in favor of Buyer from the person or entity that prepared same;

(d) Evidence of insurance covering the Property as required pursuant to the Lease Agreement;

(e) Use permit and any additional required governmental permits or licenses regarding the construction, occupancy and operation of the Property;

(f) Certificate of occupancy regarding the Real Property;

(g) Profit and loss statements and balance sheets (consolidated and consolidating) for Seller, and profit and loss statements regarding the Property, each covering the trailing twelve (12) month period, and for calendar years ending 2005, 2004 and 2003, and such other financial statements and information as Buyer reasonably shall have requested regarding Seller and the Property;

(h) Any engineering reports in Seller’s possession or control regarding the Real Properties, including without limitation a description of any deferred maintenance and repairs and an estimate of the cost thereof, and a reliance letter in favor of Buyer for each such report from the person or entity that prepared same;

- (i) UCC, litigation and tax lien searches from a commercially recognized search company regarding the Property and Seller;
- (j) Zoning permits and regulations (if available) and other evidence of proper zoning (e.g. zoning letters or zoning reports), as available; and if legal non-conforming uses exist, evidence that the improvements may be rebuilt to existing specifications following a casualty or condemnation;
- (k) Final “As Built” plans and specifications for the Real Property;
- (l) Any and all studies, data, reports, agreements, licenses, leases, environmental assessments, surveys, reports, documents, plans, maps, and permits in Seller’s possession or control concerning the Property (to the extent not already delivered to Buyer pursuant to subsections (a) - (k), above); and
- (m) Such other information regarding Seller or the Property that Buyer reasonably may have requested.

4. Right of Entry, Inspection.

(a) From and including the date hereof through and including the Closing Date, Seller shall afford Buyer and its representatives a continuing right to inspect the Property and the Property Documents and Seller hereby grants to Buyer and Buyer’s agents, employees and consultants a nonexclusive license to enter upon the Real Property for the purpose of allowing Buyer to conduct whatever soil and engineering tests, feasibility studies, surveys and other physical examinations of the Property Buyer deems appropriate, provided Buyer gives Seller prior notice of such intended entry. Buyer will not perform any invasive testing at any of the Property without Seller’s prior written consent, which shall not be unreasonably withheld. Buyer shall at all times use reasonable efforts not to unreasonably interfere with the conduct of Seller’s business at the Property. Buyer agrees to provide copies to Seller of all reports, tests, and studies received by Seller regarding the Real Property.

(b) In the event of any damage to the Property caused by Buyer, its agents, engineers, employees or contractors, Buyer shall pay the cost incurred by Seller to restore the Property to the condition existing prior to the performance of such tests, investigations or studies. Buyer shall protect, defend, indemnify and hold Seller harmless from any and all liability, claims, losses, costs and expenses (including, without limitation, reasonable attorneys’ fees and costs) suffered or incurred by Seller for injury to persons or property caused by Buyer’s investigations, studies, tests and inspections of the Property. However, Buyer shall have no liability for any liability, claims, losses, costs and expenses attributable to the acts or omissions of Seller or Seller’s agents, employees, invitees or licensees or resulting from latent defects or Hazardous Materials within, on, under or adjacent to the Property.

5. Title and Other Defects.

(a) Buyer shall have the right, at any time prior to the Closing Date (as defined in Section 7 hereof), to deliver written notice to Seller objecting to any material adverse matters reflected in the Survey or Title Commitment (any such writing, a “**Title Notice Letter**”). All matters set forth in Survey or Title Commitment to which Buyer delivers a Title Notice Letter, and all matters which are listed on the Title Commitment as requirements of Title Company to issue the applicable final title insurance policy (other than those requirements which relate to documents or other items to be provided by Buyer), are referred to herein as “**Disapproved Exceptions.**” All matters set forth in the Title Commitment or Survey which are not Disapproved Exceptions are referred to herein as “**Permitted Exceptions.**” Seller, at its sole cost and expense, may elect to cure (to Buyer’s satisfaction, in its sole discretion) or caused to be removed from the Title Commitment all Disapproved Exceptions on or before the Closing Date. If Seller does not cause all Disapproved Exceptions to be removed or cured (to Buyer’s satisfaction, in its sole discretion) from the Title Commitment on or before the Closing Date, Buyer may elect, in its sole discretion, to either (i) purchase the Property without a reduction in the Purchase Price, or (ii) terminate this Agreement.

(b) In addition Buyer's right to notify Seller of any Disapproved Exceptions (as described in subsection 5(a), above), Buyer shall have the right, at any time prior to the Closing Date, to deliver written notice to Seller objecting to any other material adverse matters regarding the Property, including without limitation regarding the physical condition, legal or zoning condition, location or sales volume of the Property. If Seller does not cause all such matters to be cured (to Buyer's satisfaction, in its reasonable discretion) on or before the Closing Date for the Property, then Buyer may elect, in its sole discretion, to either (i) purchase the Property without a reduction in the Purchase Price; or (ii) terminate this Agreement.

6. Representations, Warranties and Additional Covenants.

(a) Seller's Representations and Warranties. Seller hereby represents and warrants to Buyer that as of the date of this Agreement and as of the Closing:

(i) Qualification and Authority. Shells of New Smyrna Beach, Inc., is a Florida corporation duly organized, validly existing and in good standing under the laws of the state of Florida. Seller has the right, power, and authority to execute, deliver, and perform this Agreement. This Agreement, when executed and delivered by Seller and Buyer, shall constitute the valid and binding agreement of Seller, and shall be enforceable against Seller in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles. All requisite authorizations, consents, resolutions and actions on the part of Seller have been obtained, adopted or taken, as applicable, by Seller (and its affiliates as and if required) in connection with making and entering into this Agreement and the consummation of the purchase and sale provided for herein, and no consents or approvals are required from any party which is not a party to this Agreement in order to consummate such purchase and sale. Neither this Agreement nor the consummation of any of the transactions contemplated hereby violates or shall violate any provision of any agreement or document to which Seller is a party or to which Seller is bound.

(ii) Bankruptcy. Neither Seller nor any entity or person in Control of, having Control over, or under common Control with Seller, regardless of the number of tiers of ownership, is bankrupt under the Federal Bankruptcy Code, or has filed for protection or relief under any applicable bankruptcy or creditor protection statute or has been threatened by creditors with an involuntary application of any applicable bankruptcy or creditor protection statute. Seller is not entering into the transactions described in this Agreement with an intent to defraud any creditor or to prefer the rights of one creditor over any other. Seller and Buyer have negotiated this Agreement at arms-length and the consideration to be paid represents the fair market value for the assets to be transferred. As used in this Agreement, "**Control**" means ownership of voting securities sufficient to elect a majority of the board of directors of a corporation, or analogous ownership interests of non-corporate entities.

(iii) Parking Area Lease. The Parking Area Lease is in full force and effect, no rent or additional rent has been prepaid under the Parking Area Lease; there are no defaults under the Parking Area Lease, nor has any act or omission occurred that would be a default but for the giving of notice and/or the passage of time; the current term of the Parking Area Lease commenced on October 1, 1978 and is scheduled to expire on September 30, 2028; the Real Property is free of any right of possession or claim of right of possession of any party other than Seller pursuant to the Parking Area Lease, and to Seller's knowledge there are no leases or occupancy agreements currently affecting any portion of any of the Real Property other than the Parking Area Lease.

(iv) Compliance With Laws; Zoning. Except as set forth in Schedule 6(a)(iv), to Seller's knowledge, without inquiry, (A) the Property is in material compliance with all applicable zoning, subdivision and land use laws, regulations and ordinances, all applicable health, fire, and building codes, and all other laws applicable to the Property, including without limitation the Americans with Disabilities Act (but excluding Environmental Laws, which are discussed below); (B) there are no illegal activities relating to controlled substances on the Real Property, (C) all required permits, licenses and certificates for the lawful use and operation of the Property, including, but not limited to, certificates of occupancy, or the equivalent, have been obtained and are current and in full force and effect; (D) in the event that all or any part of the Improvements located on the Real Property are destroyed or damaged, said Improvements can be legally reconstructed to their condition prior to such damage or destruction, and thereafter exist for the same use without violating any zoning or other ordinances applicable thereto and without the necessity of obtaining any variances or special permits, other than customary demolition, building and other construction related permits; (E) the Real Property, together with the Parking Area Lease, contains enough permanent parking spaces (both regular spaces and handicap spaces) to satisfy all requirements imposed by applicable laws with respect to parking; (F) no legal proceedings are pending or, to the best knowledge of Seller, threatened with respect to the zoning of the Real Property; and (G) neither the zoning nor any other right to construct, use or operate the Real Property is in any way dependent upon or related to any real estate other than such Real Property.

(v) Property Condition; Defects. Except as set forth in Schedule 6(a)(v), to Seller's knowledge, without inquiry, (A) there is no latent or patent structural or other material defect or deficiency in the Property; (B) city water supply, storm and sanitary sewers, and electrical, gas and telephone facilities are available to the Real Property within the boundary lines of such Real Property, are sufficient to meet the reasonable needs of the Real Property as presently contemplated to be used, and no other utility facilities are necessary to meet the reasonable needs of the Real Property as presently contemplated; (C) no part of the Real Property is within a flood plain and none of the Improvements create encroachment over, across or upon the Real Property's boundary lines, rights of way or easements, and no building or other improvements on adjoining land create such an encroachment; (D) access to the Real Property for the current and contemplated uses thereof is provided by means of dedicated, all weather public roads and streets which are physically and legally open for use by the public, or by private easements which are insured parcels under the applicable Title Commitment or Title Policy; and (E) any liquid or solid waste disposal, septic or sewer system located at the Real Property is in good and safe condition and repair and in compliance with all applicable law.

(vi) Taxes. All federal, state and local tax returns and reports of Seller required to be filed have been timely filed, and all taxes, assessments, fees and other governmental charges (including any payments in lieu of taxes) upon Seller and upon its properties, assets, income and franchises which are due and payable have been paid when due and payable, except for those taxes which are being contested in good faith by appropriate proceedings and for which adequate reserves have been established. There is not presently pending (and to the best of Seller's knowledge, there is not contemplated) any special assessment against the Property or any part thereof. No tax liens have been filed and to the best knowledge of Seller, no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of Seller in respect of any taxes or other governmental charges are in accordance with generally accepted accounting principles, consistently applied.

(vii) Contractual Obligations. To Seller's knowledge, Seller is not in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions contained in any material contractual obligation of Seller beyond any applicable notice and cure period, and no condition exists that, with the giving of notice or the lapse of time or both, would constitute such a default.

(viii) Disclosure. No financial statements or any other document, certificate or written statement furnished to Buyer by Seller and, to the best knowledge of Seller, no document or statement furnished by any third party on behalf of Seller, for use in connection with this Agreement or the transactions contemplated herein contains any untrue representation, warranty or statement of a material fact, and none omits or will omit to state a material fact necessary in order to make the statements contained herein or therein not misleading. There is no material fact known to Seller that has had or will have a Material Adverse Effect and that has not been disclosed in writing to Buyer and Seller. As used herein, "Material Adverse Effect" means (A) a material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of Seller with respect to such party taken as a whole, or (B) the material impairment of the ability of Seller to perform its material obligations under any of the Transaction Documents (as defined in Section 7, below) or (C) the material impairment of Buyer's rights or remedies under any of the Transaction Documents. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event does not of itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then occurring events and existing conditions would result in a Material Adverse Effect.

(ix) Suits, Judgments and Liens. Except as expressly set forth on Schedule 6(a)(ix), (A) there are no lawsuits, claims, suits, or legal, administrative or other proceedings or investigations pending or, to the best of Seller's knowledge, after due and diligent inquiry, threatened against or affecting Seller or the Property (including, without limitation eminent domain or condemnation proceedings), nor to the best of Seller's knowledge after due and diligent inquiry, is there any basis for any of the same, and there are no lawsuits, suits or legal, administrative or other proceedings pending in which Seller is the plaintiff or claimant and which relate to the Property; and (B) there is no action, suit or legal, administrative or other proceeding pending or, to the best of Seller's knowledge, after due and diligent inquiry, threatened which questions the legality or propriety of the transactions contemplated by the Transaction Documents.

(x) Environmental Laws; Hazardous Materials. Except as set forth in Schedule 6(a)(x), to Seller's knowledge, without inquiry, (A) the Property is not in violation or is currently under investigation for any violation, of any Environmental Laws; (B) the Property has not been subject to an unlawful deposit or a deposit that required investigation or remediation beyond immediate remediation of de minimis spills of any Hazardous Materials; (C) except in compliance with Environmental Laws, neither Seller nor any third party has used, generated, manufactured, stored or disposed in, at, on, under or about the Property or transported to or from the Property any Hazardous Materials; (D) there has been no release, discharge or migration of any Hazardous Materials from, into, on, under or about the Property in violation of Environmental Laws; (E) there is no fact, condition or circumstance governed by Environmental Laws that would materially impair, limit or restrict the use of the Property for its current intended business purpose or its intended use as described in the Lease Agreement; and (F) there is no amount of any mold at the Property that would materially impair, limit or restrict the use of any Property for its current intended business purpose or its intended use as described in the Lease Agreement.

(b) Buyer's Representations and Warranties - Qualification and Authority. Buyer hereby represents and warrants to Seller that as of the date of this Agreement and as of the Closing, Buyer is a Delaware limited liability company duly organized, validly existing and in good standing under the laws of all of the states where the Real Properties are located. Buyer has the right, power, and authority to execute, deliver, and perform this Agreement. This Agreement, when executed and delivered by Buyer and Seller, shall constitute the valid and binding agreement of Buyer, and shall be enforceable against Buyer in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles. All requisite authorizations, consents, resolutions and actions on the part of Buyer, have been obtained, adopted or taken, as applicable, by Buyer (and its affiliates, as and if required) in connection with making and entering into this Agreement and the consummation of the purchase and sale provided for herein, and no consents or approvals are required from any party which is not a party to this Agreement in order to consummate such purchase and sale. Neither this Agreement nor the consummation of any of the transactions contemplated hereby violates or shall violate any provision of any agreement or document to which Buyer is a party or to which Buyer is bound.

(c) Additional Covenants of Seller Prior to Closing. Seller shall prior to Closing and in addition to the covenants set forth elsewhere in this Agreement:

(i) Maintain insurance coverage for the Improvements, insuring against all risks of physical loss or damage, subject to standard exclusions, in an amount equal to the actual replacement cost of such Improvements;

(ii) Not permit any encumbrance, charge or lien to be created upon the Property after the date of this Agreement unless such encumbrance, charge or lien has been approved in writing by Buyer, or caused by Buyer or its agents, or unless such monetary encumbrance, charge or lien will be removed by Seller prior to the Closing;

(iii) Not execute or amend any lease after the date of this Agreement without the prior written consent of Buyer, which consent may be withheld in Buyer's sole and absolute discretion;

(iv) Intentionally omitted;

(v) Maintain the Property in the manner in which the Property is currently maintained and if currently being renovated, complete such renovations in the ordinary course of business;

(vi) Promptly notify Buyer in writing if any of the representations and warranties of Seller set forth in this Agreement are no longer materially true and correct;

(vii) Not sell, convey, assign, transfer, encumber or otherwise dispose of the Property, and shall not, without the prior written consent of Buyer, make any material modifications or alterations to the Property after the date of this Agreement;

(viii) Comply, in all material respects, and shall cause all persons using or occupying the Property or any part thereof to comply, in all material respects, with all Environmental Laws applicable to the Property, or the use or occupancy thereof, or any operations or activities therein or thereon;

(ix) Comply, in all material respects, fully with all permits, licenses and approvals required by all applicable Environmental Laws for the use and occupancy of, and all operations and activities in, the Property, and keep all such permits, licenses and approvals in full force and effect until Closing; and

(x) Immediately after receiving notice that any violation of any Environmental Laws may have occurred at or about the Property, deliver written notice thereof to Buyer with a reasonably detailed description of the event, occurrence or condition in question.

Buyer and Seller acknowledge and agree that none of the foregoing covenants shall survive either termination of this Agreement or Closing, nor shall the foregoing covenants limit any obligations of Seller under the Lease Agreement after Closing.

7. Closing. As used herein, “**Closing**” shall be deemed to have occurred when the Deed has been delivered by Seller to Buyer for recordation in the Official Records of the County where the Real Property is located, title to the Property is conveyed to Buyer, and possession of the Properties is delivered to Buyer, all in accordance with the terms of this Agreement. Closing shall occur on or before October 31, 2006 (“**Closing Date**”). On or before the Closing Date:

(a) Buyer shall deliver or cause to be delivered to Seller through Escrow all of the following:

(i) The Purchase Price in accordance with Section 2.

(ii) Four (4) counterpart originals of a Lease Agreement in the form attached hereto as Exhibit A (the “**Lease Agreement**”), each duly executed by Buyer.

(iii) Four (4) counterpart originals of the Collateral Assignment of Licenses, Permits, Plans, Contracts and Warranties in the form attached hereto as Exhibit D (collectively, the “**License Assignment**”), each duly executed by Buyer.

(iv) If applicable, four (4) originals of the Subordination, Non-Disturbance and Attornment Agreement (Lease Agreement) in the form attached hereto as Exhibit F for the Lease Agreement (collectively, the “**Lease Subordination Agreements**”), duly executed by Buyer, and duly notarized.

(v) Four counterpart originals of the Assignment and Assumption Agreement for the Parking Area Lease (“Assignment of Lease”) in the form attached hereto as Exhibit E, duly executed by Seller, Buyer and the lessor with respect to the Parking Area Lease;

(b) Seller shall deliver or cause to be delivered to Buyer through Escrow all of the following:

(i) Special Warranty Deed in the form of Exhibit H, or a substantially equivalent form complying with state-specific recording requirements (each, a “**Deed**”; collectively, the “**Deeds**”), conveying to Buyer the Real Property subject only to the Permitted Exceptions, duly executed by Seller and properly notarized and acknowledged;

(ii) Four (4) originals of the Bill of Sale conveying the Personal Property to Buyer, in the form of Exhibit I, (the “**Bill of Sale**”), each duly executed by Seller;

(iii) Internal Revenue Code Section 1445 Certification in the form of Exhibit J, and any state-specific withholding certificates reasonably required by Buyer, each duly executed by Seller;

- (iv) Four (4) counterpart originals of the Lease Agreement, duly executed by Seller.
- (v) Four (4) counterpart originals of each of the License Assignments, each duly executed by Seller.
- (vi) An ALTA Extended Coverage Owner's Policy of Title Insurance and an ALTA Extended Coverage Lender's Policy of Title Insurance (insuring Buyer's lender's mortgage) for the Property, in the form of the Title Commitment for such Property previously approved by Buyer hereunder, subject only to the Permitted Exceptions and in an amount equal to the purchase price of the Property, with such endorsements as Buyer shall reasonably require, including, but not limited to, survey, access and zoning, and without exception for creditors' rights (collectively, the "**Title Policies**").
- (vii) Evidence reasonably satisfactory to Buyer and Title Company that Buyer is fully authorized to have entered into this Agreement, and to consummate the transactions contemplated herein, including without limitation selling the Property to Buyer pursuant to the terms of this Agreement, and entering into the Lease Agreement.
- (viii) The amount of all fees and expenses of Buyer that Seller is obligated to pay pursuant to subsection 8(b), to the extent not previously paid.
- (ix) If applicable, four (4) originals of each of the Lease Subordination Agreements, duly executed by Seller, and duly notarized.
- (xi) An executed Estoppel Certificate in the form of Exhibit I with respect to the Parking Area Lease.
- (x) Four (4) counterpart originals of the Assignment of Lease.
- (c) Seller shall deliver to Buyer possession of the Property subject to the Lease Agreement.

As used in this Agreement, "**Transaction Documents**" means, collectively, this Agreement, the Lease Agreement, the Assignment of Lease, the License Assignment, the Deed, the Bill of Sale and the Lease Subordination Agreements.

8. Prorations; Fees and Costs.

- (a) No proration shall be made of real estate and personal property taxes, utility charges and maintenance expenses with respect to the Property (the Parties acknowledging that Seller shall be responsible for all such charges, taxes and expenses under the Lease Agreement). Rental payments under the Lease Agreement shall be prorated as of the Closing Date such that Seller shall prepay a prorated portion of the rent applicable to the month in which the Closing occurs, as contemplated by the Lease Agreement.
-

(b) Seller shall pay (i) all closing fees and expenses, including without limitation all escrow fees, recording costs (including, without limitation mortgage recording costs) and applicable deed stamp taxes, mortgage taxes, and transfer taxes for the Property (including, without limitation, all Personal Property relating thereto); (ii) all fees and expenses associated with the preparation of all Property Documents, including without limitation Title Commitment and Site Assessment; and (iii) all premiums for the Title Policy, all mortgagee title policies, and all final Surveys.

9. Conditions to Closing.

(a) Conditions to Buyer's Obligations. The Closing and Buyer's obligation to purchase the Property is subject to the satisfaction of the following conditions or Buyer's written waiver of such conditions on or before the Closing Date. Buyer may waive in writing any or all of such conditions in its sole and absolute discretion.

(i) Seller shall have performed all obligations to be performed by Seller prior to Closing under this Agreement.

(ii) Seller's representations and warranties set forth in subsection 6(a) of this Agreement shall be true and correct in all material respects as of the Closing.

(iii) Title Company shall be committed to issue to Buyer, as of the Closing Date, the Title Policy.

(iv) Intentionally omitted.

(v) Without limiting anything contained in clause 9(a)(ii), no order, stay, injunction or restraining order, pending or threatened litigation, law or regulation, or any other condition shall exist that in the reasonable determination of Buyer could have a Material Adverse Effect.

(b) Conditions to Seller's Obligations. The Closing and Seller's obligation to consummate the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions or Seller's written waiver of such conditions on or before the Closing Date. Seller may waive in writing any or all of such conditions in its sole and absolute discretion:

(i) Buyer shall have performed all obligations to be performed by Buyer prior to Closing under this Agreement.

(ii) Buyer's representations and warranties and covenants set forth in subsection 6(b) of this Agreement shall be true and correct in all material respects as of the Closing.

10. Notices. Any notice provided or permitted to be given under this Agreement must be in writing and may be served by depositing same in the United States mail, addressed to the Party to be notified, postage prepaid and certified, with return receipt requested, by delivering the same in person to such Party (including express or courier service), or by delivering the same by confirmed facsimile. Notice given in accordance herewith shall be effective upon the earlier of (a) receipt at the address of the addressee, (b) the second day following deposit of same in the United States mail as provided for herein, regardless of whether same is actually received, or (c) the second attempt at delivery, as evidenced by the regular records of the person or entity attempting delivery, regardless of whether the same is actually received. For purposes of notice, the addresses of the Parties shall be as follows:

If to Seller:

**16313 North Dale Mabry Hwy, Ste 100
Tampa, Florida 33618
Attn: Mr. Warren Nelson**

With a copy to:

Fowler White Boggs Banker, P.A.
501 East Kennedy Boulevard, Ste 1700
Tampa, Florida 33602
Attn: Jeffrey C. Shannon, Esq.

If to Buyer:

**Fortress Realty Management, LLC
5221 N O'Connor, Suite 700
Irving Texas 75039**

Attn: David Pettijohn
Telephone: 972-532-4340
Facsimile: 972-532-4343

and a copy to:

Richard Wilensky, Esq.
3109 Carlisle, Suite 100
Dallas, Texas 75204
Telephone: 214-220-2130
Facsimile: 214-220-2131

Either Party may change its address for notice by giving written notice thereof to the other Party in accordance with the provisions of this Section 10.

11. Commissions. Seller and Buyer each (a) represent to the other Party that such representing Party has dealt with no broker or brokers in connection with the negotiation, execution and delivery of this Agreement or the sale of the Property contemplated herein, and (b) hereby indemnifies, defends, protects (with counsel selected by the other Party) and holds such other Party wholly free and harmless of, from and against any and all claims or demands for any and all brokerage commissions and/or finder's fees due or alleged to be due as a result of any agreement or purported agreement made by such indemnifying Party.

12. Assigns. This Agreement shall inure to the benefit of and be binding on the Parties hereto and their respective heirs, legal representatives, successors and assigns. This Agreement may not be assigned by Seller without the prior written consent of Buyer, which Buyer may withhold in its sole and absolute discretion. This Agreement may be assigned by Buyer without the consent of Seller provided that Buyer delivers to Seller written notice of such assignment. Notwithstanding the foregoing, upon any assignment of this Agreement by Buyer, Buyer shall not be relieved of liability for the performance of any obligation of Buyer contained in this Agreement unless and until Buyer's assignee shall have assumed in writing all of the duties and obligations of Buyer hereunder.

13. Destruction, Damage or Taking Before Closing.

(a) In the event of damage to or destruction of all or any portion of the Property by fire or other casualty, Seller shall promptly deliver to Buyer written notice thereof, which notice shall contain reasonable detail regarding such damage or destruction, including without limitation Seller's reasonable estimate of the amount required to be expended to repair or restore the damaged or destroyed Property or portion thereof. If Seller does not cause all damaged or destroyed Property to be repaired or replaced (to Buyer's satisfaction, in its sole discretion) on or before the Closing Date, then Buyer may elect, in its sole discretion, to either (i) purchase the Property subject to such damage or destruction without a reduction in the Purchase Price but with an assignment of available insurance proceeds, or; (ii) terminate this Agreement.

(b) In the event of an eminent domain taking or the issuance of a notice of an eminent domain taking with respect to all or any portion of any Property, Seller shall promptly deliver to Buyer written notice thereof, which notice shall contain reasonable detail regarding such taking (the "**Taking Notice**"). Within ten (10) business days after Buyer's receipt of the Taking Notice, Buyer may elect, in its sole discretion, to either (i) purchase the Property subject to such taking without a reduction in the Purchase Price, but with an assignment of all condemnation awards and proceeds, or; (ii) terminate this Agreement.

14. Termination; Remedies; Seller Indemnity.

(a) Without limiting anything contained in subsection 8(c), if the Closing does not occur by reason of Seller's default hereunder that is not cured within ten (10) days after Seller first has knowledge of such default, then Buyer shall be entitled to pursue its right to specifically enforce this Agreement and to record a notice of pendency of action against the Property.

(b) Without limiting anything contained in subsection 8(c), if the Closing does not occur by reason of Buyer's default hereunder that is not cured within ten (10) days after Buyer first has knowledge of such default, then Seller shall have the right as its sole and exclusive remedy to terminate this Agreement by notifying Buyer in writing thereof, in which case Buyer shall pay Seller **\$50,000.00** as liquidated damages.

(c) In addition to any and all other obligations of Seller under this Agreement (including without limitation under any indemnity or similar provision set forth herein), and except as otherwise specifically provided in this Agreement (including, without limitation, in subsection 14(b) hereof), Seller hereby fully and forever releases, discharges, acquits, indemnifies, protects, and agrees to defend (with counsel selected by Seller and approved by Buyer, such approval not to be unreasonably withheld) and hold Buyer, Buyer's members, partners, trustees, ancillary trustees, officers, directors, shareholders, beneficiaries, agents, employees, independent contractors and any person or entity in Control of, having Control over, or under common Control with Buyer, regardless of the number of tiers of ownership (collectively, "**Buyer's Affiliates**"), and lenders to Buyer and to all Buyer's Affiliates, wholly free and harmless of, from and against any and all claims, demands, actions, causes of action, settlements, obligations, duties, indebtedness, debts, controversies, losses, remedies, choses in action, liabilities, costs, penalties, fines, damages, injury, judgments, forfeiture, losses (including without limitation diminution in the value of the Properties) or expenses (including without limitation attorneys' fees, consultant fees, testing and investigation fees, expert fees and court costs), whether known or unknown, whether liquidated or unliquidated (collectively, "**Claims**"), arising out of this Agreement or any of the other Transaction Documents, or any of the transactions contemplated herein or therein; provided, however, that the foregoing indemnity shall not be applicable to the extent, and only to the extent, any such Claims are directly attributable to the gross negligence or willful misconduct of Buyer, as determined by a final nonappealable judgment by a court of competent jurisdiction.

15. Disclosure.

(a) Buyer and Seller shall keep information regarding terms of this Agreement confidential, except that each Party may disclose the terms this Agreement (i) to its, and its affiliates', officers, directors, employees, accountants, agents, potential financing sources, legal counsel and such other third parties as reasonably necessary to effectuate the closing of the transaction contemplated herein, and (ii) as required by law, administrative agency or court order. Without limiting the foregoing, neither Party will announce or otherwise make public the terms of this transaction without the prior consent of the other Party, which consent shall not be unreasonably withheld.

(b) Notwithstanding anything to the contrary set forth herein, except as reasonably necessary to comply with applicable securities laws, any of Buyer and Seller, and each employee, representative or other agent of such Party, may disclose to any and all persons, without limitation of any kind, the Tax Treatment and Tax Structure of the transactions contemplated by this Agreement (collectively, the "**Transaction**") and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such Tax Treatment and Tax Structure. As used in this subsection, (i) "**Tax Treatment**" means, and is strictly limited to, the purported or claimed U.S. federal income tax treatment of the Transaction, and does not include, without limitation, any of the following, in each case to the extent not related to the purported or claimed U.S. federal income tax treatment of the Transaction: information relating to the identity of any Party to the Transaction or any of such party's employees, representatives, or other agents; the existence and status of negotiations between the Parties; and financial, business, legal or other information regarding a Party (or any of its employees, representatives or other agents); and (ii) "**Tax Structure**" means, and is strictly limited to, any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the Transaction, and does not include, without limitation, any of the following, in each case to the extent not related to any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the Transaction: information relating to the identity of any Party to the Transaction or any of such Party's employees, representatives, or other agents; the existence and status of negotiations between the Parties; and financial, business, legal or other information regarding a Party (or any of its employees, representatives or other agents). The authorization of tax disclosure set forth in this subsection is retroactively effective to the commencement of the first discussions between the parties regarding the Transaction. The foregoing provisions are meant to be interpreted so as to prevent the Transaction from being treated as offered under "conditions of confidentiality" within the meaning of the Internal Revenue Code and the Treasury Regulations thereunder.

16. Further Assurances. Both Seller and Buyer shall cooperate with one another and in a timely manner execute any and all additional documents, papers and other assurances, and shall do any and all acts reasonably necessary to give effect to the purchase and sale provided for herein.

17. Severability. If any provision of this Agreement is adjudicated by a court having jurisdiction over a dispute arising herefrom to be invalid or otherwise unenforceable for any reason, such invalidity or unenforceability shall not affect the other provisions hereof and such remaining provisions shall continue in force and effect to the full extent permitted by law.

18. Applicable Law; Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles, and except in any action to specifically enforce performance of this Agreement, in which event the law of the state of the Real Property with respect to which such specific performance is requested shall govern.

(b) SELLER HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF NEW YORK, STATE OF NEW YORK OR WITHIN THE COUNTY AND STATE IN WHICH ANY PROPERTIES IS LOCATED AND IRREVOCABLY AGREES THAT, SUBJECT TO BUYER'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE LITIGATED IN SUCH COURTS. SELLER ACCEPTS FOR ITSELF AND IN CONNECTION WITH THE PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT.

(c) EACH OF BUYER AND SELLER, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS AGREEMENT. SELLER ACKNOWLEDGES THAT THE PROVISIONS OF THIS SUBSECTION ARE A MATERIAL INDUCEMENT TO BUYER'S ENTERING INTO THE AGREEMENT.

19. Whole Agreement; Modification. Except as provided below, this Agreement is the entire agreement between Seller and Buyer concerning the sale of the Property and no modification hereof or subsequent agreement relative to the subject matter hereof shall be binding on either Party unless reduced to writing and signed by the Party to be bound. All Exhibits and Schedules attached hereto are incorporated herein by this reference for all purposes.

20. Survival. The provisions of Sections 4, 6 (other than subsection 6(c)), 8, 11, 12 and 14 through 27 (inclusive), and subsection 7(b), shall survive Closing and any termination of this Agreement for a period of six (6) months.

21. Time of the Essence. Time is of the essence in the performance of each and every provision of this Agreement. In the event that the last day for taking any action or serving notice under this Agreement falls on a Saturday, Sunday or legal holiday, the time period shall be extended until the following business day.

22. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same instrument. A facsimile or photocopy signature on this Agreement or any notice delivered hereunder shall have the same legal effect as an original signature.

23. Attorneys' Fees. If any action or proceeding is instituted to enforce or interpret any provision of this Agreement, the prevailing Party shall be entitled to recover its attorneys' fees and costs from the losing Party.

24. No Waiver. The waiver by one Party of the performance of any covenant, condition or promise, or of the time for performing any act, under this Agreement shall not invalidate this Agreement nor shall it be considered a waiver by such Party of any other covenant, condition or promise, or of the time for performing any other act required, under this Agreement. The exercise of any remedy for which this Agreement provides shall not be a waiver of any remedy provided by law, and the provisions of this Agreement for any remedy shall not exclude any other remedies unless they are expressly excluded.

25. Date of Agreement. All references in this Agreement to "the date hereof" or similar references shall be deemed to refer to the first date set forth above.

26. Transaction Characterization. The Parties intend that the conveyance of the Properties to Buyer be an absolute conveyance in effect as well as form, and the instruments to be delivered at Closing (including, without limitation, the Lease Agreement and the other Transaction Documents) are not intended to serve or operate as a mortgage, equitable mortgage, deed of trust, security agreement or financing or trust arrangement of any kind. After the execution and delivery of the Deed, Seller will have no legal or equitable interest or any other claim or interest in the Property other than as set forth in the Transaction Documents. Furthermore, the Parties intend for the Lease Agreement to be a true lease and not a transaction creating a financing lease, capital lease, equitable mortgage, mortgage, deed of trust, security interest or other financing arrangement, and the economic realities of the Lease Agreement are those of a true lease. Notwithstanding the existence of the Lease Agreement, neither Party shall contest the validity, enforceability or characterization of the sale and purchase of the Property by Buyer pursuant to this Agreement as an absolute conveyance, and both Parties shall support the intent expressed herein that the purchase of the Property by Buyer provides for an absolute conveyance and does not create a joint venture, partnership, equitable mortgage, trust, financing device or arrangement, security interest or the like, if and to the extent that any challenge occurs.

IN WITNESS WHEREOF, Buyer and Seller have executed this Agreement as of the date first set forth above.

BUYER:

FRI FISH, LLC
a Delaware limited liability company

By:

Name: _____

Title: _____

SELLER:

SHELLS OF NEW SMYRNA BEACH, INC.,
a Florida corporation

By:

Name: _____

Title: _____

Attachments:

- Schedule 1 - The Property
 - Schedule 6(a)(iii) Leases
 -
 - Schedule 6(a)(iv) Laws and Zoning
 -
 - Schedule 6(a)(v) Property Condition and Defects
 -
 - Schedule 6(a)(ix) Suits and Judgments
 -
 - Schedule 6(a)(x) Environmental Laws; Hazardous Materials
 -

 - Exhibit A - Form of Master Lease Agreement
 - Exhibit B - Form of Survey Certification
 - Exhibit C - Intentionally Deleted
 - Exhibit D - Form of Assignment of License
 - Exhibit E - Form of Assignment of Lease
 - Exhibit F - Form of Special Warranty Deed
 - Exhibit G - Form of Bill of Sale
 - Exhibit H - IRC Section 1445 Certification
 - Exhibit I - Form of Estoppel Certificate
-

SCHEDULE 1

THE PROPERTY

725 E. 3rd Ave., New Smyrna Beach, FL 32169

SCHEDULE 6(a)(iii)

LEASES AND SUBLEASES

SCHEDULE 6(a)(iv)

LAWS AND ZONING

SCHEDULE 6(a)(v)

PROPERTY CONDITION AND DEFECTS

SCHEDULE 6(a)(ix)

SUITS AND JUDGMENTS

SCHEDULE 6(a)(x)

ENVIRONMENTAL LAWS; HAZARDOUS MATERIALS

EXHIBIT A

FORM OF LEASE AGREEMENT

EXHIBIT B

FORM OF SURVEY CERTIFICATION

SURVEYOR’S CERTIFICATION

TO: FORTRESS REALTY INVESTMENTS, LLC; and Landamerica Title Company.

The undersigned certifies: that (s)he is a duly registered land surveyor of the state of _____; that this survey (the “Survey”) was made on the date shown below of the property (the “Property”) specifically described in _____ Title Insurance Company [Preliminary Title Report] [Title Commitment] No. _____ dated _____ (the [“Report”] [“Commitment”]); that the Survey was actually made upon the ground and was made (i) in accordance with “Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys,” adopted by the ALTA, ACSM and NSPS in 1999, and includes Items 1, 2, 3, 4, 6, 7(a), 7(b)(1), 7(c), 8, 9, 10, 11(a), 13, 14, 15 and 16 of Table A thereof, and (ii) pursuant to the Accuracy Standards in effect on the date of this certification, the Positional Uncertainties resulting from the survey measurements made on the Survey do not exceed the allowable Positional Tolerance. The undersigned also certifies that (a) the Survey and the information, courses and distances shown thereon are correct; (b) the Property description in the [Report] [Commitment], the land delineated on the Survey, and the title lines and lines of actual possession are the same; (c) the size, location, and type of buildings, structures, and other improvements are shown on this Survey and all are within the boundary lines of the Property; (d) all set back lines and the distance between the buildings and the Property lines are accurately shown thereon; (e) the zoning classification and the data shown in the Zoning Information table hereon was obtained by the undersigned from the source(s) indicated in the table and, except as identified hereon, there are no violations of zoning ordinances or restrictions with reference to the location of all improvements situated on the Property; (f) except as delineated on the Survey, there are no easements, encroachments, uses, restrictions, or rights of way (visible, recorded, existing and proposed, including those that may be shown on recorded maps referred to, or of which the undersigned has been made aware of or are indicated in the [Report] [Commitment]); (g) the easements shown on the Survey are clearly delineated and identified with recording information; (h) any encroachments shown on the Survey have been measured and are shown thereon; (i) the names of all adjacent property owners are shown on the Survey; (j) all utility services required for the operation of the Property and the buildings, structures, and improvements located thereon, either enter the Property through adjoining public streets, or this Survey shows the point of entry and location of any utilities which pass through or are located on adjoining private land; (k) this Survey shows the location and direction of all storm drainage systems; (l) any discharge into streams, rivers, or other conveyance system is shown on this Survey; (m) the Property does not lie within any flood hazard areas in accordance with the document entitled “Department of Housing and Urban Development, Federal Insurance Administration - Special Flood Hazard Area Maps”; (n) all curb cuts are shown on the Survey; (o) except as shown on this Survey, all roads, streets, and highways shown thereon are completed and dedicated and accepted public ways, based upon information obtained from [insert map/document or other source, etc.]; and (p) the Property has access to a dedicated public street.

[Name]
Registration No. _____
Within the state of _____
Date of Survey _____
Date of Last Revision _____

[Date]

EXHIBIT C

INTENTIONALLY DELETED

EXHIBIT D

FORM OF COLLATERAL ASSIGNMENT OF LICENSES, PERMITS, PLANS, CONTRACTS AND WARRANTIES

THIS COLLATERAL ASSIGNMENT OF LICENSES, PERMITS, PLANS, CONTRACTS AND WARRANTIES (this "**Assignment**") is made and entered into as of the ____ day of October, 2006, by SHELLS OF NEW SMYRNA BEACH, INC. ("**Assignor**"), in favor of FRI FISH, LLC ("**Assignee**");

WITNESSETH:

WHEREAS, Assignor has this day conveyed to Assignee certain real property situate in Polk County, Florida, more particularly described on Exhibit A attached hereto and made a part hereof, together with all improvements thereon (the "**Real Property**"); and

WHEREAS, Assignee, as landlord, has this day leased the Real Property to Assignor, as tenant, pursuant to a certain Land and Building Lease Agreement (the "**Lease**"), dated as of the date hereof; and

WHEREAS, in conjunction with the conveyance and lease of the Real Property, Assignor has agreed to assign all of its right, title and interest in and to certain licenses, permits, plans, contracts and warranties relating to the design, development, construction, ownership, operation, management and use of the Real Property as collateral security for the performance by Assignor of its obligations as tenant under the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. Assignment of Licenses, Permits, Plans, Contracts and Warranties. Assignor does, to the extent permitted by law, hereby transfer, assign and set over to Assignee to the extent assignable all of Assignor's right, title and interest in and to (i) all general intangibles relating to the design, development, construction, ownership, operation, management and use of the Real Property, (ii) all certificates of occupancy, zoning variances, licenses, building, use or other permits, approvals, authorizations and consents obtained from and all materials prepared for filing or filed with any governmental agency in connection with the design, development, construction, ownership, operation, management and use of the Real Property, (iii) all architectural drawings, plans, specifications, soil tests, feasibility studies, appraisals, engineering reports and similar materials relating to the Real Property, and (iv) all contract rights (including without limitation rights to indemnification), payment and performance bonds or warranties or guaranties relating to the Real Property (the items described in this 1 being hereinafter referred to as the "**Licenses, Permits, Plans, Contracts and Warranties**"), which assignment shall not be deemed a present assignment but shall become effective only upon the occurrence and during the continuation of an Event of Default under the Lease.

2. Representations and Warranties of Assignor respecting Licenses, Permits, Plans, Contracts and Warranties. Assignor represents and warrants to Assignee that (i) the Licenses, Permits, Plans, Contracts and Warranties are in full force and effect, (ii) Assignor has duly and punctually performed or caused to be performed all and singular the terms, covenants and conditions of the Licenses, Permits, Plans, Contracts and Warranties to be performed by or on behalf of Assignor, (iii) Assignor has not received any notice of default, nor is Assignor aware of any default (or facts which, with the passage of time would result in a default) under any of the Licenses, Permits, Plans, Contracts and Warranties, (iv) Assignor has not received any notice of non-renewal or revocation of any of the Licenses, Permits, Plans, Contracts and Warranties and (v) Assignor has not sold, assigned, transferred, mortgaged or pledged its right, title and interest in any of the Licenses, Permits, Plans, Contracts and Warranties.

3. Further Assurances. Assignor covenants with Assignee that it will execute or procure any additional documents necessary to establish the rights of Assignee hereunder and shall, at the cost of Assignee, take such action as Assignee shall reasonably request to enforce any rights under any of the Licenses, Permits, Plans, Contracts and Warranties that are, by their terms, not assignable to Assignee.

4. Binding Effect. This Assignment shall be binding upon and inure to the benefit of Assignor, Assignee and their respective successors and assigns.

IN WITNESS WHEREOF, Assignor has executed this Assignment as of the date set forth above.

ATTEST:

SHELLS OF NEW SMYRNA BEACH, INC.

By:

By:

Name:

Name:

Its:

Its:

(CORPORATE SEAL)

EXHIBIT E

FORM OF ASSIGNMENT OF LEASE

EXHIBIT F

FORM OF SPECIAL WARRANTY DEED

_____ (“Grantor”) for and in consideration of the sum of Ten Dollars (\$10.00) cash and other good and valuable considerations to it in hand paid by _____ (“Grantee”), the receipt and sufficiency of which are hereby acknowledged and confessed, has GRANTED, BARGAINED, SOLD and CONVEYED, and by these presents does GRANT, BARGAIN, SELL and CONVEY unto Grantee the land described in Exhibit A attached hereto and made a part hereof for all purposes, together with all improvements thereon (“Property”), subject to all subsisting matters of record that affect the Property (“Permitted Exceptions”).

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging unto the said Grantee, its successors and assigns, forever, subject to the Permitted Exceptions; and Grantor does hereby bind itself, its successors and assigns, to WARRANT AND FOREVER DEFEND all and singular the said Property, subject to the Permitted Exceptions, unto the said Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through, or under Grantor, but not otherwise.

EXECUTED as of the _____ day of _____, 2006.

***,
a ***

By:

Name: _____

Title: _____

Grantee’s Mailing Address:

STATE OF }
 }
COUNTY }
OF }

This instrument was acknowledged before me on _____, 2006, by
_____, _____ of _____, a
_____, on behalf of said _____.

Notary Public, State of

Attachments:

Exhibit A - Property Description

EXHIBIT G

FORM OF BILL OF SALE

THAT SHELLS OF NEW SMYRNA BEACH, INC. (“Assignor”), for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration to Assignor in hand paid by FRI FISH, LLC (“Assignee”), the receipt and sufficiency of which are hereby acknowledged and confessed, has GRANTED, BARGAINED, SOLD, CONVEYED and DELIVERED, and by these presents does GRANT, BARGAIN, SELL, CONVEY and DELIVER unto the said Assignee all of Assignor’s interest in the walk-in coolers/refrigerator, HVAC equipment and hoods located at the Real Property described in Exhibit A attached hereto.

EXECUTED this ___ day of September, 2006.

ASSIGNOR:

SHELLS OF NEW SMYRNA BEACH, INC.

By: _____

Name: _____

Title: _____

EXHIBIT H

IRC SECTION 1445 CERTIFICATION

S U B J E C T That certain tract of land (“Land”), situated in Polk County, State of Florida, described by metes and bounds in Exhibit A attached hereto.

SELLER: SHELLS OF NEW SMYRNA BEACH, INC.

PURCHASER: FRI FISH, LLC

To inform Purchaser that the withholding of tax is not required upon the disposition of a U. S. real property interest by Seller, the undersigned hereby certifies the following:

1. Seller is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. Seller’s U.S. employer identification number is _____, and
3. Seller’s office address is 16313 North Dale Mabry Hwy, Ste. 100, Tampa, Florida.

Seller understands that this certification may be disclosed to the Internal Revenue Service by Purchaser and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury, I declare that I have examined this certification and to the best of my knowledge and belief, it is true, correct and complete, and I further declare that I have authority to sign this document.

[SIGNATURES ON FOLLOWING PAGE]

EXECUTED this _____ day of September, 2006.

SELLER:

SHELLS OF NEW SMYRNA BEACH, INC.

By:

Name: _____

Title: _____

EXHIBIT I

FORM OF ESTOPPEL CERTIFICATE

The undersigned, _____, whose address is _____ represents and certifies as follows:

1. The undersigned is (i) the current landlord (“Landlord”) under that certain lease (“Lease”) dated September 25, 1978 with Shells of New Smyrna Beach, Inc. as tenant, covering the property described therein (collectively the “Demised Property”).

2. The Lease constitutes the only agreement (either written or oral) the undersigned has with respect to the Demised Property and any right of occupancy or use thereof.

3. The Lease is in full force and effect and has not been assigned, subleased, supplemented, modified or amended except as follows:

First Amendment to Lease dated December 4, 1979;

Lease Modification Agreement dated September 12, 1989;

Assignment of Lessor’s Interest to National Life Insurance Co. dated July 24, 1984;

Assignment of Lessor’s Interest to Ralph and Rose Sutton dated October 30, 1987;

Assignment of Lessor’s Interest to Samuel R. Sutton and Robert Sutton, Co-Trustees, dated December 19, 1992;

Assignment of Lessee’s Interest to Chitwood Corporation dated December 5, 1979;

Assignment of Lessee’s Interest to Southeast Bank of New Smyrna dated 12/18/1979;

Assignment of Lessee’s Interest to James Saks dated November 26, 1989; and

Assignment of Lessee’s Interest to Shells of New Smyrna Beach, inc. dated May 1, 1999.

4. The undersigned presently owns the fee interest the Demised Property. Rent payable under the Lease is current and no amounts are past due or outstanding. No rent has been paid by Tenant in advance. No security deposit is being held by landlord.

5. The annual Fixed Rent is the sum of Ten Dollars (US\$10.00).

6. The present Lease term expires on September 30, 2028 and there are no options to renew.

7. There are no defaults under the Lease by Tenant or any events which with the passage of time or giving of notice or both will result in any such default. The undersigned does not presently have (nor with the passage of time or giving of notice or both will have) any offset, charge, lien or claim under the Lease.

8. The Tenant occupies and has accepted possession of the Demised Property covered by the Lease. All obligations of Landlord and Tenant under the Lease required to be performed to date, including any improvements to be constructed by Landlord (or its predecessors or successors) or the granting of any free rent, rent credit, offset, deductions, building allowance or rent reduction have been completed.

9. Landlord has no personal liability under the Lease (recourse against Landlord being limited to Landlord's interest in the Demised Property).

10. The undersigned is aware that third parties intend to rely upon this Certificate and the statements set forth herein and that the statements and facts set forth above shall be binding on the undersigned

11. The undersigned and the persons executing this Certificate on behalf of the undersigned have the power and authority to execute and deliver this Certificate.

“LANDLORD”

By:

Name: _____

Title: _____

Exhibit 10.2

LAND AND BUILDING LEASE

between

FRI FISH, LLC

as LANDLORD

and

SHELLS OF NEW SMYRNA BEACH, INC.

as TENANT

October 27, 2006

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Exhibit A	Location/Legal Description/Address of the Real Property
Exhibit B	Tenant's Personal Property List
Exhibit C	Tenant's Estoppel Certificate
Exhibit D	Memorandum of Lease
Exhibit E	Intentionally Deleted
Exhibit F	Subordination, Nondisturbance and Attornment Agreement
Exhibit G	Intentionally Deleted
Exhibit H	Intentionally Deleted

LAND AND BUILDING LEASE

THIS LAND AND BUILDING LEASE (the "Lease") is made and entered into as of October 27, 2006 (the "Effective Date"), between **FRI FISH, LLC** ("Landlord") and **SHELLS OF NEW SMYRNA BEACH, INC.** ("Tenant").

RECITALS

A. Landlord is the owner of the tract of real property (the "Real Property"), and lessee of an adjacent parking lot parcel ("Leased Property") (the Real Property and Leased Property are collectively referred to as the "Property"). The Property is more particularly described in Exhibit A attached hereto.

B. Tenant desires to lease from Landlord the Property so that Tenant may, in accordance with and subject to the terms, conditions, and restrictions of the Lease, operate a Shells family dining restaurant at the Real Property. The buildings and all improvements to or on the Real Property, including but not limited to all site work, landscaping, fixtures, utilities, and other improvements, is referred to as the "Building". Certain personal property located at the Demised Premises, and moveable trade fixtures (as defined in Section 22.02) are owned by Tenant and are described on Exhibit B attached hereto and are not included in the definition of Building or Real Property leased to Tenant pursuant to this Lease.

C. The Property and the Building shall be referred to as the "Demised Premises."

D. Tenant desires to lease the Demised Premises from Landlord on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the lease of the Demised Premises and the rents, covenants and conditions herein set forth, Landlord and Tenant do hereby covenant, promise and agree as follows:

ARTICLE I
DEMISE OF PREMISES

Landlord does hereby lease unto Tenant, and Tenant does hereby hire from Landlord, for the term hereinafter provided in Section 2.01, the Demised Premises for the use thereof by Tenant, Tenant's employees, concessionaires, licensees, agents, customers and invitees, which use shall be exclusive except as otherwise provided in Section 3.06 or elsewhere herein.

ARTICLE II
TERM

Section 2.01

(a) The "Commencement Date" of this Lease shall be upon the Effective Date. The Lease shall continue for a period of twenty (20) years following the Effective Date (the "Original Lease Term"). The "Lease Term", as such term is used herein, shall mean the Original Lease Term as extended (or as may be extended) pursuant to Section 2.02 below.

(b) This Lease shall be deemed to be in full force and effect upon the Effective Date. Tenant shall be deemed in possession of the Demised Premises upon the Effective Date.

Section 2.02

(a) Tenant shall have the option to extend the term of this Lease for up to four (4) separate option periods upon and subject to the terms set forth below in this Section 2.02. The first option period shall commence at the expiration of the Original Lease Term and each subsequent option period shall commence at the expiration of the previous option period. The option periods are sometimes referred to herein collectively as the "Option Periods" and individually as an "Option Period." Each Option Period shall continue for a period of five (5) years from the commencement date of such Option Period. Except as otherwise expressly provided herein, all of the terms and conditions of this Lease applicable to the Original Lease Term shall continue to apply during each Option Period. To validly extend the Lease Term for each Option Period, Tenant (a) must and shall deliver to Landlord written notice of Tenant's election to so extend not later than 180 days prior to the commencement of such Option Period and (b) shall not be in default, beyond the expiration of any applicable cure period under any material term or condition of this Lease as of the date of such notice or the commencement of such Option Period. Without limiting anything contained in Article XXXIII hereof, time is of the essence in the performance of each provision of this Section 2.02.

(b) Notwithstanding the foregoing to the contrary, the Lease Term with respect to the Leased Property only shall expire on the date (if earlier than the date otherwise provided herein) one day prior to the date of expiration of the lease with respect to the Leased Property ("Parking Area Lease"). Provided that Tenant delivers Landlord prompt written notice of its election to extend the term of the Parking Area Lease within the time periods required under such Parking Area Lease, Landlord will exercise any renewal options to extend the term of such Parking Area Lease. In the event Tenant elects not to extend the term of the Parking Area Lease or fails to do so within the time periods required under such Parking Area Lease, then Landlord shall have the right (but not the obligation) to extend the term of the Parking Area Lease. The expiration or termination of the Parking Area Lease during the Lease Term shall have no effect on this Lease, other than with respect to any default by Tenant pursuant to Section 3.05(e).

ARTICLE III
RENT

Section 3.01 Tenant shall pay to Landlord, from and after the Commencement Date and thereafter throughout the Lease Term, the sums set forth in this Lease as "Rent" without prior demand therefor and without offset, deduction, or abatement except as may be otherwise expressly provided herein. Notwithstanding the foregoing, any amounts due by Tenant to Landlord hereunder for which no due date is expressly specified herein (e.g., the first day of each month) shall be due within ten (10) days following the giving to Tenant by Landlord of written notice of such amounts due, except if some other period of time following written notice or demand is otherwise expressly provided below, then such other period shall apply. As used herein, "Rent" shall be deemed to include not only Fixed Rent but also all additional sums payable or owed by Tenant under this Lease, including without limitation as set forth in Section 3.07 ("Additional Rent"). Except as otherwise expressly provided herein, in the event of nonpayment by Tenant of any Rent, Landlord shall have the same rights and remedies in respect thereof regardless of whether such Rent constitutes Fixed Rent or Additional Rent. All payments of Rent to be paid to Landlord shall be paid to Landlord (at its election) in one of the following manners: (1) via electronic deposit into an account designated by Landlord, (2) by mail at the Landlord's office indicated in Article XIX or (3) by mail to any other place designated by Landlord upon at least thirty (30) days' prior written notice to Tenant. If the Effective Date (and the Commencement Date) shall not be the first day of a calendar month, then the rent for such month shall be prorated based upon a Three Hundred Sixty-Five (365) day year.

Section 3.02 Intentionally left blank.

Section 3.03 Fixed Rent:

The "Fixed Rent" for the Demised Premises for each month of the Lease Term prior to the first anniversary of the Commencement Date shall be \$10,277.78. On the first anniversary of the Commencement Date, and thereafter, on each anniversary of such date throughout the Lease Term, the monthly Fixed Rent shall increase by two percent (2%) over the Fixed Rent charged in the immediately preceding month of the Lease Term, and such increase shall apply for the ensuing year. Tenant shall pay to Landlord Fixed Rent in advance, without demand therefor, on the first day of each calendar month commencing with the Commencement Date.

Section 3.04 Intentionally left blank.

Section 3.05 Additional Rent.

(a) Tenant shall pay to Landlord, as Additional Rent, all "Real Estate Taxes" (as hereinafter defined) assessed against, or allocable or attributable to each of the Demised Premises whether accruing prior to or after the Effective Date. Real Estate Taxes for the last year of the Lease Term shall be prorated. As used herein, the term "Real Estate Taxes" means all taxes and general and special assessments and other impositions in lieu thereof, as a supplement thereto and any other tax which is measured by the value of real property and assessed on a uniform basis against the owners of real property, including excise taxes described in Section 3.05 (d) and any substitution in whole or in part of any of the foregoing due to a future change in the method of taxation. Nothing contained in this Lease, however, shall require the Tenant to pay any estate, inheritance, corporate, franchise or income tax of Landlord, nor shall any of same be deemed Real Estate Taxes, unless same shall be specifically imposed in substitution for, or in lieu of, Real Estate Taxes, and then only to the extent same are limited to the Demised Premises as if it were the only property owned by Landlord. If by law, any general or special assessment or like charge may be paid in installments without any penalty or interest whatsoever, then such assessment shall be paid in such installments and Tenant shall only be liable for the portion thereof that is allocable or attributable to the Lease Term or any portion thereof.

(b) Tenant shall pay the Real Estate Taxes on or before five (5) business days prior to the earlier of (i) the delinquency thereof, or (ii) the date that any penalty or interest would accrue on any unpaid installment. Landlord shall have the tax bill for the Demised Premises sent directly to Tenant, and Tenant shall pay the tax bill directly to the collecting authority, and in such event Tenant shall provide Landlord a copy of the paid receipt for each installment of Real Estate Taxes so paid. If Tenant fails to pay the Real Estate Taxes when due hereunder, then Tenant shall, in addition to all other remedies available to Landlord, reimburse Landlord for any and all penalties or interest, or portion thereof, incurred by Landlord as a result of such nonpayment or late payment by Tenant.

(c) Tenant shall have the right to seek an abatement of Real Estate Taxes or a reduction in the valuation of the Demised Premises and/or contest the applicability of any Real Estate Taxes to the Demised Premises or the improvements thereon; provided, however, Tenant shall have paid timely all amounts pursuant to Section 3.05(b) above. In any instance where any such action or such proceeding is being undertaken by Tenant, Landlord shall reasonably cooperate with Tenant, at no cost or expense to Landlord, and execute any and all documents approved by Landlord required in connection therewith. Tenant shall be entitled to any refund (after the deduction therefrom of all reasonable expenses incurred by Landlord in connection therewith) of any Real Estate Taxes and penalties or interest thereon received by Tenant or Landlord, whether or not such refund was a result of proceedings instituted by Tenant, which have been paid by Tenant or paid by Landlord for the benefit of Tenant and repaid to Landlord by Tenant.

(d) Tenant shall pay to Landlord, with each payment of Rent due hereunder, all taxes imposed upon Landlord with respect to rental or other payments in the nature of a gross receipts tax, sales tax, privilege tax or the like, excluding federal or state net income taxes, whether imposed by a federal, state or local taxing authority, which when added to such rental or other payment shall yield to Landlord after deduction of all such tax payable by Landlord with respect to all such payments a net amount which Landlord would have realized from such payment had no such tax been imposed.

(e) Without limiting anything contained in subsection 3.03(a), Tenant shall pay, as Additional Rent all Parking Area Lease Rent (hereinafter defined). Tenant shall be responsible for directly paying to the Parking Area Lease landlord the Parking Area Lease Rent, and shall indemnify Landlord from any liability, cost or expense incurred in connection with the Parking Area Lease. Tenant shall promptly send to Landlord any notices that Tenant receives from the Parking Area Lease landlord. "Parking Area Lease Rent" shall mean, (i) all Parking Area Lease Rent and (ii) all Parking Area Lease Additional Rent. The term Parking Area Lease Rent refers to the amounts required to be paid under the Parking Area Lease as "base rent" or "fixed rent"; "Parking Area Lease Additional Rent" shall mean any monetary obligations of Landlord under the Parking Area Lease, other than the Parking Area Lease Base Rent, but including any indemnity obligations of the "tenant" thereunder.

Section 3.06 Matters of Record: Tenant hereby accepts the Demised Premises in the condition as of the date of possession hereunder, subject to all applicable zoning, municipal, county, and state laws, ordinances, and regulations, including private easements and restrictions (whether or not evidence thereof is recorded in the public records), governing and regulating the use of the Demised Premises, and accepts this Lease subject thereto and to all matters disclosed thereby, and by any exhibits attached hereto (“Diligence Matters”). Tenant acknowledges that neither Landlord nor Landlord’s agent has made any representation or warranty as to the suitability of the Leased Property for the conduct of the Tenant’s business.

Section 3.07 Additional Charges: Tenant and Landlord agree that the rent accruing under this Lease shall be net to Landlord and that all taxes, costs, promotional fees, common area maintenance fees, expenses and charges of every kind and nature, including attorneys’ fees incurred by Landlord in enforcing the provisions of this lease, whether or not any legal proceedings are commenced (“Additional Charges”) arising in connection with or relating to the Demised Premises (excluding, however, (1) taxes other than Real Estate Taxes for which Landlord is responsible under Section 3.05(a) and (2) any payments for interest or principal under any fee mortgage relating to the Demised Premises) which may arise or become due at any time during the Lease Term, shall be paid by Tenant. Tenant hereby indemnifies, defends, protects, and saves Landlord wholly harmless from and against any and all Additional Charges. As used herein, the term “Additional Rent” shall include, without limitation, all of the following: (1) any and all Additional Charges for which Tenant is responsible hereunder, or which Tenant otherwise assumes or agrees to pay; (2) all interest and penalties that may accrue on such Additional Charges if Tenant fails to pay them timely within any applicable cure periods; (3) all other damages, costs and expenses (including, without limitation, reasonable attorneys’ fees and other legal and court costs) which Landlord may suffer or incur in enforcing this Lease; and (4) any and all other sums which may become due by reason of Tenant’s default or failure to comply with its obligations under this Lease.

Section 3.08 Late Charge: Without limiting anything contained in Article XVI of this Lease and in addition to all other remedies set forth in this Lease, any payment of Fixed Rent due to Landlord not received by Landlord within ten (10) days after such payment is due hereunder, and any payment of Additional Rent due to Landlord not received by Landlord when due hereunder, shall be deemed delinquent and cause Tenant to incur a late charge of three percent (3%) on each delinquent payment, due and payable immediately with the delinquent Fixed Rent or delinquent Additional Rent, as the case may be.

Section 3.09 Character of Demised Premises: From the Commencement Date and thereafter throughout the Lease Term, Tenant shall conduct its business in a first class and reputable manner consistent with Tenant's prior operating practices with respect to the Demised Premises. Tenant shall open and operate a Shells family dining restaurant at the Demised Premises continuously during all hours which is customary for similarly situated Shells restaurants, subject to temporary closing due to casualty, condemnation, remodeling or other force majeure condition. The character of the occupancy of the Demised Premises is an additional consideration and inducement for the granting of this Lease.

ARTICLE IV
USE

Tenant may use the Demised Premises to operate a Shells family dining restaurant, including beer, wine and liquor sales, and such other incidental uses related thereto in Tenant's discretion. Tenant may use the Demised Premises only for the uses expressly permitted under this Section, and for no other use without the prior written consent of Landlord, which approval shall not be unreasonably withheld, delayed or conditioned. Notwithstanding any other provision of this Article, Tenant shall not use, or suffer or permit any person or entity to use the Demised Premises or any portion thereof for any purpose in violation of any applicable law, ordinance or regulation.

ARTICLE V
ACCEPTANCE OF DEMISED PREMISES

Tenant acknowledges that it has owned the Demised Premises prior to execution of this Lease and has had the opportunity to perform all tests, studies and inspections that it desires, and that Tenant is accepting the Demised Premises subject to all Diligence Matters and in its AS IS condition existing on the date Tenant executes this Lease.

ARTICLE VI
ALTERATIONS

Tenant shall have no right to make changes, alterations or additions (collectively, "Alterations") to the Building which will require changes to the foundation, roof, exterior walls or utility systems at the Building without prior written consent of Landlord, which Landlord agrees it will not withhold unreasonably; provided, however, in no event shall any Alterations be made which, after completion, would: (i) reduce the value of the Building as it existed prior to the time that said Alterations are made; or (ii) adversely affect the structural integrity of the Building. Any and all Alterations made by Tenant shall be at Tenant's sole cost and expense. Prior to the commencement of construction, Tenant shall deliver promptly to Landlord detailed cost estimates for any proposed Alterations, as well as all available drawings, plans and other information regarding such Alterations (such estimates, drawings, plans and other information are collectively referred to herein as the "Alteration Information"). Landlord's review and/or approval of any Alteration Information shall in no event constitute any representation or warranty of Landlord regarding (x) the compliance of any Alteration Information with any governmental or legal requirements, (y) the presence or absence of any defects in any Alteration Information, or (z) the safety or quality of any of the Alterations constructed in accordance with any plans or other Alteration Information. Landlord's review and/or approval of any of the Alteration Information shall not preclude recovery by Landlord against Tenant based upon the Alterations, the Alteration Information, or any defects therein. In making any and all Alterations, Tenant also shall comply with all of the following conditions:

(a) No Alterations shall be undertaken until Tenant shall have (i) procured and paid for, so far as the same may be required, all necessary permits and authorizations of all governmental authorities having jurisdiction over such Alterations, and (ii) delivered to Landlord at least fifteen (15) days prior to commencing any such Alterations written evidence reasonably acceptable to Landlord of all such permits and authorizations. Landlord shall, to the extent necessary (but at no cost, expense, or risk of loss to Landlord), join in the application for such permits or authorizations whenever necessary, promptly upon written request of Tenant.

(b) Any and all structural Alterations of the Building shall be performed under the supervision of an architect and/or structural engineer.

(c) Tenant shall notify Landlord at least fifteen (15) days prior to commencing any Alterations so as to permit, and Tenant shall permit, Landlord access to the Demised Premises in order to post and keep posted thereon such notice(s) as may be provided or required by applicable law to disclaim responsibility for any construction on the Demised Premises.

(d) Any and all Alterations shall be conducted and completed promptly (subject to the terms of Article XVII), in a good and workmanlike manner, and in compliance with all applicable laws, municipal ordinances, building codes and permits, and requirements of all governmental authorities having jurisdiction over the Demised Premises, and of the local Board of Fire Underwriters, if any; and, within thirty (30) days after completion of any and all Alterations, Tenant shall obtain and, upon Landlord's request, deliver to Landlord a copy of the amended certificate of occupancy for the Demised Premises, if required under applicable law or by governmental authority. Any and all Alterations shall be made and conducted so as not to disrupt Tenant's business; provided however that major alterations which require closing of the business on a temporary basis may be made so long as otherwise in compliance with the provisions of this Lease.

(e) The cost of any and all Alterations shall be promptly paid by Tenant so that the Demised Premises at all times shall be free of any and all liens for labor and/or materials supplied for any Alterations.

ARTICLE VII REPAIRS AND MAINTENANCE

Tenant, at its sole cost and expense, shall maintain the Demised Premises and each part thereof, structural and non-structural, in good order and condition and, subject to the terms and conditions of Article VI, if and as applicable, shall make any necessary Repairs thereto, interior and exterior, whether extraordinary, foreseen or unforeseen. When used in this Article VII, the term "Repairs" shall include all such replacements, renewals, alterations, additions and betterments necessary for Tenant to properly maintain the Demised Premises in good order and condition and in compliance with all applicable laws. The necessity for, and adequacy of, any and all Repairs to the Demised Premises required or conducted pursuant to this Article VII shall be measured by and meet, at a minimum, all of the following standards: (1) at least equal in quality and class to the condition of the Demised Premises prior to the need for such Repairs; (2) at least equal in quality and class to the condition of buildings and related facilities of similar construction and class in the general geographic area of the Demised Premises are generally maintained; (3) subject to the terms and conditions of Article VI, avoidance of any and all structural damage or injury to the Building or persons therein; (4) any and all maintenance, service, operation and repair standards and requirements set forth by Tenant for its (or its subsidiaries' or affiliates') restaurants; (5) any and all repairs, replacements or upgrades necessary to ensure compliance with the rules and regulations of all governmental agencies, including all Environmental Laws (as defined below); and (6) no mold which inhibits or impairs the intended use of the Demised Premises shall be permitted to remain unabated at the Demised Premises. Landlord shall have no duty whatsoever to maintain, replace, upgrade, or repair any portion of the Demised Premises. If Tenant fails or neglects to make all necessary Repairs or fulfill its other obligations as set forth above, then Landlord or its agents may enter the Demised Premises for the purpose of making such Repairs or fulfilling those obligations. All costs and expenses incurred as a consequence of Landlord's action shall be paid by

Tenant to Landlord as Additional Rent within fifteen (15) days after Landlord delivers to Tenant copies of invoices for such Repairs or other obligations. These invoices shall be prima facie evidence of the payment of the charges to be paid by Landlord. Except in the case of emergency, Landlord shall refrain from taking any such action unless Tenant has not commenced and diligently pursued making such repairs or fulfilling such obligations within thirty (30) days after Landlord delivers written notice of the proposed actions to be taken by Landlord.

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ARTICLE VIII
COMPLIANCE WITH LAW

Tenant shall, throughout the Lease Term, at its sole cost and expense, comply, in all material respects, with all laws and regulations of federal, state, municipal and local governments, departments, commissions and boards pursuant to law, or directives or orders issued pursuant thereto, including without limitation all Environmental Laws and the Americans With Disabilities Act, with respect to, regarding, or pertaining to the Demised Premises. Notwithstanding the foregoing, Tenant may, subject to the terms and conditions of this Section, contest or appeal such requirements or orders. To the extent any such contest or appeal by Tenant suspends any and all obligations on the part of Tenant, Landlord, or the Demised Premises to comply with such requirements or orders, and suspends any and all applicability of such requirements or orders to the Demised Premises, Tenant shall not be required to comply with any such laws, regulations, orders, requirements or rules. In no event shall any such appeals, contests or proceedings pursued by Tenant subject Landlord to criminal liability or any civil liability. Upon final resolution of any such appeal, proceeding or contest pursued by Tenant, Tenant shall comply with the judgment, finding or order of the governmental authority so resolving such appeal, proceeding or contest, and shall be liable in full for any and all fines, penalties, charges or costs of any type whatsoever which accrue during the pendency of any contest or appeal.

ARTICLE IX
UTILITIES

Without limiting any of Tenant's obligations set forth in Article III, Tenant shall be solely responsible for, and shall pay the cost of all utility services provided to the Demised Premises throughout the Lease Term.

ARTICLE X
DISCLAIMER AND INDEMNITY

Section 10.01 As used in this Lease, (x) "Landlord Parties" means, collectively, Landlord, Landlord's Affiliates and Landlord's Lender; (y) "Landlord's Affiliates" means Landlord's members, partners, officers, directors, shareholders, employees, or any person or entity that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with Landlord, (for purposes of this definition, the term "control," "controlled by" or "under common control with" means the power, direct or indirect, to direct or cause the direction of the management and policies of Landlord, whether through the ownership of voting stock, by contract, as trustee or executor, or otherwise); and (z) "Landlord's Lender" means any persons or entities providing financing to Landlord or Landlord's Affiliates. To the extent not prohibited by law, none of the Landlord Parties shall be (and Tenant hereby agrees that they shall not be) liable, under any circumstances (except only Landlord (and not any other Landlord Parties) in the event of, and then only to the extent directly attributable to, Landlord's gross negligence or willful misconduct), for any loss, injury, death or damage to person or property (including but not limited to the business or any loss of income or profit therefrom) of Tenant, Tenant's members, officers, directors, shareholders, agents, employees, contractors, customers, invitees or any other person in or about the Demised Premises, whether the same are caused by (1) fire, explosion, falling plaster, steam, dampness, electricity, gas, water, rain or (2) breakage, leakage or other defects of sprinklers, wires, appliances, plumbing fixtures, water or gas pipes, roof, air conditioning, lighting fixtures, street improvements, or subsurface improvements or (3) theft, acts of God, acts of the public enemy, riot, strike, insurrection, war, court order, requisition or order of governmental body or authority, or (4) any act or omission of any other occupant of the Demised Premises or any other party, or (5) operations in construction of any private, public or quasi-public work, or (6) any other cause, including damage or injury which arises from the condition of the Demised Premises, from occupants of adjacent property, from the public, or from any other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same are inaccessible to Tenant, or which may arise through repair, alteration or maintenance of any part of the Demised Premises or failure to make any such repair, from any condition or defect in, on or about the Demised Premises including any "Environmental Conditions" (as defined in Article XXXVII) or the presence of any mold or any Hazardous Materials (as defined in Article XXXVII), or from any other condition or cause whatsoever.

Section 10.02 Tenant hereby fully and forever releases, discharges, acquits, and agrees to indemnify, protect, defend (with counsel selected by Tenant and approved by Landlord, such approval not to be unreasonably withheld) and hold the Demised Premises, and each of the Landlord Parties wholly free and harmless of, from and against any and all claims, demands, actions, causes of action, settlements, obligations, duties, indebtedness, debts, controversies, losses, remedies, choses in action, liabilities, costs, penalties, fines, damages, injury, judgments, forfeiture, losses (including without limitation diminution in the value of the Demised Premises) or expenses (including without limitation reasonable attorneys' fees, consultant fees, testing and investigation fees, expert fees and court costs), whether known or unknown, whether liquidated or unliquidated: (a) arising out of or in any way related to or resulting directly or indirectly from: (i) the use, occupancy or activities of Tenant, its agents, employees, contractors or invitees in or about the Demised Premises, (ii) any failure on the part of Tenant to comply with any applicable law, including without limitation all Environmental Laws; (iii) any default or breach by Tenant in the performance of any obligation of Tenant under this Lease; (iv) any other loss, injury or damage described in Section 10.01 above caused (whether by action or omission) by Tenant, its agents, employees, contractors or invitees; and (v) in connection with mold at the Demised Premises; and (b) whether heretofore now existing or hereafter arising out of or in any way related to or resulting directly or indirectly from the presence or "Release" (as defined in Article XXXVII) at, on, under to or from the Demised Premises of any Hazardous Material; provided, however, that the foregoing indemnity shall not be applicable to the extent any such claims are directly attributable to the gross negligence or willful misconduct of such Landlord Party. All of the personal or any other property of Tenant kept or stored at, on or about the Demised Premises shall be kept or stored at the risk of Tenant.

Section 10.03 Tenant hereby fully and forever releases, discharges, acquits, and agrees to indemnify, protect, defend (with counsel selected by Tenant and approved by Landlord, such approval not to be unreasonably withheld) and hold the Demised Premises, and all Landlord Parties wholly free and harmless of, from and against any and all claims, demands, actions, causes of action, settlements, obligations, duties, indebtedness, debts, controversies, losses, remedies, choses in action, liabilities, costs, penalties, fines, damages, injury, judgments, forfeiture, losses (including without limitation diminution in the value of the Demised Premises) or expenses (including without limitation reasonable attorneys' fees, consultant fees, testing and investigation fees, expert fees and court costs), whether known or unknown, hereafter arising, whether liquidated or unliquidated, arising out of or in any way related to or resulting directly or indirectly from work or labor performed, materials or supplies furnished to or at the request of Tenant or in connection with obligations incurred by or performance of any work done for the account of Tenant in, on or about the Demised Premises.

Section 10.04 Landlord and Tenant each (a) represent to the other party that such representing party has dealt with no broker or brokers in connection with the negotiation, execution and delivery of this Lease and (b) hereby agrees to indemnify, defend, protect (with counsel selected by the other party) and hold such other party wholly free and harmless of, from and against any and all claims or demands for any and all brokerage commissions and/or finder's fees due or alleged to be due as a result of any agreement or purported agreement made by such indemnifying party.

Section 10.05 The provisions of this Article X shall survive the expiration or sooner termination of this Lease. Tenant hereby waives the provisions of any applicable laws restricting the release of claims which the releasing parties do not know or suspect to exist at the time of release, which, if known, would have materially affected Tenant's decision to agree to this release. In this regard, Tenant hereby agrees, represents, and warrants to Landlord that Tenant realizes and acknowledges that factual matters now unknown to Tenant may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and Tenant further agrees, represents and warrants that the release provided hereunder has been negotiated and agreed upon in light of that realization and that Tenant nevertheless hereby intends to release, discharge and acquit the parties set forth herein above from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are in any manner set forth in or related to this Lease, the Demised Premises and all dealings in connection therewith.

ARTICLE XI
INSURANCE

Section 11.01

(a) Liability Insurance. Throughout the Lease Term, Tenant shall, at its sole expense, provide and cause to be maintained comprehensive general public liability insurance with an insurance company licensed to do business in each state in which the Demised Premises is located and which is approved by Landlord (which approval shall not be unreasonably withheld), against claims for bodily injury, death or property damage occurring on, in or about each of the Demised Premises, such insurance to afford a minimum coverage protection of not less than Two Million Dollars (\$2,000,000) combined single limit (per occurrence) for injury to, or death of, persons and loss of, or damage to, property. Such coverage shall include a contractual obligation endorsement covering Tenant's duties and obligations under Article X above. Landlord may require increases in coverage from Tenant from time to time as required by any lender of Landlord.

(b) Property Insurance. Throughout the Lease Term, Tenant shall maintain property insurance against loss or damage by fire and such other risks to the Building (including, but not limited to, Tenant's inventory, equipment and/or trade fixtures), as are included in so-called "all-risks extended coverage" endorsements, in an amount equal to the full replacement cost thereof in a stipulated amount, with change of condition, exclusive of the cost of foundations, excavations and footings, with a replacement cost endorsement without any deduction being made for depreciation. Said policy shall contain coverage for loss of rents insurance which will cover the Fixed Rent and Additional Rent for a period of up to one (1) year.

(c) In addition to the other insurance required under this Section 11.01, for so long as Tenant shall serve liquor or other alcoholic beverages in or from the Leased Premises, Tenant agrees to maintain minimum limits of coverage of at least Two Million Dollars (\$2,000,000) under an umbrella policy covering excess "liquor law" liability (sometimes also known as "Dram Shop" insurance) which shall insure Tenant and Landlord, and all of those claiming by, through or under Landlord, against any and all claims, demands or actions for personal bodily injury to, or death of, one person or multiple persons in one or more accidents, and for damages to property, so that at all times Landlord will be fully protected against claims that may arise by reason of or in connection with the sale, dispensing and consumption of liquor and alcoholic beverages in, on, at, from or about the Leased Premises.

Section 11.02 All insurance provided for in this Article shall be effected under policies issued by insurers with at least an A rating by A.M. Best's Insurance Guide. No insurance policy may have a deductible amount exceeding \$25,000.00 (\$50,000.00 with respect to wind damage) per occurrence. Tenant shall provide to Landlord, beginning on the Effective Date and continuing annually thereafter with certificates (or other evidence reasonably requested by Landlord) from all applicable insurance carriers evidencing the payment of premiums or accompanied by other evidence of such payment (e.g., receipts, canceled checks) reasonably satisfactory to Landlord.

Section 11.03 The policies of insurance required under this Article XI shall name Tenant as the named insured and Landlord Parties (as defined in Section 10.01 above) as additional named insureds as their interests may appear, with primary coverage in favor of all additional named insureds (and with provisions that any other insurance carried by any additional insured or Landlord shall be non-contributing and that naming Landlord and other Landlord Parties as additional insureds shall not negate any right Landlord or other Landlord Parties would have had as claimants under the policy if not so named). All insurance policies required under this Article XI also shall provide that the beneficial interest of Landlord in such policies shall be fully transferable. All policies referred to in Section 11.01(b) above shall provide that the proceeds of all such policies shall be made payable to the account of both Landlord and Tenant to be disbursed in accordance with the provisions of, and for the purposes set forth in, Article XII hereof.

Section 11.04 Any insurance provided for in this Article may be effected by a blanket policy or policies of insurance, or under so-called "all-risk" or "multi-peril" insurance policies, provided that the amount of the total insurance available with respect to the Demised Premises shall provide coverage and indemnity at least equivalent to separate policies in the amounts herein required, and provided further that in other respects, any such policy or policies shall comply with the provisions of this Article. Any increased coverage provided by individual or blanket policies shall be satisfactory, provided the aggregate liability limits covering the Demised Premises under such policies shall otherwise comply with the provisions of this Article.

Section 11.05 Every insurance policy carried by either party with respect to the Demised Premises shall (if it can be so written) include provisions waiving the insurer's subrogation rights against the other party to the extent such rights can be waived by the insured prior to the occurrence of damage or loss. Subject to the above, each party hereby waives any rights of recovery against the other party for any direct damage or consequential loss covered by said policies against which such party is protected by insurance whether or not such damage or loss shall have been caused by any acts or omissions of the other party, but such waiver shall operate only to the extent such waiving party is so protected by such insurance coverage.

Section 11.06 Each insurance policy required to be carried by Tenant hereunder shall include a provision requiring the insurance carrier insuring such policy to provide Landlord with not less than thirty (30) days' prior written notice of any threatened or actual lapse, cancellation, reduction, or other material change in such policy's coverage or its terms. If any insurance policy required to be and in fact carried by Tenant and covering the Demised Premises or any part thereof is cancelled or is threatened by the insurer to be cancelled (other than in the case of the lapse of the policy at the end of its stated term), or if the coverage thereunder is reduced in any way by the insurer for any reason, and if Tenant fails to remedy the condition giving rise to cancellation, threatened cancellation, or reduction of coverage within 48 hours after notice thereof by Landlord, Landlord may, in addition to all other rights and remedies available to Landlord, enter the Demised Premises and remedy the condition giving rise to such cancellation, threatened cancellation or reduction, and Tenant shall forthwith pay the cost thereof to Landlord (which cost may be collected by Landlord as Additional Rent) and Landlord shall not be liable for any damage or injury caused to any property of Tenant or of others located on the Demised Premises as a result of any such entry. In the event Tenant fails to procure or maintain any policy of insurance required under Article XI, Landlord may, at its option, purchase such insurance and charge Tenant all costs and expenses incurred in procuring and maintaining such insurance as Additional Rent.

ARTICLE XII
DAMAGE OR DESTRUCTION

Section 12.01 Subject to the provisions of Section 12.04 and Section 12.05 below, if at any time during the Lease Term, the Demised Premises or any part thereof shall be damaged or destroyed by fire or other casualty of any kind or nature, Tenant shall proceed within ninety (90) days after the first date of such damage or destruction with commercially reasonable due diligence to repair, replace or rebuild the Demised Premises as nearly as possible to its condition and character immediately prior to such damage with such variations and Alterations requested by Tenant as may be permitted under (and subject to the provisions of) Article VI (the "Restoration Work").

Section 12.02 All property and casualty insurance proceeds payable to Landlord or Tenant (except (i) insurance proceeds payable to Tenant on account of Tenant's trade fixtures or inventory and business interruption insurance carried by Tenant and (ii) insurance proceeds payable from comprehensive general public liability, or any other liability insurance) at any time as a result of casualty to the Demised Premises shall be paid jointly to Landlord and Tenant for purposes of payment for the cost of the Restoration Work, except as may be otherwise expressly set forth herein, and advanced from time to time for such purposes as the work progresses upon certified request of Tenant's architect. Landlord and Tenant shall cooperate in order to obtain the largest possible insurance award lawfully obtainable and shall execute any and all consents and other instruments and take all other actions necessary or desirable in order to effectuate same and to cause such proceeds to be paid as hereinbefore provided. The proceeds of any such insurance in the case of loss shall, to the extent necessary, be used first for the Restoration Work with the balance, if any, payable to Tenant. If insurance proceeds as a result of a casualty to the Demised Premises are insufficient to complete the Restoration Work necessary by reason of such casualty, then Tenant shall supply promptly the balance of the amount necessary to complete the Restoration Work. If Tenant so supplies such balance, then the funds so supplied by Tenant shall first be used in their entirety for the Restoration Work, and only after all such funds have been fully expended shall the insurance proceeds collected by reason of such casualty be used and expended.

Section 12.03 Except as provided for in Section 12.04, this Lease shall not be affected in any manner by reason of the total or partial destruction to the Demised Premises or any part thereof, or any reason whatsoever, and Tenant, notwithstanding any law or statute, present or future, waives all rights to quit or surrender any Demised Premises or any part thereof. Fixed Rent and Additional Rent required to be paid by Tenant hereunder shall not abate as a result of any casualty.

Section 12.04

(a) Notwithstanding Section 12.01 above, if the Building is destroyed or damaged in excess of Twenty-Five percent (25%) of the replacement cost thereof (the Demised Premises at which the Building is located is hereafter referred to as the "Casualty Property"), exclusive of foundation and footings, by fire or other insured casualty at any time during the last two (2) years of the Lease Term, then Tenant shall have the right, at its election, to terminate this Lease by giving Landlord written notice of termination within sixty (60) days after the date on which such damage or destruction occurs. Such termination shall be effective on the last day of the month following the month in which Tenant gives Landlord notice of its election to so terminate. In such event, Landlord shall be entitled to all insurance proceeds payable pursuant to the policy carried by Tenant pursuant to Section 11.01(b) above, except amounts payable with respect to Tenant's inventory, equipment and/or trade fixtures or moveable trade fixtures.

(b) In the event of the termination of the Lease, Tenant shall pay to Landlord, prior to such termination date, an amount equal to the Fixed Rent and any then accrued Additional Rent payable under this Lease to the date of such termination. With respect to any amounts of Additional Rent which are payable by Tenant in the event of such termination, but which are not then ascertainable, Tenant shall pay to Landlord an amount equal to such Additional Rent as and when the same is determined. This Section 12.04 shall survive expiration or termination of the Lease.

ARTICLE XIII
EMINENT DOMAIN

Section 13.01 If more than fifty percent (50%) of the Demised Premises, fifty percent (50%) of the existing access to or from the Demised Premises, or fifty percent (50%) of the parking available at the Demised Premises shall be taken for any public or quasi-public use under any statute or by right of eminent domain, or by purchase in lieu thereof and such taking makes the Demised Premises unusable for the purposes set forth in Article IV, then this Lease shall terminate as of the date that possession has been so taken (the "Vesting Date").

Section 13.02

(a) In the event of a taking of less than or equal to fifty percent (50%) of the Demised Premises, Tenant may elect to terminate this Lease and not restore such Demised Premises if, by reason of the taking, the taking shall result in a diminution in value of more than 20% of the Demised Premises and as a result of such taking Tenant's business at the Demised Premises has been materially and adversely affected. Tenant's business at the Demised Premises will be deemed materially adversely affected only if there is (i) a taking of a portion of the Building located at the Premises making reconfiguration uneconomical, (ii) a taking of access to the Demised Premises in which an alternative access provides significantly reduced traffic counts (iii) a taking of a significant number of parking spaces where alternative parking spaces are not available, or (iv) a taking that would preclude use of the Property for its current use under applicable zoning or other use regulations.

(b) In the event Tenant elects by reason of any of the foregoing events described in this Article XIII to terminate the Lease as to a Demised Premises ("Condemned Property"), Tenant shall give written notice to Landlord of its intention to so terminate within ninety (90) days after formal notice of the proposed taking is given to Tenant, and this Lease shall terminate as of the last day of the calendar month following the month in which such notice is given. In the event the condemning authority revokes or terminates its condemnation proceeding, Landlord, prior to the date set for termination of this Lease, may, by notice to Tenant, elect to rescind such termination. In the event of such termination, however, Tenant shall pay to Landlord, prior to such termination date, an amount equal to the Fixed Rent and any then accrued Additional Rent payable under this Lease to the date of such termination, and neither party shall have any further rights or liabilities under this Lease (except for rights and liabilities that explicitly survive termination or expiration of the Lease as set forth herein). With respect to any items of Additional Rent which are payable by Tenant in the event of such termination, but which are not then ascertainable, Tenant shall pay to Landlord an amount equal to such Additional Rent as and when the same is determined. The covenants and agreements with respect to the adjustment and payment of items of Additional Rent shall survive the termination of this Lease.

Section 13.03 In the event of a taking resulting in the termination of this Lease with respect to a Condemned Property pursuant to the provisions of Sections 13.01 or 13.02, the parties hereto agree to cooperate in applying for and in prosecuting any claim for such taking and further agree that the aggregate net award shall be distributed as follows:

(a) Landlord shall be entitled to the entire award for the Condemned Property.

(b) Tenant shall be entitled to any award that may be made for the taking of, or injury to or on account of, any cost or loss Tenant may sustain in the removal of its merchandise, fixtures, moveable trade fixtures and equipment and furnishings, and so long as it does not diminish the amount of the award otherwise available to Landlord for the Condemned Property, the award for loss of business and goodwill.

Section 13.04

(a) In case of a taking of less than or equal to fifty percent (50%) of the Demised Premises, and if this Lease is not terminated as provided in Section 13.02 above, Tenant shall proceed with diligence (subject to reasonable time periods for purposes of adjustment of any award and unavoidable delays) to repair or reconstruct the affected Building to a complete architectural unit (all such repair, reconstruction and work being referred to in this Article as "Reconstruction Work"). Landlord shall reimburse Tenant for the cost of the Reconstruction Work up to and not exceeding the net compensation amount realized by Landlord as a result of such taking (i.e., the gross amount of the compensation received by Landlord from the taking authority less all reasonable costs and expenses incurred by Landlord in pursuing, prosecuting, and/or recovering its claim to such award). All Reconstruction Work shall be performed pursuant to (and subject to) the requirements for Alterations set forth in Article VI.

(b) In case of a taking of less than substantially all of the Demised Premises, and if this Lease is not terminated as provided in Section 13.02 above, the monthly Fixed Rent payable hereunder shall, from and after the date of such taking, be reduced by an amount equal to the product of (i) 1/12 multiplied by (ii) 7% multiplied by (iii) the net condemnation proceeds retained by Landlord after the application of any such proceeds to the repair, restoration or replacement necessitated by the condemnation taking.

(c) Tenant shall be entitled to claim, prove and receive in any condemnation proceeding such awards as may be allowed for loss of business and goodwill, provided such award shall not diminish the amount of the award otherwise available to Landlord for the Demised Premises hereunder.

(d) Any compensation for a temporary taking shall be payable to Tenant without participation by Landlord, except to the proportionate extent such temporary taking extends beyond the end of the Lease Term, and there shall be no abatement of Rent as a result thereof.

ARTICLE XIV
COVENANTS OF LANDLORD AND TENANT

Section 14.01 Landlord and Tenant represent, warrant and covenant to the other as follows:

(a) Landlord currently has, and as of the Effective Date will continue to have, the right and lawful authority to enter into this Lease and perform Landlord's obligations hereunder.

(b) Tenant has the right and lawful authority to enter into this Lease and perform Tenant's obligations hereunder.

(c) From and after the Effective Date until the termination of the Lease Term, and provided Tenant is not in default beyond expiration of all applicable cure periods under this Lease, Tenant shall have quiet enjoyment of the Demised Premises as against any adverse claim of Landlord or any party claiming under Landlord subject, however, to the terms of the Lease, the Diligence Matters and any agreement between Tenant and any such party claiming under Landlord.

ARTICLE XV
INSOLVENCY

Section 15.01 If at any time during the Lease Term, (1) proceedings in bankruptcy shall be instituted (voluntarily or involuntarily) by or against Tenant which result in an adjudication of bankruptcy, or (2) if Tenant shall file, or any creditor or other person shall file against Tenant, any petition in bankruptcy (i.e., seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief) under the Bankruptcy Act of the United States of America (or under any other present or future statute, law or regulation), and such filing is not vacated or withdrawn within sixty (60) days thereafter, or (3) if a trustee or receiver shall be appointed to take possession of the Demised Premises, or of all or substantially all of the business or assets of Tenant, and such appointment is not vacated or withdrawn and possession restored to Tenant, within thirty (30) days thereafter, or (4) if a general assignment or arrangement is made by Tenant for the benefit of creditors, or (5) if any sheriff, marshal, constable or other duly-constituted public official takes possession of the Demised Premises, or of all or substantially all of the business or assets of Tenant by authority of any attachment, execution, or other judicial seizure proceedings, and if such attachment or other seizure remains undismissed or undischarged for a period of thirty (30) days after the levy thereof, or (6) if Tenant shall admit in writing Tenant's inability to pay its debts as they become due; the filing by Tenant of an answer admitting or failing timely to contest a material allegation of a petition filed against Tenant in any such proceeding; or, if within sixty (60) days after the commencement of any proceeding against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed, then an Event of Default under this Lease shall have occurred on the part of Tenant and Landlord may, at its option in any of such events, on thirty (30) days notice to Tenant, if such action is not vacated or withdrawn, immediately recapture and take possession of the Demised Premises and terminate this Lease pursuant to process of law.

ARTICLE XVI
DEFAULT

Section 16.01 Events Of Default. The occurrence of any of the following shall constitute an event of default ("Event of Default") on the part of Tenant:

- (a) Nonpayment Of Rent. Failure to pay any installment of Fixed Rent or Additional Rent due and payable hereunder within five (5) business days after written notice to Tenant.
- (b) Insolvency. The occurrence of any event described in Article XV above. In the event that under applicable law the trustee in bankruptcy or Tenant has the right to affirm this Lease and continue to perform the obligations of Tenant hereunder, such trustee or Tenant shall, within such time period as may be permitted by the bankruptcy court having jurisdiction, cure all defaults of Tenant hereunder outstanding as of the date of the affirmance of this Lease and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant's obligations under this Lease.
- (c) Cross-Default. A default by Tenant after applicable notice and cure period, in connection with its lease from Landlord of the real property situated in Ocala, Florida ("Ocala Lease") but only so long as Landlord is the landlord under this Lease and the Ocala Lease. Conversely, so long as Landlord is the landlord under the Lease and the Ocala Lease, a default under this Lease, after applicable notice and cure period, will also constitute a default under the Ocala Lease.
- (d) Intentionally Deleted.
- (e) Environmental. Tenant's violations of any Environmental Laws or the Release of any Hazardous Materials, or the failure to abate the presence of mold which would inhibit or impair the intended use of the Demised Premises, such failure continuing for a period of thirty (30) days after written notice of such failure, or such longer period as is reasonably necessary to remedy such default, provided that Tenant commences an appropriate response action for such violation or Release within such thirty (30) day period and continuously and diligently pursues such remedy at all times until complete.
- (f) Delivery of Documents. The failure by Tenant to deliver any of the documents required pursuant to Section 3.03(b), 26.01 or 36.01 within the time periods required pursuant to such sections.
- (g) Reserved.
- (h) Other Obligations. The failure by Tenant to timely perform any obligation, agreement or covenant under this Lease, other than those matters specified in Sections 16.01(a)-(f) above, and such failure continuing for a period of thirty (30) days after written notice of such failure is delivered to Tenant (or such longer period, up to but not exceeding an additional ninety (90) days, as is reasonably necessary to remedy such default, provided that Tenant commences the remedy within such thirty (30) day period and continuously and diligently pursues such remedy at all times during the additional ninety (90) day period.)

Section 16.02 Remedies Upon Default. If an Event of Default by Tenant occurs, then, in addition to any other remedies available to Landlord at law or in equity or elsewhere hereunder, Landlord shall have the following remedies:

(a) Termination. Landlord shall have the right, with or without notice or demand, immediately upon expiration of any applicable grace period specified herein, to terminate this Lease, and at any time thereafter recover possession of all or any portion of the Demised Premises or any part thereof and expel and remove therefrom Tenant and any other person occupying the same by any lawful means, and repossess and enjoy all or any portion of the Demised Premises without prejudice to any of the remedies that Landlord may have under this Lease. If Landlord elects to terminate the Lease, Landlord shall also have the right to reenter the Demised Premises and take possession of and remove all equipment and fixtures of Tenant, if any, in such Demised Premises, and to operate the restaurant at the Demised Premises. In connection with any such repossession, Tenant (and any affiliate of Tenant holding a liquor license with respect to the Demised Premises) shall provide reasonable cooperation in transferring its liquor license to Landlord, or in assisting Landlord in obtaining a liquor license. Tenant (and Tenant's affiliate) agree upon Landlord's written request, to grant a security interest to Landlord in the liquor license at the Demised Premises to secure Tenant's obligations hereunder, provided that the grant of such security interest does not violate any state or local law or ordinance. Upon any assignment or foreclosure of Tenant's liquor license, Tenant's liability to Landlord on account of any default under this Lease shall be reduced by the fair market value of the liquor license so transferred to Landlord. If Landlord elects to terminate this Lease and Tenant's right to possession, or if Tenant's right to possession is otherwise terminated by operation of law, Landlord may recover as damages from Tenant the following: (i) all Rent then due under the Lease; (ii) the Rent due for the remainder of the Lease Term (discounted by the discount rate of the Federal Reserve Bank of San Francisco plus one percent (1%)), **not to exceed, in any event 6%**; (iii) the cost of reletting the Demised Premises; and (iv) any other costs and expenses that Landlord may reasonably incur in connection with the Event of Default. Landlord shall use commercially reasonable efforts to mitigate Tenant's damages for any such default; provided, however, that Landlord's efforts to mitigate shall not waive Landlord's right to recover damages which are calculated consistent with Landlord's duty to mitigate.

(b) Continuation After Default. If Landlord does not elect to terminate this Lease, then this Lease shall continue in effect, and Landlord may enforce all of its rights and remedies under this Lease, including, without limitation, the right to recover Rent as it becomes due, and Landlord, without terminating this Lease, may exercise all of the rights and remedies of a landlord under New York law. Landlord shall not be deemed to have terminated this Lease except by an express statement in writing. Acts of maintenance or preservation, efforts to relet the Demised Premises, or the appointment of a receiver upon application of Landlord to protect Landlord's interest under this Lease shall not constitute an election to terminate Tenant's right to possession unless such election is expressly stated in writing by Landlord. Notwithstanding any such reletting without such termination, Landlord may at any time thereafter elect to terminate Tenant's right to possession and this Lease. If Landlord elects to relet the Demised Premises for the account of Tenant, the rent received by Landlord from such reletting shall be applied as follows: first, to the payment of any and all costs of such reletting (including, without limitation, reasonable attorneys' fees, brokers' fees, alterations and repairs to any of the Demised Premises, and tenant improvement costs); second, to the payment of any and all indebtedness other than Rent due hereunder from Tenant to Landlord; third, to the payment of any and all Rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future Rent as it becomes due. If the rent received from the reletting is less than the sum of the costs of reletting, other indebtedness due by Tenant, and the Rent due by Tenant, then Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly.

Section 16.03 Indemnification. Nothing in this Section shall be deemed to affect Tenant's obligation to indemnify, defend, protect and hold harmless Landlord and the other Landlord Parties under Article X of this Lease, and such obligation shall survive the termination or expiration of this Lease.

Section 16.04 Waiver of Notice/ Performance by Landlord. Notwithstanding any provision herein, (a) if Tenant is required to comply with any governmental requirement, Tenant shall not be entitled to notice of default from Landlord and right to cure beyond the period within which such compliance may be required by applicable law or government agency; or (b) if in Landlord's reasonable determination the continuance of any default by Tenant for the full period of notice provided for herein will constitute a threat of injury or harm to persons or property, Landlord may, with or without notice, elect to perform those acts with respect to which Tenant is in default for the account and at the expense of Tenant. If by reason of such governmental requirement or default by Tenant, Landlord is compelled or elects to pay any sum of money, (including without limitation reasonable attorneys' fees, consultant fees, testing and investigation fees, expert fees and court costs), such sums so paid by Landlord, plus an administrative charge of ten percent (10%) of such sums, shall be due as Additional Rent from Tenant within ten (10) days of written demand therefor from Landlord.

Section 16.05 Interest. Tenant hereby acknowledges that late payment by Tenant to Landlord of Fixed Rent and any Additional Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by the terms of any mortgage or trust deed covering the Demised Premises. Accordingly, any sum due by Tenant to Landlord under this Lease which is not paid when due shall bear interest at the lesser of the prime rate announced from time to time by Wells Fargo Bank, N.A., plus five percent (5%) per annum or the maximum rate allowed under New York law, not to exceed, in any event 15%, from the date such sum becomes due and payable by Tenant hereunder until paid, unless otherwise expressly provided in this Lease. The foregoing shall be in addition to, and not in lieu of, any other rights, remedies and charges as a result of any such late payment by Tenant set forth in this Lease, including without limitation any late charge imposed on any such amount as set forth in Section 3.08.

Section 16.06 Tenant's Subleases. If Landlord elects to terminate this Lease on account of any Event of Default, then Landlord may: (i) terminate any sublease by a subtenant and any license, concession, or other consensual arrangement for possession entered into by Tenant and affecting any of the Demised Premises which are not the subject of a nondisturbance agreement executed by Landlord; or (ii) choose to succeed to Tenant's interest in such arrangement. No payment by a subtenant with respect to a sublease shall entitle such subtenant to possession of any Property after termination of this Lease and Landlord's election to terminate the sublease by the subtenant. If Landlord elects to succeed to Tenant's interest in such arrangement, then Tenant shall, as of the Effective Date of notice given by Landlord to Tenant of such election, have no further right to, or interest in, any rent or other consideration receivable under that arrangement.

Section 16.07 Form of Payment After Default. If Tenant fails to pay any amount due to Landlord under this Lease within five (5) business days after written notice of such failure is given to Tenant by Landlord, or if Tenant attempts to pay any such amount by drawing a check on an account with insufficient funds, then Landlord shall have the right to require that any and all subsequent amounts paid by Tenant to Landlord under this Lease (to cure a default or otherwise) be paid in the form of cash, money order, cashier's or certified check drawn on an institution acceptable to Landlord, or any other form approved by Landlord in its sole and absolute discretion, notwithstanding that Landlord may have previously accepted payments from Tenant in a different form.

Section 16.08 Acceptance of Rent Without Waiving Rights. No payment by Tenant shall be deemed to be other than on account of the earliest sum due from Tenant hereunder, nor shall any endorsement or statement by Tenant on any check or any letter accompanying such payment be deemed an accord and satisfaction of any amount in dispute between Tenant and Landlord or otherwise. Landlord may accept any and all of Tenant's payments without waiving any right or remedy under this Lease, including but not limited to the right to commence and pursue an action to enforce rights and remedies under a previously served notice of default, without giving Tenant any further notice or demand.

Section 16.09 Waiver by Tenant. Tenant hereby waives all claims for damages that may be caused by Landlord's lawful reentering and taking possession of the Demised Premises in accordance with the provisions of this Lease or removing and storing the property of Tenant as herein provided.

Section 16.10 Remedies Cumulative. All rights, privileges, elections, and remedies of Landlord are cumulative and not alternative with all other rights and remedies hereunder, at law or in equity to the fullest extent permitted by law. The exercise of one or more rights or remedies by Landlord shall not impair Landlord's rights to exercise any other right or remedy to the fullest extent permitted by law.

Section 16.11 Default by Landlord. Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within a reasonable time, but in no event later than ten (10) days after written notice by Tenant to Landlord and to the holder of any first mortgage, deed of trust, deed to secure debt or security deed granted by Landlord against any portion of the Demised Property whose name and address shall have been furnished to Tenant in writing, specifying Landlord's failure to perform such obligation; provided, however, that, if the nature of Landlord's obligation is such that more than ten (10) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such ten (10) day period and thereafter diligently prosecutes the same to completion. Tenant agrees that the mortgagee, beneficiary or trustee under any such first mortgage, deed of trust, deed to secure debt or security deed shall have the right to cure such default on behalf of Landlord within ten (10) calendar days after receipt of such notice, and Tenant further agrees not to invoke any of its remedies under this Lease until such ten (10) calendar day period has elapsed.

ARTICLE XVII
UNAVOIDABLE DELAYS, FORCE MAJEURE

If either party shall be prevented or delayed from punctually performing any obligation or satisfying any condition under this Lease by any strike, lockout, labor dispute, inability to obtain labor, materials or reasonable substitutes thereof, Acts of God, present or future governmental restrictions, regulations or control, insurrection, sabotage, fire or other casualty, final determination of insurance and condemnation claims, or any other condition beyond the control of the party, exclusive of financial inability of a party, then the time to perform such obligation or satisfy such condition shall be extended by the delay caused by such event, but only for a reasonable period of time not to exceed, in any event, 180 days. The provisions of this Article shall in no event, however, operate to delay the Commencement Date or to excuse Tenant from the prompt payment of Fixed Rent or Additional Rent.

ARTICLE XVIII
NO WAIVER

The failure of Landlord or Tenant to insist upon strict performance of any of the terms and conditions hereof shall not be deemed a waiver of any rights or remedies that party or any other such party may have, and shall not be deemed a waiver of any subsequent breach or default in any of such terms, covenants or conditions.

ARTICLE XIX
NOTICES

Whenever it is provided herein that notice, demand, request or other communication shall or may be given to either of the parties by the other, it shall be in writing and, any law or statute to the contrary notwithstanding, shall not be effective for any purpose unless same shall be given or served as follows:

(a) If given or served by Landlord, (1) by hand delivery to Tenant, (2) by mailing same to Tenant by registered or certified mail, postage prepaid, return receipt requested, or (3) by delivery by overnight courier such as Federal Express, all delivered and addressed to Tenant at the following address:

16313 North Dale Mabry Hwy, Ste 100
Tampa, FL 33618
Attn: Mr. Warren Nelson

(b) If given or served by Tenant, (1) by hand delivery to Landlord, (2) by mailing same to Landlord by U.S. registered or certified mail, postage prepaid, return receipt requested, or (3) by delivery by overnight courier such as Federal Express, all delivered and addressed to Landlord at the following address:

Fortress Realty Management, LLC

5221 N O'Connor, Suite 700
Irving, Texas 75039
Attn: David Pettijohn

(c) All notices, demands, requests or other communications hereunder shall be deemed to have been given or served: (1) if hand delivered, on the date received (or the date delivery is refused) by the recipient party; (2) if delivered by registered or certified mail, three (3) days after the date of posting as marked on the U.S. postage receipt; and (3) if by Federal Express or similar overnight courier service, on the date of receipt (or the date delivery is refused) by the recipient party.

(d) Either Landlord or Tenant may at any time during the Lease Term designate one additional party to whom copies of notices must be sent.

(e) Either Landlord or Tenant may from time to time change its address for receiving notices under this Lease by providing written notice to the other party in accordance with this Article XIX.

ARTICLE XX
ACCESS

Section 20.01 Landlord and its designees shall have the right on Twenty-Four (24) hours' prior written notice (except in the event of an emergency, where no prior notice shall be required) to Tenant to enter upon the Demised Premises at reasonable hours accompanied by an employee of Tenant to inspect such Demised Premises or, during the period commencing one hundred eighty (180) days prior to the end of the Lease Term, for the purpose of exhibiting same to prospective tenants. Landlord's right to enter and inspect the Demised Premises shall include the right to take samples of Environmental Media (as defined in Article XXXVII) as necessary to confirm the presence or absence of Hazardous Materials. Such entry and/or inspection shall not unreasonably interfere with Tenant's ability to conduct its business operations from the Demised Premises.

ARTICLE XXI
SIGNS

No sign shall be installed on the Demised Premises until all governmental approvals and permits required therefore are first obtained and all fees pertaining thereto have been paid by Tenant. In no event shall Tenant permit the installation of billboards or similar signs pertaining to or advertising businesses, trade names or activities other than Tenant's operation of a restaurant.

ARTICLE XXII
IMPROVEMENTS AND FIXTURES

Section 22.01 Any and all portions of the Building, all other improvements on the Real Property at the Commencement Date and all fixtures on the Demised Premises at the Commencement Date shall be the property of Landlord. In the event that Tenant installs or erects fixtures or improvements to the Demised Premises after the Commencement Date, such fixtures or improvements (except those referenced in Section 22.02 which can be removed without damage to the Demised Premises) shall at the expiration or earlier termination of the Lease, become the property of Landlord and remain upon and be surrendered with the Demised Premises. Notwithstanding the foregoing provisions, Tenant shall be liable for all property taxes, assessments, and similar charges assessed against or allocable to any fixtures or equipment at the Demised Premises (irrespective of whether such fixtures are owned by Landlord or Tenant) and which are attributable to any period of time during the Lease Term.

Section 22.02 Moveable trade fixtures (except the Landlord's Equipment, as defined in Section 22.03), furnished or installed by Tenant on the Demised Premises, shall be and remain the property of Tenant and may be removed by Tenant or others entitled to remove same at any time during the Lease Term provided that Tenant is not in default of this Lease, provided that such removal shall in no way affect Tenant's covenants with respect to the operation of the Demised Premises pursuant to Section 3.09. Tenant shall repair all damage to the Demised Premises caused by removal of any such trade fixtures by Tenant or its subtenants, licensees or mortgagees. Upon default of this Lease by Tenant, Landlord shall have the option to purchase any or all of such trade fixtures, and equipment for \$1.00, which option is assignable by Landlord.

Section 22.03 During the Lease Term, Tenant shall be entitled to use Landlord's equipment ("Landlord's Equipment") in Tenant's operations at the Demised Premises. Landlord's Equipment shall include the following items located at each Demised Premises on the Commencement Date: walk-in coolers/refrigerators, freezers, HVAC equipment and hoods. Tenant shall keep the Landlord's Equipment in good working order and repair (normal wear and tear, casualty and condemnation excepted), shall not remove Landlord's Equipment from the Demised Premises and shall not permit any lien or other encumbrance to attach to Landlord's Equipment. Tenant shall keep the equipment insured and shall be responsible for any casualty or other loss to Landlord's Equipment or occasioned by Landlord's Equipment. Tenant may, from time to time, retire or replace Landlord's Equipment with new items of equipment purchased by Tenant, in which event such replaced items of Equipment shall become Landlord's Equipment.

ARTICLE XXIII
END OF TERM

Upon the expiration or earlier termination of the Lease Term, Tenant shall peaceably and quietly quit and surrender the Demised Premises, and all Alterations which are then part of the Demised Premises, broom clean and in good order and condition, subject to reasonable wear and tear and except as provided in Articles XII and XIII. Tenant shall, within thirty (30) days prior to the end of the Lease Term, transfer to Landlord all plans, drawings, other Alteration Information, and technical descriptions of the Property, and shall assign to Landlord all assignable permits, licenses, authorizations and warranties with respect to the Property (in each case to the extent not previously transferred or assigned to Landlord). This Article XXIII shall survive the expiration or termination of the Lease.

ARTICLE XXIV
HOLDING OVER

If Tenant holds over in possession after the expiration of the Lease Term, then such holding over shall not be deemed to extend the Lease Term or renew this Lease, but rather the tenancy thereafter shall continue as a tenancy at sufferance pursuant to the terms and conditions herein contained, at One Hundred Fifty percent (150%) of the Fixed Rent; and Tenant shall be responsible for the consequences of any unauthorized holdover and shall indemnify, defend, protect (with counsel selected by Landlord) and hold Landlord Parties wholly free and harmless of, from and against any and all damages, losses, costs, expenses and claims arising therefrom, including attorneys fees and costs.

ARTICLE XXV
ASSIGNMENT AND SUBLETTING

Section 25.01 This Lease shall be fully assignable by the Landlord or its assigns, subject to the terms of Article XXXIV.

Section 25.02

(a) Neither Tenant, nor Tenant's successors or assigns, shall assign in whole or in part, by operation of law or otherwise, or sublet the Demised Premises, in whole or in part, or permit the Demised Premises or any portion of it to be used or occupied by others, or enter into a management contract or other arrangement whereby the Demised Premises shall be managed or operated by anyone other than the owner of the Tenant's leasehold estate, without the prior written consent of Landlord in each instance. Provided Tenant remains liable for all its obligations under this Lease, Landlord shall not unreasonably withhold consent to an assignment of this Lease to an individual, partnership or corporation if such individual, partnership or corporation has, in the opinion of Landlord, a record of timely payment of obligations and compliance with applicable laws and is a commercially and financially sound individual, partnership, or corporation. Tenant may assign or sublease the Demised Premises without the consent of Landlord if such assignment or sublease is to a partnership of which Tenant is a general partner or a corporation of which Tenant is the majority shareholder or to the parent corporation of Tenant or an affiliate under common control of the parent corporation of Tenant or in the event of Tenants' merger or consolidation with another entity; provided further that no such assignment or sublease shall relieve Tenant of any liability hereunder, and Tenant shall not transfer its interest as a general partner (or as a majority shareholder as the case may be) without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld.

(b) Tenant shall submit current financial statements of any proposed assignee or sublessee together with Tenant's request for Landlord's approval of any proposed assignment or sublease, except if (i) the proposed assignee or sublessee is a partnership of which Tenant is a general partner, or is a corporation or limited liability company of which Tenant is a major shareholder, parent company or an affiliate under common control, and (ii) the financial statements of such proposed assignee or sublessee are consolidated with Tenant. Tenant shall reimburse Landlord for all costs and expenses actually paid by Landlord in connection with any requested assignment or sublease in an amount not to exceed Two Thousand Five Hundred Dollars (\$2,500.00). Such amount shall increase by three percent (3%) on each anniversary of the Effective Date of this Lease.

(c) If this Lease is assigned or transferred, or if all or any part of the Demised Premises is sublet or occupied by any party other than Tenant, Landlord may collect rent from the assignee, transferee, subtenant or occupant, and apply the net amount collected to the Rent reserved in this Lease, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any covenant or condition of this Lease, or the acceptance of the assignee, transferee, subtenant or occupant as tenant, or a release of Tenant from the performance or further performance by Tenant of its obligations under this Lease. Without limiting the generality of the foregoing, Tenant expressly acknowledges and agrees that in the event of an assignment of this Lease, Tenant shall remain joint and severally liable with the assignee for all of the obligations under this Lease, and in all other cases of any transfer of Tenant's interest under this Lease, Tenant shall remain primarily liable for such obligations, unless released by Landlord in writing pursuant to Section 25.03. Subject to the foregoing, the consent by Landlord to an assignment, transfer, management contract or subletting shall not in any way be construed to relieve Tenant from obtaining the express written consent of Landlord in each instance to any subsequent similar action that Tenant may intend to take.

Section 25.03 Notwithstanding anything contained in Section 25.02 to the contrary, Tenant shall have the right to sublease the Demised Premises in the ordinary course of Tenant's business with Landlord's consent, which shall not be unreasonably withheld, and provided that Tenant delivers to Landlord copies of such sublease agreements contemporaneous with their effectiveness, and Tenant remains primarily liable for all obligations under this Lease.

Section 25.04 An assignment made with Landlord's consent or as otherwise permitted hereunder shall not be effective until Tenant delivers to Landlord an executed counterpart of such assignment containing an agreement, in recordable form, executed by the assignor and the proposed assignee, in which the assignee assumes the performance of the obligations of the assignor under this Lease throughout the Lease Term.

Section 25.05 This Lease shall be binding upon, enforceable by, and inure to the benefit of the parties hereto and their respective heirs, successors, representatives and assigns.

ARTICLE XXVI
LANDLORD'S LOAN; TENANT'S LOAN

Section 26.01 This Lease shall be subject and subordinate to all ground leases and the lien of all mortgages and deeds of trust which now or hereafter affect Landlord's interest in the Demised Premises, and all amendments thereto, all without the necessity of Tenant's executing further instruments to effect subordination. The interest in the Demised Premises of any such future ground lessee or lienholder shall have priority over the interest of Tenant in this Lease and in the Demised Premises provided that such ground lessee or lienholder executes a non-disturbance and attornment agreement in the form of the Subordination, Nondisturbance and Attornment Agreement attached as Exhibit F hereto. Tenant shall execute and deliver to Landlord on the Commencement Date a Subordination, Nondisturbance and Attornment Agreement in the form of Exhibit F, and shall upon ten (10) days' written notice from Landlord, execute additional subordination, nondisturbance and attornment agreements and obtain from any subtenant at the Demised Premises, subordination, nondisturbance and attornment agreements substantially in the form of Exhibit F.

Section 26.02 In the event of a foreclosure proceeding, the exercise of the power of sale under any mortgage or deed of trust or the termination of a ground lease, Tenant shall, if requested, attorn to the purchaser thereupon and recognize such purchaser as Landlord under this Lease; provided, however, Tenant's obligation to attorn to such purchaser shall be conditioned upon such purchaser's written agreement not to disturb Tenant's interest in this Lease, except that such purchaser shall be entitled to enforce all rights and remedies of Landlord hereunder.

Section 26.03 Books and Records. Tenant shall keep accurate books and records of account sufficient sufficient to permit the preparation of financial statements in accordance with generally accepted accounting principles as in effect in the United States of America from time to time ("GAAP"). Landlord and its duly authorized representatives shall have the right to examine, copy and audit Tenant's records and books of account at all reasonable times during regular business hours. Tenant shall provide, or cause to be provided, to Landlord, in addition to any other financial statements required under this Lease, the following financial statements and information, all of which must be prepared in a form acceptable to Landlord:

(i) promptly and in any event within forty-five (45) days after the end of each of the first three (3) calendar quarters, and ninety (90) days after year-end, statements of financial position of Tenant as of the end of each such quarter or year-end, as applicable, including a balance sheet and statement of profits and losses, expenses and retained earnings, changes in financial position and cash flows, which statements shall be duly certified by an officer of Tenant to fairly represent the financial condition of Tenant, as of the date thereof, prepared by Tenant in accordance with GAAP, and, with respect to the year-end statement only, accompanied by a statement of a nationally recognized accounting firm acceptable to Landlord in its sole discretion that such financial statements present fairly, in all material respects, the financial condition of Tenant as of the end of the calendar year being reported on and that the results of the operations and cash flows for such year were prepared, and are being reported on, in conformity with GAAP; and

(ii) Property level profit and loss statements on a monthly basis, delivered to Landlord on or before the twentieth (20th) day of the end of the following month, and containing year-to-date information; and

(iii) such other information with respect to the Demised Property or Tenant that may be reasonably requested from time to time by Landlord, within a reasonable time after the applicable request, provided that such information is collected by Tenant in the ordinary course of its business and that Tenant shall not incur additional costs in delivering same to Landlord. If Tenant is publically traded on a national securities exchange, financial information reported by Tenant to the Securities and Exchange Commission will satisfy the requirements of Section 26.03(i) hereof.

Section 26.04 Provided that Tenant and Landlord shall secure any required consent from Landlord's Lender, Tenant shall have the right to encumber or hypothecate Tenant's interest in the leasehold estate created by this Lease but only with a leasehold deed of trust, mortgage, assignment of leases, assignment, security agreement and/or other security document securing a loan from a lender approved by Landlord (collectively, a "Leasehold Mortgage"). All proceeds from such Leasehold Mortgage shall remain the property of Tenant.

Section 26.05 Landlord shall not be obligated to subordinate any or all of Landlord's right, title or interest in and to the Demised Premises and this Lease to the lien of any Leasehold Mortgage.

Section 26.06 A Leasehold Mortgage shall encumber only Tenant's leasehold interest in the Demised Premises, and shall not encumber Landlord's right title or interest in the Demised Premises. Landlord shall have no liability whatsoever for the payment of the note or any obligation secured by any Leasehold Mortgage or any other provisions of such note or the Leasehold Mortgage or related obligations. Should there be any conflict between the provisions of this Lease and of any Leasehold Mortgage, the provisions of this Lease shall control. No Leasehold Mortgage will be for a term longer than the Term of this Lease, as and if extended as provided herein. Either prior to or concurrently with the recordation of the Leasehold Mortgage, Tenant shall cause a fully conformed copy thereof and of the note secured thereby to be delivered to Landlord, together with a written notice containing the name and post office address of the Lender (as defined herein).

Section 26.07 If Landlord declares a default under this Lease, Landlord shall notify any Lender who has given Landlord a prior written request for such notice of such default by sending a copy of the default notice required under this Lease to the Lender.

Section 26.08 Immediately upon the recording of the Leasehold Mortgage, Tenant, at Tenant's expense, shall cause to be recorded in the office of the County Recorder of each county in which the Demised Premises is located, a written request duly executed and acknowledged by Landlord for a copy of any notice of default and of any notice of sale under the Leasehold Mortgage, as provided by the law in which the Demised Premises are located.

Section 26.9 If title to Landlord's estate and to Tenant's estate are acquired by the same person or entity, other than as a result of termination of this Lease, no merger shall occur if the effect of such merger would impair the lien of any Leasehold Mortgage.

ARTICLE XXVII
MAINTENANCE OF OUTSIDE AREAS

Section 27.01 The term "Outside Areas" shall refer to all areas outside of the Buildings including all sidewalks, driveways, landscaping, trash enclosures, and trash compacting and loading areas on the Demised Premises.

Section 27.02 Tenant shall be responsible for maintaining the Outside Areas in a neat and clean condition, and shall ensure that debris from the operation of each restaurant on the Demised Premises are cleaned on a regular basis.

ARTICLE XXVIII
CERTIFICATES

Section 28.01

(a) Tenant shall, at its sole cost and expense, at any time and from time to time, within ten (10) days after delivery of written request by Landlord, deliver a written instrument to Landlord or any other person, firm or corporation specified by Landlord, duly executed and acknowledged, certifying that:

- (i) This Lease is unmodified and in full force and effect, or if there has been any modification, that the Lease is in full force and effect as modified and stating any such modification;
 - (ii) Whether or not there are then existing, to the knowledge of the executing officer, any defenses against the enforcement of any of the agreements, terms, covenants or conditions of this Lease upon the part of Tenant to be performed or complied with, and, if so, specifying same (including, without limitation, whether Tenant knows or does not know of any default by Landlord in Landlord's performance of all agreements, terms, covenants and conditions to be performed by Landlord, and if such default does exist, specifying same); and
 - (iii) The amounts and dates to which the Fixed Rent, and Additional Rent have been paid, the amounts of any and all outstanding balances of such items, if any, known to Tenant.
- (iv) Such other truthful information reasonably requested by Landlord.

(b) Tenant's failure to so deliver said certificate shall constitute an Event of Default at the sole option of Landlord and shall be conclusive as to the truthfulness of the items stated in Landlord's request. Delivery of a completed Estoppel Certificate in substantially the form as set forth on Exhibit C attached hereto ("Estoppel Certificate") shall satisfy this requirement.

Section 28.02 Landlord shall, at its sole cost and expense, at any time and from time to time, within ten (10) days after request by Tenant deliver to Tenant or any entity indicated by Tenant a written instrument, certifying whether or not its Lease is in full force and effect; whether it has been modified (and if so setting forth such modification); whether Tenant has fully made all payments then and theretofore due under this Lease, and whether Landlord knows or does not know, as the case may be, of any default by Tenant in the performance by Tenant of all agreements, terms, covenants and conditions on Tenant's part to be performed and if it does know of any failures or defaults, specifying same and setting forth such other truthful information as may be reasonably requested by Tenant. Delivery of a completed Estoppel Certificate similar (except for the parties) to the form set forth on Exhibit C attached hereto shall satisfy this requirement.

ARTICLE XXIX
RELATIONSHIP OF PARTIES

Nothing contained in this Lease shall be construed to create the relationship of principal and agent, partnership, joint venture or any other relationship between the parties hereto other than the relationship of Landlord and Tenant. Except as otherwise expressly provided herein, this Lease shall not in any way impose any liability upon the members, stockholders, officers, directors or trustees of Landlord if Landlord should be a limited liability company, corporate entity, or trust, or upon the stockholders, officers, directors or trustees of Tenant if Tenant should be a corporate entity or trust. If more than one person or entity is named as the Tenant hereunder, the obligations under this Lease of all such persons and entities as Tenant shall be joint and several.

ARTICLE XXX
RECORDING

Neither Landlord nor Tenant shall record this Lease; however, upon the request of either party hereto, the other party shall join in the execution of a memorandum of lease for the purposes of recordation in the form attached hereto as Exhibit D and by this reference incorporated herein (the "Memorandum"). The Memorandum shall describe the parties, the Demised Premises, the term of this Lease, any special provisions other than those pertaining to Rent and shall incorporate this Lease by reference. Tenant shall pay all costs charged or collected by the County Recorders to record the Memoranda.

ARTICLE XXXI
CAPTIONS AND SECTION NUMBERS

The captions, section numbers, and index appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such sections or articles nor in any way affect this Lease.

ARTICLE XXXII
APPLICABLE LAW

This Lease shall be governed by, and construed in accordance with the laws of the State of New York. If any provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each provision of the Lease shall be valid and enforceable to the fullest extent permitted by the law.

ARTICLE XXXIII
ENTIRE AGREEMENT

This Lease and the Exhibits attached hereto, all of which form a part hereof, set forth all the covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the Demised Premises, and there are no covenants, promises, agreements, conditions or understandings heretofore made, either oral or written, between them other than as herein set forth. No modification, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each party. Time is of the essence of this Lease.

ARTICLE XXXIV
LANDLORD'S LIABILITY

The obligations of Landlord under this Lease are not personal obligations of the individual members, partners, directors, officers, shareholders, agents or employees of Landlord; Tenant shall look solely to the Demised Premises for satisfaction of any liability of Landlord and shall not look to other assets of Landlord nor seek recourse against the assets of the individual members, partners, directors, officers, shareholders, agents or employees of Landlord. Whenever Landlord transfers its interest, Landlord shall be automatically released from further performance under this Lease and from all further liabilities and expenses hereunder, provided the transferee of Landlord's interest assumes all liabilities and obligations of Landlord hereunder from the date of such transfer.

ARTICLE XXXV
ATTORNEYS' FEES

If any legal action should be commenced in any court regarding any dispute arising between the parties hereto, or their successors and assigns, concerning any provision of this Lease or the rights and duties of any person in relation thereto, then the prevailing party therein shall be entitled to collect its reasonable expenses, attorneys' fee and court costs, including the same on appeal. As used herein, the term "prevailing party" means the party who, in light of the claims, causes of action, and defenses asserted, is afforded greater relief.

ARTICLE XXXVI
INTENTIONALLY DELETED

ARTICLE XXXVII
ENVIRONMENTAL

Section 37.01

(a) For the purpose of this Lease, the following definitions pertaining to environmental matters shall apply:

"Environmental Conditions" means the conditions of "Environmental Media" (as defined below), and the conditions of any part of the Demised Premises, including but not limited to building materials, which affect or may affect Environmental Media.

"Environmental Laws" shall mean any federal, state or local law, statute, ordinance, permit condition or regulation pertaining to public health, occupational health and safety, natural resources or environmental protection, including, without limitation: (1) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601 *et seq.* as amended ("CERCLA"), the Solid Waste Disposal Act, 42 U.S.C. 6901 *et seq.* as amended ("RCRA"), the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, as amended, 33 U.S.C. 1251 *et seq.*; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. 2601 *et seq.*; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. 11001 *et seq.*; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 USC 7401 *et seq.*; the National Environmental Policy Act of 1970, as amended, 42 USC 4321 *et seq.*; the Rivers and Harbors Act of 1899, as amended, 33 USC 401 *et seq.*; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801 *et seq.* the Endangered Species Act of 1973, as amended, 16 U.S.C. 1531, *et seq.*; the Occupational Safety and Health Act of 1970, as amended 29 U.S.C. 651, *et seq.*; the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. 300(f) *et seq.*, the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801 *et seq.* as amended, and all regulations, published governmental policies, and administrative or judicial orders promulgated under said laws; (2) all state or local laws which implement the foregoing federal laws or which pertain to public health and safety, occupational health and safety, natural resources or environmental protection: all as amended from time to time, and all regulations, published governmental policies, and administrative

or judicial orders promulgated under the foregoing laws; (3) all federal and state common law, including but not limited to the common law of public or private nuisance, trespass, negligence or strict liability, where such common law pertains to public health and safety, occupational health and safety, natural resources, environmental protection, or the use and enjoyment of property, and all judicial orders promulgated under said laws; and (4) all comparable local laws and comparable laws of other jurisdictions.

“Environmental Media” means soil, fill material, or other geologic materials at all depths, groundwater at all depths, surface water including storm water and sewerage, indoor and outdoor air, and all living organisms, including without limitation all animals and plants, whether such Environmental Media are located on or off the Demised Premises.

"Hazardous Materials" means any ignitable, reactive, explosive, corrosive, carcinogenic, mutagenic, toxic or radioactive material, whether virgin material, secondary material, by-product, waste or recycled material, defined, regulated or designated as a contaminant, pollutant, hazardous or toxic substance, material, waste, contaminant or pollutant under any Environmental Laws or any other federal, state or local law, statute, regulation, ordinance, or governmental policy presently in effect or as amended or promulgated in the future, and shall specifically include, without limitation: (a) those materials included within the definitions of "hazardous substances," "extremely hazardous substances," "hazardous materials," "toxic substances" "toxic pollutants," "hazardous air pollutants" "toxic air contaminants," "solid waste," "hazardous waste," "pollutants," "contaminants" or similar categories under any Environmental Laws; (b) those materials which create liability under common law theories of public or private nuisance, negligence, trespass or strict liability; and (c) specifically including, without limitation, any material, waste or substance which contains: (i) petroleum or petroleum derivatives byproducts, including crude oil and any fraction thereof and waste oil; (ii) asbestos; (iii) polychlorinated biphenyls; (iv) formaldehyde; and (v) radon.

“Release” means any active or passive spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into any Environmental Media. For the purposes of this Lease, “Release” also includes any threatened Release.

“Remedial Activities” means any investigation, work plan preparation removal, repair, cleanup, abatement, remediation, monitored natural attenuation, natural resource damage assessment and restoration, closure, post-closure, detoxification or remedial activity of any kind whatsoever necessary to address Environmental Conditions.

“Use” means the receipt, handling, generation, storage, treatment, recycling, transfer, transportation, introduction, or incorporation into, on, about, under or from the Demised Premises.

(b) Tenant acknowledges that it owned and operated the Demised Premises prior to selling the Demised Premises to Landlord and that Landlord makes no warranties or representations of any kind, or in any manner or in any form whatsoever, as to the status of Environmental Conditions or Hazardous Materials at the Demised Premises. Landlord has granted Tenant the absolute right to inquire with regard to the Environmental Conditions of the Demised Premises, including the right to inquire and obtain from Landlord or Landlord's predecessor copies of any and all existing environmental assessments. Landlord agrees to furnish Tenant with all copies of non-legally privileged environmental reports covering the Demised Premises, if any, which are in the possession of Landlord. Tenant will conduct at its own expense any and all investigations regarding Environmental Conditions of the Demised Premises and will satisfy itself as to the absence or existence of Hazardous Materials contamination of the Demised Premises. Tenant's entry into this Lease shall be made at its sole risk.

Section 37.02 From and after the Effective Date, Tenant shall not be entitled to the Use of any Hazardous Materials at the Demised Premises, unless performed in full compliance with all Environmental Laws and any other applicable local, state and federal statutes, orders, ordinances, rules and regulations. Tenant shall be prohibited from conducting or allowing the Release of Hazardous Materials onto, on, about, under or from the Demised Premises, the exception being sewer or other permitted discharges or Releases, in full compliance with all Environmental Laws and any other applicable laws. From and after the date of this Lease, Tenant covenants to, and shall, undertake all Remedial Activities necessary to address any Use or Release of Hazardous Materials after the date of this Lease, by Tenant or its agents, employees, representatives, invitees, licensees, subtenants, customers or contractors ("Other Parties"), or otherwise adversely affecting the Demised Premises at Tenant's sole cost and expense, and shall give immediate written notice of same to Landlord. If any Remedial Activities are required to be performed at any location other than the Demised Premises, Tenant shall use its best efforts to obtain any required access agreements from third parties.

Section 37.03 In addition to any other obligation herein, Tenant shall defend, indemnify and hold Landlord Parties free and harmless from any and all claims, losses, liabilities and other obligations of any kind whatsoever that may be made against or incurred by Landlord Parties in connection with (i) the violation of any Environmental Law, or (ii) Hazardous Materials or Environmental Conditions at or from the Demised Premises whether heretofore now existing or hereafter arising, and whether in connection with or as a result of Tenant's operations at the Demised Premises, including without limitation any and all costs and fees of attorneys or experts incurred by Landlord in defending against same; provided, however, that the foregoing indemnity shall not be applicable to the extent any such claims are directly attributed to the gross negligence, or willful misconduct of Landlord. This and any other right of Landlord may be assigned to its successors in interest under the terms of this Lease.

Section 37.04 Within fifteen (15) days after notification to Tenant, Tenant shall inform Landlord in writing of (i) any and all enforcement actions, initiation of Remedial Activities where no Remedial Activities are currently being conducted upon receipt of such notification, or other governmental or regulatory actions (excluding routine actions such as permit renewals) instituted, completed or threatened pursuant to any Environmental Laws affecting the Demised Premises; (ii) all claims made or threatened by any third person against Tenant or the Demised Premises relating in any way whatsoever to Hazardous Materials or Environmental Conditions (the matters set forth in clauses (i) and (ii) are hereinafter referred to as "Environmental Claims"); (iii) Tenant's knowledge of any material Release of Hazardous Materials at, on, in, under to or from the Demised Premises or on, in or under any adjoining property. Tenant shall also supply to Landlord within three (3) business days after Tenant first receives or sends the same, copies of all claims, reports, complaints, notices, warnings, asserted violations or other communications relating in any way to the matters described in this Section.

Section 37.05 In addition to any other obligations herein, Tenant shall be solely responsible for and shall indemnify and hold harmless all Landlord Parties from and against any and all private or governmental claims, lawsuits, administrative proceedings, judgments, penalties, fines, proceedings, loss, damage, cost, expense or liability directly or indirectly arising out of or associated in any manner whatsoever with Tenant's Use or the presence of Hazardous Materials (which may have occurred at any time including prior to the term hereof) or Release of Hazardous Materials at, on, under, about or from the Demised Premises during the term hereof, including any extensions. Tenant's indemnity and release includes, without limitation: (i) the costs associated with Remedial Activities, including all necessary plans and reports, incurred by the U.S. Environmental Protection Agency, or any other federal, state or local governmental agency or entity or by any other person, incurred pursuant to the CERCLA, RCRA, or any other applicable Environmental Laws; (ii) any oversight charges, fines, damages or penalties arising from the presence or Release of Hazardous Materials, and any related Remedial Activities, incurred pursuant to the provisions of CERCLA, RCRA, or any other applicable Environmental Laws; (iii) any liability to third parties arising out of the presence or Release of Hazardous Materials for personal injury, bodily injury, or property damage arising under any statutory or common law theory, including damages assessed for the maintenance of a public or private nuisance, the costs of Remedial Activities, or for the carrying on of an abnormally dangerous activity; (iv) all direct or indirect compensatory, consequential, or punitive damages arising out of any claim based on the presence or Release of Hazardous Materials or damage or threatened damage to Environmental Conditions; (v) any and all reasonable costs, fees and expenses of attorneys, consultants and experts incurred or sustained in making any investigation on account of any claim, in prosecuting or defending any action brought in connection therewith, in obtaining or seeking to obtain a release therefrom, or in enforcing any of the agreements herein contained; and (vi) Rent during any period of Remedial Activities equal to the Base Rent then in effect, or if the Lease has terminated, the Base Monthly Rent which was in effect on the Termination Date; provided, however, that the foregoing indemnity shall not be applicable to the extent any such claims are directly attributable to the gross negligence or willful misconduct of Landlord. The foregoing indemnity shall apply to Tenant's Use of Hazardous Materials irrespective of whether any of Tenant's activities were or will be undertaken in accordance with Environmental Laws or other applicable laws, regulations, codes and ordinances. This indemnity is intended to be operable under 42 U.S. C. 9607(e)(1). Tenant specifically agrees that it shall not sue or seek contribution from any indemnitee or any successors or assigns thereof in any matter relating to any Hazardous Material liability except as a result of the gross negligence of Landlord or other Landlord

Parties on the Demised Premises. All costs and expenses related to this paragraph incurred by Landlord shall be repaid by Tenant to Landlord as Additional Rent. This indemnity shall survive termination of the Lease.

ARTICLE XXXVIII
ADDENDA

Section 38.01 The following exhibits have been agreed to by the parties and attached hereto or initialed by the parties prior to the execution hereof, it being the intention of the parties that they shall become a binding part of this Lease as if fully set forth herein.

- Exhibit A Location/Legal Description/Address of the Real Property
- Exhibit B Tenant's Personal Property List
- Exhibit C Tenant's Estoppel Certificate
- Exhibit D Memorandum of Lease
- Exhibit E Intentionally Deleted
- Exhibit F Subordination, Nondisturbance and Attornment Agreement
- Exhibit G Intentionally Deleted
- Exhibit H Intentionally Deleted

ARTICLE XXXIX
COUNTERPARTS

Section 39.01 This Lease may be executed in counterparts and shall be binding on all the parties hereto as if one document had been signed. The delivery of an executed copy of this Lease by facsimile transmission shall have the same force and effect as the delivery of the original, signed copy of this Lease.

[SIGNATURES ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the parties have executed this Lease to be effective as of the date first above written.

LANDLORD:

FRI FISH, LLC

By: _____

Name: _____

Title: _____

Witness

Witness

TENANT:

SHELLS OF NEW SMYRNA BEACH, INC

By: _____

Name: _____

Title: _____

Witness

Witness

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EXHIBIT A

LOCATION/LEGAL DESCRIPTION/ADDRESS OF REAL PROPERTY

Physical Address:

725 E/ 3rd Ave., New Smyrna Beach, FL

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EXHIBIT B

TENANT'S PERSONAL PROPERTY LIST

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EXHIBIT C

TENANT'S ESTOPPEL CERTIFICATE

The undersigned, _____, whose address is 16313 North Dale Mabry Hwy., Ste 100, Tampa, FL 33618 represents and certifies as follows:

1. The undersigned is (i) the tenant ("Tenant") under that certain lease ("Lease") dated _____ with _____ as Landlord, covering the property described therein (collectively the "Demised Property").

2. The Lease constitutes the only agreement (either written or oral) the undersigned has with respect to the Demised Property and any right of occupancy or use thereof.

3. The Lease is in full force and effect and has not been assigned, subleased, supplemented, modified or amended except as follows:

4. The undersigned presently occupies the Demised Property and is paying rent on a current basis. No rent has been paid by Tenant in advance except for the monthly rental that became due on _____, and a security deposit in the sum of US\$0.00, now held by Landlord in accordance with the terms of the Lease.

5. The monthly Fixed Rent is the sum of _____ Dollars (US\$_____).

6. The present Lease term expires on _____ and there are no options to renew except: four (5) five-year options.

7. There are no defaults under the Lease by Landlord or any events which with the passage of time or giving of notice or both will result in any such default. The undersigned does not presently have (nor with the passage of time or giving of notice or both will have) any offset, charge, lien, claim, termination right or defense under the Lease.

8. The undersigned occupies and has accepted possession of the Demised Property covered by the Lease. All obligations of Landlord under the Lease required to be performed to date, including any improvements to be constructed by Landlord (or its predecessors or successors) or the granting of any free rent, rent credit, offset, deductions, building allowance or rent reduction have been completed to the satisfaction of the undersigned.

9. Landlord has no personal liability under the Lease (recourse against Landlord being limited to Landlord's interest in the Demised Property).

10. The undersigned is aware that third parties intend to rely upon this Certificate and the statements set forth herein and that the statements and facts set forth above shall be binding on the undersigned

11. The undersigned and the persons executing this Certificate on behalf of the undersigned have the power and authority to execute and deliver this Certificate.

12. Tenant has no right of first refusal, or option to purchase, with respect to all or any portion of any Demised Property; and

13. No deposits or prepayments of rent have been made in connection with the Lease, except as follows:_____

“TENANT”

Shells of New Smyrna Beach, Inc.

By:

Name:_____

Title:_____

EXHIBIT D

MEMORANDUM OF LEASE

(Above space reserved for recorder and recording information)

This instrument prepared by and after recording return to:

MEMORANDUM OF LEASE

This Memorandum of Lease is made and entered into as of October 27, 2006 by and between FRI FISH, LLC ("Landlord") and Shells of New Smyrna Beach, Inc. ("Tenant"), who agree as follows:

1. Terms and Premises. Pursuant to a certain Land and Building Lease (the "Lease") dated October 27, 2006 entered into between Landlord and Tenant, Landlord has leased to Tenant and Tenant has leased from Landlord a leasehold estate for years in and to Landlord's reversionary fee simple interest in that certain real property, together with all the improvements thereon and appurtenances thereunto belonging (the "Premises"), more particularly described on Exhibit "A" which is attached hereto and incorporated herein, commonly known as:

- commencing on October 27, 2006 and expiring on October 26, 2026. Tenant has FOUR (4) five-year options to extend the term of the Lease, all as more particularly set forth in the Lease.

2. Subordination Provisions. Tenant's rights under the Lease shall at all times be subject and subordinate to any fee mortgages and/or trust deeds now or hereafter filed against the Premises and to the rights of any Fee Mortgagee thereunder or as otherwise set forth in Section 26.01 of the Lease.

3. Purpose of Memorandum of Lease. This Memorandum of Lease is executed and recorded to give public notice of the Lease between the parties and all terms and conditions of the Lease are incorporated by reference into this Memorandum and this Memorandum of Lease does not modify the provisions of the Lease. If there are any conflicts between the Lease and this Memorandum of Lease, the provisions of the Lease shall prevail. The rights and obligations set forth herein shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Any term not defined herein shall have the meaning as set forth in the Lease.

[SIGNATURES AND ACKNOWLEDGMENTS ON NEXT PAGE]

LANDLORD:

TENANT:

FRI FISH, LLC

SHELLS OF NEW SMYRNA BEACH, INC.

By: _____
Date: _____

By: _____
Date: _____

Signed, sealed, and delivered this ____ day of _____, _____ in the presence of:

Signed, sealed, and delivered this ____ day of _____, _____ in the presence of:

Witness

Witness

Witness

Witness

Notary Public, County of _____, State of _____

Notary Public, County of _____, State of _____

My commission expires: _____

My commission expires: _____

(Notary Seal)

(Notary Seal)

EXHIBIT E

INTENTIONALLY DELETED

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EXHIBIT F

SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

Attn: _____
Loan No. _____

**SUBORDINATION AGREEMENT; ACKNOWLEDGMENT OF LEASE ASSIGNMENT,
ATTORNMENT AND NON-DISTURBANCE AGREEMENT
(Lease To Deed of Trust)**

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE
PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF
SOME OTHER OR LATER SECURITY INSTRUMENT.**

THIS SUBORDINATION AGREEMENT; ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ATTORNMENT
AND NON-DISTURBANCE AGREEMENT ("Agreement") is made DATE OF DOCUMENTS by and between
BORROWER NAME, a general partnership ("Owner", or "Lessor"), NAME OF LESSEE HERE ("Lessee") and
_____ ("Lender").

RECITALS

A. Pursuant to the terms and provisions of a lease dated _____, 2006 ("Lease"), Owner, as "Lessor", granted
to Lessee a leasehold estate in and to a portion of the property described on Exhibit A attached hereto and
incorporated herein by this reference (which property, together with all improvements now or hereafter located on
the property, is defined as the "Property").

B. Owner has executed, or proposes to execute, a deed of trust with absolute assignment of leases and rents, security agreement and fixture filing ("Deed of Trust") securing, among other things, a promissory note ("Note") in the principal sum of LOAN AMOUNT AND NO/100THS DOLLARS (\$LOAN AMOUNT NOS.), dated DATE OF DOCUMENTS, in favor of Lender, which Note is payable with interest and upon the terms and conditions described therein ("Loan"). The Deed of Trust is to be recorded concurrently herewith.

C. As a condition to making the Loan secured by the Deed of Trust, Lender requires that the Deed of Trust be unconditionally and at all times remain a lien on the Property, prior and superior to all the rights of Lessee under the Lease and that the Lessee specifically and unconditionally subordinate the Lease to the lien of the Deed of Trust, in each case, in accordance with the terms and provisions of this Agreement.

E. Owner and Lessee have agreed to the subordination, attornment and other agreements herein in favor of Lender.

NOW THEREFORE, for valuable consideration and to induce Lender to make the Loan, Owner and Lessee hereby agree for the benefit of Lender as follows:

1. **SUBORDINATION.** Owner and Lessee hereby agree that:

1.1 Prior Lien. The Deed of Trust securing the Note in favor of Lender, and any modifications, renewals or extensions thereof, shall unconditionally be and at all times remain a lien on the Property prior and superior to the Lease;

1.2 Subordination. Lender would not make the Loan without this agreement to subordinate; and

1.3 Whole Agreement. This Agreement shall be the whole agreement and only agreement with regard to the subordination of the Lease to the lien of the Deed of Trust and shall supersede and cancel, but only insofar as would affect the priority between the Deed of Trust and the Lease, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

AND FURTHER, Lessee individually declares, agrees and acknowledges for the benefit of Lender, that:

1.4 Use of Proceeds. Lender, in making disbursements pursuant to the Note, the Deed of Trust or any loan agreements with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat this agreement to subordinate in whole or in part;

1.5 Subordination. Lessee intentionally and unconditionally subordinates all of Lessee's right, title and interest in and to the Property to the lien of the Deed of Trust, in accordance with the terms and provisions of this Agreement, and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

2. ASSIGNMENT. LESSEE ACKNOWLEDGES AND CONSENTS TO THE ASSIGNMENT OF THE LEASE BY LESSOR IN FAVOR OF LENDER.

3. ESTOPPEL. LESSEE ACKNOWLEDGES AND REPRESENTS THAT:

3.1 Lease Effective. The Lease has been duly executed and delivered by Lessee and, subject to the terms and conditions thereof, the Lease is in full force and effect, the obligations of Lessee thereunder are valid and binding and there have been no modifications or additions to the Lease, written or oral;

3.2 No Default. To the best of Lessee's knowledge, as of the date hereof: (i) there exists no breach, default, or event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default under the Lease; and (ii) there are no existing claims, defenses or offsets against rental due or to become due under the Lease;

3.3 Entire Agreement. The Lease, together with the Purchase and Sale Agreement referred to therein, constitutes the entire agreement between Lessor and Lessee with respect to the Property, and Lessee claims no rights with respect to the Property other than as set forth in the Lease or the Purchase and Sale Agreement;

3.4 No Right of First Refusal or Option to Purchase: Neither the Lease nor the Purchase and Sale Agreement grants to Lessee any right of first refusal, or option to purchase, with respect to all or any portion of the Property; and

3.5 No Prepaid Rent. No deposits or prepayments of rent have been made in connection with the Lease, except as follows: (if none, state "None") _____.

4. ADDITIONAL AGREEMENTS. Lessee covenants and agrees that, during all such times as Lender is the Beneficiary under the Deed of Trust:

4.1 Notice of Default. Lessee will notify Lender in writing concurrently with any notice given to Lessor of any default by Lessor under the Lease, and Lessee agrees that Lender has the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Lessee will not declare a default of the Lease, as to Lender, if Lender cures such default within fifteen (15) days from and after the expiration of the time period provided in the Lease for the cure thereof by Lessor; provided, however, that if such default cannot with diligence be cured by Lender with-in such fifteen (15) day period, the commencement of action by Lender within such fifteen (15) day period to remedy the same shall be deemed sufficient so long as Lender pursues such cure with diligence;

4.2 Assignment of Rents. Upon receipt by Lessee of written notice from Lender that Lender has elected to terminate the license granted to Lessor to collect rents, as provided in the Deed of Trust, and directing the payment of rents by Lessee to Lender, Lessee shall comply with such direction to pay and shall not be required to determine whether Lessor is in default under the Loan and/or the Deed of Trust.

4.3 Certain Actions Not Binding on Lender. Lender shall not be bound by any modification, amendment, termination or cancellation of the Lease (in whole or in part) that was effected without Lender's prior written consent.

5. ATTORNMENT. IN THE EVENT OF A FORECLOSURE UNDER THE DEED OF TRUST, LESSEE AGREES FOR THE BENEFIT OF LENDER (INCLUDING FOR THIS PURPOSE ANY TRANSFEREE OF LENDER OR ANY TRANSFEREE OF LESSOR'S TITLE IN AND TO THE PROPERTY BY LENDER'S EXERCISE OF THE REMEDY OF SALE BY FORECLOSURE UNDER THE DEED OF TRUST), UPON THE RECEIPT BY LESSEE OF WRITTEN NOTICE OF SUCH FORECLOSURE, AS FOLLOWS:

5.1 Payment of Rent. Lessee shall pay to Lender all rental payments required to be made by Lessee pursuant to the terms of the Lease for the duration of the term of the Lease;

5.2 Continuation of Performance. Lessee shall be bound to Lender in accordance with all of the provisions of the Lease for the balance of the term thereof; provided that the Lease shall be deemed not to include any modification, amendment, termination or cancellation of the Lease (in whole or in part) that was effected without Lender's prior written consent; and Lessee hereby attorns to Lender as its landlord, and Lender hereby accepts such attornment, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Lender succeeding to Lessor's interest in the Lease and giving written notice thereof to Lessee;

5.3 No Offset. Lender shall not be liable for, nor subject to, any offsets or defenses which Lessee may have by reason of any act or omission of Lessor under the Lease with respect to the period preceding the effectiveness of the attornment provided for herein, nor for the return of any sums which Lessee may have paid to Lessor under the Lease (a) as and for security deposits, rentals paid more than one (1) month before the time when they became due under the lease, or otherwise, except to the extent that such sums are actually delivered by Lessor to Lender and applied to amounts due in respect of the Loan (or held by Lender as collateral therefor); and, for purposes of determining the rentals due under the Lease, any amount paid in respect of rentals paid more than one (1) month before the time such amount became due under the Lease and not delivered by Lessor to Lender and applied to amounts due in respect of the Loan (or held by Lender as collateral therefor) shall be treated as if they had not been paid; or (b) any payment made by Lessee to Lessor in consideration of any modification, termination or cancellation of the Lease (in whole or in part) without Lender's prior written consent.

5.4 Subsequent Transfer. If Lender, by succeeding to the interest of Lessor under the Lease, should become obligated to perform the covenants of Lessor thereunder, then, upon any further transfer of Lessor's interest by Lender, all of such obligations shall terminate as to Lender.

6. NON-DISTURBANCE. IN THE EVENT OF A FORECLOSURE UNDER THE DEED OF TRUST, SO LONG AS THERE SHALL THEN EXIST NO "EVENT OF DEFAULT" ON THE PART OF LESSEE UNDER (AND AS DEFINED IN) THE LEASE, LENDER AGREES FOR ITSELF AND ITS SUCCESSORS AND ASSIGNS THAT THE LEASEHOLD INTEREST OF LESSEE UNDER THE LEASE SHALL NOT BE EXTINGUISHED OR TERMINATED BY REASON OF SUCH FORECLOSURE, BUT RATHER THE LEASE SHALL CONTINUE IN FULL FORCE AND EFFECT IN ACCORDANCE WITH THE TERMS THEREOF EXCEPT AS MODIFIED OR LIMITED BY THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, THE PROVISIONS OF SECTIONS 4.3 AND 5.2 HEREOF), AND LENDER SHALL RECOGNIZE AND ACCEPT LESSEE AS TENANT UNDER THE LEASE SUBJECT TO THE TERMS AND PROVISIONS OF THE LEASE EXCEPT AS MODIFIED OR LIMITED BY THIS AGREEMENT.

7. MISCELLANEOUS.

7.1 Heirs, Successors, Assigns and Transferees. The covenants herein shall be binding upon, and inure to the benefit of, the heirs, successors and assigns of the parties hereto; and

7.2 Notices. All notices or other communications required or permitted to be given pursuant to the provisions hereof shall be deemed served upon delivery or, if mailed, upon the first to occur of receipt or the expiration of three (3) days after deposit in United States Postal Service, certified mail, postage prepaid and addressed to the address of Lessee or Lender appearing below:

"OWNER"

"LENDER"

BORROWER NAME, a general partnership _____
STREET ADDRESS _____
CITY, STATE ZIP _____

Attn: _____
Loan No. _____

"LESSEE"

NAME OF LESSEE HERE
LESSEE'S ADDRESS (STACKED) HERE

provided, however, any party shall have the right to change its address for notice hereunder by the giving of written notice thereof to the other party in the manner set forth in this Agreement; and

7.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute and be construed as one and the same instrument; and

7.4 Remedies Cumulative. All rights of Lender herein to collect rents on behalf of Lessor under the Lease are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Lessor or others; and

7.5 Paragraph Headings. Paragraph headings in this Agreement are for convenience only and are not to be construed as part of this Agreement or in any way limiting or applying the provisions hereof.

7.6 Lender's Consent. If the Lease is being entered into by Owner after the making of the Loan, Lender hereby consents to Owner's entry into the Lease.

7.7 Owner's Consent. By its execution and delivery of this Agreement, Owner consents to, and authorizes Lessee to comply with, each of the provisions hereof.

INCORPORATION. Exhibit A is attached hereto and incorporated herein by this reference.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.

"OWNER"

BORROWER NAME,
a general partnership

By: _____

Its: _____

"LENDER"

By:

Signee's Name
Its: Signee's Title

"LESSEE"

NAME OF LESSEE HERE

LESSEE SIGNATURE BLOCK HERE

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

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DESCRIPTION OF PROPERTY

EXHIBIT A to Subordination Agreement; Acknowledgment of Lease Assignment, Attornment and Non-Disturbance Agreement dated as of DATE OF DOCUMENTS, executed by BORROWER NAME, a general partnership as "Owner", NAME OF LESSEE HERE, as "Lessee", and _____, as "Lender".

All that certain real property located in the County of PROPERTY COUNTY, State of _____, described as follows:

APN

STATE OF _____
COUNTY OF _____ ss.

On this _____ day of _____, 20__, before me, _____ a Notary Public in and for the State of _____, personally appeared _____ personally known to me (or proved on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal

Signature _____

My commission expires _____

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) October 30, 2006

Shells Seafood Restaurants, Inc.

(Exact Name of Registrant as Specified in its Charter)

<u>Delaware</u> (State or Other Jurisdiction of Incorporation)	<u>0-28258</u> (Commission File Number)	<u>65-0427966</u> (IRS Employer Identification No.)
<u>16313 N. Dale Mabry Hwy, Suite 100, Tampa,</u> <u>FL</u> (Address of Principal Executive Offices)		<u>33618</u> (Zip Code)

Registrant's telephone number, including area code: (813) 961-0944

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 1.01 Entry into a Material Definitive Agreement.

On October 30, 2006, Shells Seafood Restaurants, Inc. (the "Company") repaid in full the bank credit facility with Colonial Bank (the "Bank") in the principal amount of \$500,000, with proceeds from a financing transaction on the Company's New Smyrna restaurant location. The repayment was completed within the terms of the agreement, as amended. The credit facility which originated in December 2005, bore interest at the bank's base rate plus 1%. The interest rate was 9.25% on October 30, 2006.

SIGNATURES

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

Date: November 2, 2006 SHELLS SEAFOOD RESTAURANTS, INC.

By: /s/ Warren R.
Nelson
Name: Warren R. Nelson
Title: Vice President and Chief Financial Officer

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended October 2, 2005

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period from _____ to _____

Commission File No. 0-28258

SHELLS SEAFOOD RESTAURANTS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

65-0427966
(IRS) Employer Identification Number

16313 North Dale Mabry Highway, Suite 100, Tampa, FL 33618
(Address of principal executive offices) (zip code)

(813) 961-0944
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Class	Outstanding at November 14, 2005
Common stock, \$0.01 par value	16,134,817

FORWARD LOOKING STATEMENTS

When used in this Quarterly Report on Form 10-Q/A, the words "believes", "anticipates", "expects", and similar expressions are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected.

In addition to seasonal fluctuations, our quarterly and annual operating results are affected by a wide variety of other factors that could materially and adversely affect our revenues and profitability, including changes in consumer preferences, tastes and eating habits; increases in food and labor costs; promotional timings and seasonality; the availability of qualified labor; national, regional and local economic and weather conditions; demographic trends and traffic patterns; changes in travel and tourism tendencies, particularly in light of world events; competition from other restaurants and food service establishments; cash balances available for operating activities; and the timing, costs and charges relating to restaurant openings, closings and remodelings. As a result of these and other factors, we may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect our business, financial condition, operating results, and stock price. An investment in our company involves various risks, including those which are detailed in this document and from time-to-time in our other filings with the Securities and Exchange Commission.

Any forward-looking statements included in this Quarterly Report speak only as of the date of this document. We are not undertaking any obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

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EXPLANATORY NOTE

Shells Seafood Restaurants, Inc. (“Shells”, “we”, “us”, “our”, or “Company”) is restating our previously issued consolidated financial statements for the third quarter of fiscal 2005 (“Restatement”), because we discovered the need for an adjustment to our accounting for the issuance of the Series B Preferred Stock and warrants in the May 2005 private placement. The adjustment was recorded as a non-cash implied dividend consisting of a warrant valuation and a beneficial conversion feature reflecting a non-detachable in-the-money conversion feature of the Series B Preferred Stock. This adjustment was identified in connection with internal procedures relative to the fiscal 2005 year-end audit. Further information on the adjustment can be found in Note 6, “Restatement of Financial Statements,” to the accompanying financial statements.

This Amendment No. 1 on Form 10-Q/A (this “Form 10-Q/A”) to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended October 2, 2005, initially filed with the Securities and Exchange Commission (the “SEC”) on November 16, 2005 (the “Original Filing”), is being filed to amend the Original Filing to reflect restatements of the Company’s consolidated balance sheet as of October 2, 2005, the consolidated statements of operations for the nine month period ended October 2, 2005, the consolidated statement of stockholders’ equity for the nine month period ended October 2, 2005 and the notes related thereto. For a more detailed description of the Restatement, see Note 6, “Restatement of Financial Statements,” to the accompanying consolidated financial statements and the section entitled “Restatement” in Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in this Form 10-Q/A.

Prior to the filing of this Form 10-Q/A, we filed Amendment No. 1 on Form 10-Q/A for the quarter ended July 3, 2005 to reflect restatement of the Company’s consolidated balance sheet as of July 3, 2005, the consolidated statements of operations for the second quarter and six months ended July 3, 2005, and the consolidated statement of stockholders’ equity for the six month period ended July 3, 2005, and the notes related thereto.

For the convenience of the reader, this Form 10-Q/A sets forth the Original Filing in its entirety. However, this Form 10-Q/A amends and restates only Items 1, 2, and 4 of Part I of the Original Filing, in each case, solely as a result of, and to reflect, the Restatement, and no other information in the Original Filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the Original Filing or to modify or update those disclosures affected by subsequent events. This Form 10-Q/A continues to speak as of the filing date of the Original Filing for the quarterly period ended October 2, 2005. In addition, pursuant to the rules of the SEC, Item 6 of Part II of the Original Filing has been amended to contain currently dated certifications from the Company’s Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company’s Chief Executive Officer and Chief Financial Officer are attached to this Form 10-Q/A as Exhibits 31.1, 31.2, and 32.1.

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SHELLS SEAFOOD RESTAURANTS, INC. AND SUBSIDIARIES

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**SHELLS SEAFOOD RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	(Unaudited, As Restated, see Note 6)	
	October 2, 2005	January 2, 2005
ASSETS		
Cash	\$ 2,377,588	\$ 2,349,519
Inventories	463,241	396,823
Other current assets	479,830	497,178
Receivables from related parties	93,217	109,477
Total current assets	3,413,876	3,352,997
Property and equipment, net	9,427,113	7,095,922
Goodwill	2,474,407	2,474,407
Other assets	794,027	535,376
Prepaid rent	352,512	59,956
TOTAL ASSETS	\$ 16,461,935	\$ 13,518,658
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 2,279,938	\$ 2,311,584
Accrued expenses	2,026,636	2,567,026
Sales tax payable	212,916	202,666
Convertible debentures and interest payable	-	2,395,301
Current portion of long-term debt	174,889	515,764
Total current liabilities	4,694,379	7,992,341
Notes and deferred interest payable to related parties	-	2,238,941
Long-term debt, less current portion	1,029,983	1,494,845
Deferred rent	822,185	849,287
Total liabilities	6,546,547	12,575,414
Minority partner interest	459,848	441,618
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; authorized 2,000,000 shares;		
Series A - 23,731 and 35,275 shares issued and outstanding	237	353
Series B - 461,954 shares issued and outstanding	4,620	-
Common stock, \$0.01 par value; authorized 58,000,000 and 20,000,000 shares, respectively; 15,763,737 and 8,565,406 shares issued and outstanding, respectively	157,637	85,654
Additional paid-in-capital	25,122,062	14,926,627
Accumulated deficit	(15,829,016)	(14,511,008)
Total stockholders' equity	9,455,540	501,626
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 16,461,935	\$ 13,518,658

See accompanying notes to consolidated financial statements.

Table of Contents**SHELLS SEAFOOD RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	13 Weeks Ended	
	October 2, 2005	September 26, 2004
REVENUES	\$ 10,240,800	\$ 8,682,534
COST AND EXPENSES:		
Cost of revenues	3,434,535	2,957,369
Labor and other related expenses	3,350,762	2,902,216
Other restaurant operating expenses	2,884,210	2,440,345
General and administrative expenses	1,070,455	770,571
Depreciation and amortization	408,164	271,793
	11,148,126	9,342,294
LOSS FROM OPERATIONS	(907,326)	(659,760)
OTHER INCOME (EXPENSE):		
Interest expense	(35,829)	(552,481)
Interest income	5,948	107
Other income, net	837,800	464,636
	807,919	(87,738)
LOSS BEFORE ELIMINATION OF MINORITY PARTNER INTEREST	(99,407)	(747,498)
ELIMINATION OF MINORITY PARTNER INTEREST	(52,500)	(51,006)
NET LOSS APPLICABLE TO COMMON STOCK	\$ (151,907)	\$ (798,504)
NET LOSS PER SHARE OF COMMON STOCK:		
Basic	\$ (0.01)	\$ (0.17)
Diluted	\$ (0.01)	\$ (0.17)
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	15,700,814	4,812,740
Diluted	15,700,814	4,812,740

See accompanying notes to consolidated financial statements.

Table of Contents**SHELLS SEAFOOD RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	39 Weeks Ended	
	October 2, 2005 As Restated, see Note 6	September 26, 2004
REVENUES	\$ 34,685,873	\$ 32,270,804
COST AND EXPENSES:		
Cost of revenues	11,431,721	10,798,148
Labor and other related expenses	10,511,226	9,900,136
Other restaurant operating expenses	8,404,977	7,761,611
General and administrative expenses	2,858,605	2,430,128
Depreciation and amortization	1,139,731	850,579
Pre-opening expenses	303,206	-
	34,649,466	31,740,602
INCOME FROM OPERATIONS	36,407	530,202
OTHER INCOME (EXPENSE):		
Lease buy-out option	600,000	-
Provision for impairment of assets	(211,000)	-
Interest expense	(380,090)	(759,605)
Interest income	13,431	2,301
Other income, net	560,171	521,956
	582,512	(235,348)
INCOME BEFORE ELIMINATION OF MINORITY PARTNER INTEREST	618,919	294,854
ELIMINATION OF MINORITY PARTNER INTEREST	(201,758)	(190,558)
NET INCOME BEFORE PREFERRED STOCK DIVIDEND	417,161	104,296
Deemed dividend associated with warrants and beneficial conversion feature of preferred stock	(1,735,169)	-
NET (LOSS) INCOME APPLICABLE TO COMMON STOCK	\$ (1,318,008)	\$ 104,296
NET (LOSS) INCOME PER SHARE OF COMMON STOCK:		
Basic	\$ (0.09)	\$ 0.02
Diluted	\$ (0.09)	\$ 0.01
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	14,381,962	4,722,503
Diluted	14,381,962	11,378,113

See accompanying notes to consolidated financial statements.

Table of Contents**SHELLS SEAFOOD RESTAURANTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	39 Weeks Ended	
	October 2, 2005	September 26, 2004
OPERATING ACTIVITIES:		
Net income before preferred stock dividend	\$ 417,161	\$ 11,511,500
American International Group, Inc., 8.18%, 5/15/68 (a)		3,755 5,097,413
AXA SA (a)(b)(f): 6.38%		4,900 5,282,837
6.46%		6,000 6,266,280
		Par (000) Value
Capital Trusts		
Insurance (concluded)		
Bank One Capital III, 8.75%, 9/01/30 (e)	USD	2,000 \$ 2,815,712
The Chubb Corp., 6.38%, 3/29/67 (a)(e)		7,400 8,066,000
Equitable of Iowa Cos. Capital Trust II, Series B, 8.42%, 4/01/27		5,000 5,920,854
Farmers Exchange Capital II, 6.15%, 11/01/53 (a)(b)		4,890 5,347,015
Great-West Life & Annuity Insurance Capital LP II, 7.15%, 5/16/46 (a)(b)(e)		500 517,500
Hartford Financial Services Group, Inc., 8.13%, 6/15/68 (a)		5,050 5,858,000
ING US, Inc., 5.65%, 5/15/53 (a)		4,750 4,750,000
Liberty Mutual Group, Inc., 10.75%, 6/15/88 (a)(b)		8,325 12,799,687
MetLife, Inc., 6.40%, 12/15/36 (e)		9,775 10,984,656
Prudential Financial, Inc., 5.88%, 9/15/42 (a)		6,100 6,466,000
Reinsurance Group of America, Inc., 6.75%, 12/15/65 (a)		12,000 12,240,000
Swiss Re Capital I LP, 6.85% (a)(b)(f)		4,450 4,672,500
XL Group PLC, Series E, 6.50% (a)(f)		1,920 1,842,240
		121,386,944
Multi-Utilities 0.3%		
Dominion Resources, Inc., 7.50%, 6/30/66 (a)		4,400 4,662,667
Oil, Gas & Consumable Fuels 1.3%		
Enterprise Products Operating LLC: (a) 7.00%, 6/01/67		2,500 2,628,125
Series A, 8.38%, 8/01/66		9,325 10,187,562
TransCanada PipeLines Ltd., 6.35%, 5/15/67 (a)		9,400 9,494,000
		22,309,687
Real Estate Investment Trusts (REITs) 0.6%		
Sovereign Real Estate Investment Trust, 12.00% (b)		7 9,342,683
Road & Rail 0.4%		
BNSF Funding Trust I, 6.61%, 12/15/55 (a)		6,125 6,838,618
Total Capital Trusts 18.5%		307,426,498
Preferred Stocks		Shares
Banks 0.9%		
Wells Fargo & Co., 5.85% (a)		550,500 14,290,980
Capital Markets 0.6%		
The Goldman Sachs Group, Inc., Series J, 5.50% (a)		162,450 3,887,429
SCE Trust III, 5.75% (a)		31,650 855,816
State Street Corp., Series D, 5.90% (a)		220,495 5,754,919
		10,498,164
Consumer Finance 0.0%		
Ally Financial, Inc., Series A, 8.50% (a)		24,509 648,999
Diversified Financial Services 0.8%		
Citigroup, Inc., Series K, 6.88% (a)		488,320 13,067,443
Electric Utilities 0.1%		

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Entergy Louisiana LLC, 5.25%	90,000	2,250,000
Insurance 0.2%		
The Allstate Corp., Series E, 6.63%	125,000	3,292,500
Machinery 0.1%		
Stanley Black & Decker, Inc., 6.25% (k)	11,107	1,288,745
Media 0.4%		
NBCUniversal Enterprise, Inc., 5.25% (b)(f)	5,600	5,833,481
Real Estate Investment Trusts (REITs) 0.2%		
Ventas Realty LP/Ventas Capital Corp., 5.45%	75,000	1,847,250
Vornado Realty Trust, Series K, 5.70%	50,000	1,229,500
		3,076,750

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust
(BTZ)

(Percentages shown are based on Net Assets)

	Shares	Value
Preferred Stocks		
Wireless Telecommunication Services 1.2%		
Centaur Funding Corp., 9.08% (b)	15,143	\$ 19,004,465
Total Preferred Stocks 4.5%		73,251,527
Trust Preferred 0.6%		
Diversified Financial Services 0.6%		
GMAC Capital Trust I, Series 2, 8.13%, 2/15/40 (a)	353,111	9,287,236
Total Preferred Securities 23.6%		389,965,261
Total Long-Term Investments		2,401,618,577
(Cost \$2,249,859,560) 144.6%		
Short-Term Securities		
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.07% (l)(m)	4,283,291	\$ 4,283,291
Total Short-Term Securities		4,283,291
(Cost \$4,283,291) 0.3%		
Options Purchased		3,369,343
(Cost \$8,179,455) 0.2%		
Total Investments Before Options Written		2,409,271,211
(Cost \$2,262,322,306) 145.1%		
Options Written		(2,444,259)
(Premiums Received \$7,454,970) (0.1)%		
Total Investments, Net of Options Written		2,406,826,952
(Cost \$2,254,867,336) 145.0%		
Liabilities in Excess of Other Assets (45.0)%		(746,384,987)
Net Assets 100.0%		\$ 1,660,441,965

Notes to Schedule of Investments

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

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

(c) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation
Bank of America N.A.	\$ 4,283,700	
Citigroup Global Markets, Inc.	\$ 1,893,210	
Credit Suisse Securities (USA) LLC	\$ 935,625	
Deutsche Bank Securities, Inc.	\$ 1,969,913	\$ 4,912
J.P. Morgan Securities LLC	\$ 2,510,594	\$ 15,594
Morgan Stanley & Co. International PLC	\$ 2,403,150	

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- (d) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares and/or in cash. Rates shown are the current rate and possible payment rates.

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

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

- (g) Non-income producing security.

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

- (i) Represents a step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate shown is as of report date.

- (j) Zero-coupon bond.

- (k) Convertible security.

- (l) Investments in issuers considered to be an affiliate of the Trust during the year ended October 31, 2014, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

Affiliate	Shares Held at October 31, 2013	Net Activity	Shares Held at October 31, 2014	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	3,999,467	283,824	4,283,291	\$ 2,660

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

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

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust (BTZ)

Reverse repurchase agreements outstanding as of October 31, 2014 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Face Value	Face Value Including Accrued Interest
Credit Suisse Securities (USA) LLC	0.35%	1/29/13	Open	\$ 14,670,000	\$ 14,761,423
Credit Suisse Securities (USA) LLC	0.35%	3/28/13	Open	10,309,437	10,367,872
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	10,825,000	10,885,725
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	7,353,912	7,395,166
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	8,703,625	8,752,450
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	1,143,000	1,149,412
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	7,339,594	7,380,767
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	2,639,763	2,654,571
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	15,710,962	15,799,097
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	6,912,937	6,951,717
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	5,351,062	5,381,080
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	1,252,295	1,259,320
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	7,590,500	7,633,081
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	3,747,562	3,768,585
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	3,633,656	3,654,040
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	860,781	865,610
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	4,077,375	4,100,248
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	8,587,500	8,635,673
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	3,567,375	3,587,387
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	11,181,744	11,244,470
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	2,285,625	2,298,447
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	2,915,000	2,931,352
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	6,173,719	6,208,352
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	20,623,680	20,739,373
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	12,448,144	12,517,974
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	3,007,500	3,024,371
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	5,154,000	5,182,913
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	837,900	842,600
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	872,969	877,866
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	2,880,000	2,896,156
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	3,664,406	3,684,963
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	8,018,569	8,063,551
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	597,400	600,751
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	3,695,812	3,716,545
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	476,875	479,550
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	4,197,375	4,220,921
Credit Suisse Securities (USA) LLC	0.35%	4/02/13	Open	532,125	535,110
Credit Suisse Securities (USA) LLC	0.35%	4/23/13	Open	7,076,875	7,115,198
Credit Suisse Securities (USA) LLC	0.35%	8/23/13	Open	2,055,000	2,063,691
Credit Suisse Securities (USA) LLC	0.35%	10/22/13	Open	17,741,250	17,805,759
Credit Suisse Securities (USA) LLC	0.35%	10/22/13	Open	16,593,750	16,654,087
UBS Securities LLC	0.32%	2/05/14	Open	956,709	958,997
UBS Securities LLC	0.33%	2/10/14	Open	6,197,000	6,211,940
Barclays Capital, Inc.	0.35%	2/28/14	Open	7,944,000	7,962,999
BNP Paribas Securities Corp.	0.34%	3/17/14	Open	9,813,000	9,834,223
Deutsche Bank Securities, Inc.	0.16%	4/16/14	Open	3,400,000	3,402,001
UBS Securities LLC	0.30%	5/08/14	Open	9,646,000	9,660,228
UBS Securities LLC	(0.50)%	5/13/14	Open	2,016,000	2,011,212
UBS Securities LLC	0.32%	5/13/14	Open	8,649,000	8,662,146
UBS Securities LLC	0.32%	5/13/14	Open	2,182,000	2,185,317
UBS Securities LLC	0.32%	5/13/14	Open	7,149,000	7,159,866
UBS Securities LLC	0.34%	5/13/14	Open	1,256,000	1,258,028
UBS Securities LLC	0.34%	5/13/14	Open	10,604,000	10,621,125

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UBS Securities LLC	0.34%	5/13/14	Open	683,000	684,103
UBS Securities LLC	0.34%	5/13/14	Open	5,229,000	5,237,445
UBS Securities LLC	0.34%	5/13/14	Open	4,668,000	4,675,539
UBS Securities LLC	0.35%	5/13/14	Open	10,880,000	10,898,088
UBS Securities LLC	0.35%	5/13/14	Open	6,046,000	6,056,051
UBS Securities LLC	0.35%	5/13/14	Open	1,115,000	1,116,854
UBS Securities LLC	0.35%	5/13/14	Open	6,061,000	6,071,076
UBS Securities LLC	0.35%	5/13/14	Open	5,546,000	5,555,220
UBS Securities LLC	0.35%	5/13/14	Open	3,255,000	3,260,411
UBS Securities LLC	0.35%	5/13/14	Open	23,285,000	23,323,711
UBS Securities LLC	0.35%	5/13/14	Open	11,160,000	11,178,554

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust (BTZ)

Reverse repurchase agreements outstanding as of October 31, 2014 were as follows (concluded):

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Face Value	Face Value Including Accrued Interest
Barclays Capital, Inc.	0.35%	5/14/14	Open	\$ 6,234,000	\$ 6,247,247
Barclays Capital, Inc.	0.35%	5/14/14	Open	1,213,000	1,216,322
Barclays Capital, Inc.	0.35%	5/14/14	Open	2,791,000	2,798,908
Barclays Capital, Inc.	0.35%	5/14/14	Open	11,233,000	11,264,296
Deutsche Bank Securities, Inc.	0.40%	5/27/14	Open	6,792,000	6,803,924
RBC Capital Markets, LLC	0.34%	5/28/14	Open	6,960,000	6,970,320
RBC Capital Markets, LLC	0.34%	5/30/14	Open	3,510,000	3,515,138
Barclays Capital, Inc.	(1.75)%	6/25/14	Open	1,319,870	1,311,593
RBC Capital Markets, LLC	0.34%	6/26/14	Open	13,680,000	13,696,538
RBC Capital Markets, LLC	0.34%	6/30/14	Open	4,664,400	4,669,863
RBC Capital Markets, LLC	0.34%	6/30/14	Open	3,324,750	3,328,644
Barclays Capital, Inc.	0.40%	7/01/14	Open	10,010,000	10,023,680
BNP Paribas Securities Corp.	0.34%	7/07/14	Open	8,155,000	8,163,934
BNP Paribas Securities Corp.	0.34%	7/07/14	Open	12,217,000	12,230,384
BNP Paribas Securities Corp.	0.35%	7/07/14	Open	5,672,000	5,678,397
Deutsche Bank Securities, Inc.	0.10%	7/22/14	Open	349,563	349,662
BNP Paribas Securities Corp.	0.07%	7/28/14	Open	1,886,138	1,886,490
HSBC Securities (USA), Inc.	0.40%	7/31/14	Open	11,957,143	11,969,499
Merrill Lynch, Pierce, Fenner & Smith, Inc.	0.15%	7/31/14	Open	8,833,813	8,837,236
Deutsche Bank Securities, Inc.	0.42%	8/04/14	Open	5,936,000	5,942,164
Deutsche Bank Securities, Inc.	0.40%	8/08/14	Open	1,119,000	1,120,020
Merrill Lynch, Pierce, Fenner & Smith, Inc.	(0.30)%	8/08/14	Open	1,235,000	1,234,156
BNP Paribas Securities Corp.	0.34%	8/12/14	Open	5,675,000	5,679,341
BNP Paribas Securities Corp.	0.38%	8/12/14	Open	4,625,000	4,628,954
BNP Paribas Securities Corp.	0.38%	8/12/14	Open	2,035,000	2,036,740
RBC Capital Markets, LLC	(1.00)%	8/22/14	Open	2,817,250	2,811,694
RBC Capital Markets, LLC	0.34%	9/11/14	Open	10,797,300	10,802,501
RBC Capital Markets, LLC	0.09%	9/18/14	Open	5,092,688	5,093,248
BNP Paribas Securities Corp.	0.35%	9/23/14	Open	5,162,000	5,163,957
BNP Paribas Securities Corp.	0.35%	9/23/14	Open	4,782,000	4,783,813
RBC Capital Markets, LLC	0.34%	9/30/14	Open	10,459,250	10,462,411
Deutsche Bank Securities, Inc.	0.42%	10/02/14	Open	4,517,000	4,518,528
Deutsche Bank Securities, Inc.	0.42%	10/02/14	Open	2,848,000	2,848,964
Barclays Capital, Inc.	0.40%	10/07/14	Open	13,545,000	13,548,763
BNP Paribas Securities Corp.	0.35%	10/07/14	Open	11,991,000	11,993,914
BNP Paribas Securities Corp.	0.35%	10/07/14	Open	7,463,000	7,464,814
Credit Suisse Securities (USA) LLC	0.20%	10/07/14	Open	8,277,000	8,278,150
Credit Suisse Securities (USA) LLC	0.35%	10/07/14	Open	4,347,500	4,348,557
Deutsche Bank Securities, Inc.	0.42%	10/08/14	Open	3,985,000	3,986,116
BNP Paribas Securities Corp.	0.10%	10/28/14	Open	3,332,000	3,332,028
BNP Paribas Securities Corp.	0.33%	10/28/14	Open	5,630,000	5,630,155
BNP Paribas Securities Corp.	0.33%	10/28/14	Open	5,381,000	5,381,148
BNP Paribas Securities Corp.	0.34%	10/28/14	Open	9,428,000	9,428,267
BNP Paribas Securities Corp.	0.34%	10/28/14	Open	11,100,000	11,100,315
BNP Paribas Securities Corp.	0.34%	10/28/14	Open	15,615,000	15,615,442
BNP Paribas Securities Corp.	0.34%	10/28/14	Open	5,034,000	5,034,143
BNP Paribas Securities Corp.	0.34%	10/28/14	Open	3,288,000	3,288,093
BNP Paribas Securities Corp.	0.34%	10/28/14	Open	2,966,000	2,966,084
BNP Paribas Securities Corp.	0.34%	10/28/14	Open	6,361,000	6,361,180
Barclays Capital, Inc.	0.35%	10/29/14	Open	734,000	734,227
Barclays Capital, Inc.	0.35%	10/29/14	Open	9,152,000	9,152,231
Barclays Capital, Inc.	0.35%	10/29/14	Open	2,514,000	2,514,236
Barclays Capital, Inc.	0.35%	10/29/14	Open	4,668,000	4,668,240
Barclays Capital, Inc.	0.35%	10/29/14	Open	4,956,000	4,956,244
Barclays Capital, Inc.	0.35%	10/29/14	Open	4,995,000	4,995,248

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Barclays Capital, Inc.	0.35%	10/29/14	Open	5,182,000	5,182,253
RBC Capital Markets, LLC	0.34%	10/30/14	Open	3,480,000	3,480,033
RBC Capital Markets, LLC	0.34%	10/30/14	Open	3,389,025	3,389,057
RBC Capital Markets, LLC	0.34%	10/30/14	Open	8,162,000	8,162,077
Total				\$ 757,925,453	\$ 759,751,939

¹ Certain agreements have no stated maturity and can be terminated by either party at any time.

See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust (BTZ)

Financial futures contracts outstanding as of October 31, 2014 were as follows:

Contracts Purchased (Sold)	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation (Depreciation)
(1,350)	90-Day Euro-Dollar	Chicago Mercantile	March 2016	USD 333,871,875	\$ (778,342)
(283)	Ultra Long U.S. Treasury Bond	Chicago Board of Trade	December 2014	USD 44,377,938	119,028
(64)	Long U.S. Treasury Bond	Chicago Board of Trade	December 2014	USD 9,030,000	235,926
168	2-Year U.S. Treasury Note	Chicago Board of Trade	December 2014	USD 36,886,500	108,026
652	10-Year U.S. Treasury Note	Chicago Board of Trade	December 2014	USD 82,386,313	(189,900)
1,347	5-Year U.S. Treasury Note	Chicago Board of Trade	December 2014	USD 160,871,790	929,909
Total					\$ 424,647

Exchange-traded options purchased as of October 31, 2014 were as follows:

Description	Put/Call	Strike Price	Expiration Date	Contracts	Market Value
90-Day Euro-Dollar	Put	USD 98.00	12/14/15	1,698	\$ 106,125
90-Day Euro-Dollar	Put	USD 99.00	12/14/15	1,698	689,812
Total					\$ 795,937

OTC interest rate swaptions purchased as of October 31, 2014 were as follows:

Description	Counterparty	Put/Call	Exercise Rate	Pay/Receive Exercise Rate	Floating Rate Index	Expiration Date	Notional Amount (000)	Market Value
5-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Put	4.50%	Pay	3-month LIBOR	8/07/18	USD 203,300	\$ 2,573,406

Exchange-traded options written as of October 31, 2014 were as follows:

Description	Put/Call	Strike Price	Expiration Date	Contracts	Market Value
90-Day Euro-Dollar	Put	USD 98.50	12/14/15	3,396	\$ (530,625)

OTC interest rate swaptions written as of October 31, 2014 were as follows:

Description	Counterparty	Put/Call	Exercise Rate	Pay/Receive Exercise Rate	Floating Rate Index	Expiration Date	Notional Amount (000)	Market Value
5-Year Interest Rate Swap	JPMorgan Chase Bank N.A.	Put	6.00%	Receive	3-month LIBOR	8/07/18	USD 406,600	\$ (1,913,634)

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Centrally cleared interest rate swaps outstanding as of October 31, 2014 were as follows:

Fixed Rate	Floating Rate	Clearinghouse	Effective Date	Expiration Date	Notional Amount (000)	Unrealized Appreciation (Depreciation)
1.45% ¹	3-month LIBOR	Chicago Mercantile	N/A	10/28/18	USD 13,800	\$ 18,314
1.50% ¹	3-month LIBOR	Chicago Mercantile	N/A	11/30/18	USD 10,700	7,293
1.78% ¹	3-month LIBOR	Chicago Mercantile	N/A	1/17/19	USD 22,900	(217,704)
2.21% ¹	3-month LIBOR	Chicago Mercantile	N/A	10/18/20	USD 65,000	(926,871)
2.79% ¹	3-month LIBOR	Chicago Mercantile	N/A	10/11/23	USD 68,000	(2,337,123)
2.79% ¹	3-month LIBOR	Chicago Mercantile	N/A	11/18/23	USD 10,600	(355,037)
3.03% ¹	3-month LIBOR	Chicago Mercantile	N/A	1/08/24	USD 10,900	(579,680)
Total						\$ (4,390,808)

¹ Trust pays the fixed rate and receives the floating rate.

OTC credit default swaps buy protection outstanding as of October 31, 2014 were as follows:

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Market Value	Premiums Paid (Received)	Unrealized Depreciation
Southwest Airlines Co.	1.00%	Goldman Sachs Bank USA	12/20/16	USD 2,535	\$ (44,546)	\$ 51,583	\$ (96,129)
Southwest Airlines Co.	1.00%	Goldman Sachs International	12/20/16	USD 1,465	(25,743)	29,811	(55,554)
Southwest Airlines Co.	1.00%	Royal Bank of Scotland PLC	12/20/16	USD 4,000	(70,330)	88,521	(158,851)
STMicro Electronics	1.00%	Barclays Bank PLC	6/20/17	EUR 1,500	(8,716)	32,491	(41,207)
General Dynamic Corp.	1.00%	Credit Suisse International	9/20/17	USD 5,585	(140,057)	(80,104)	(59,953)
Lockheed Martin Corp.	1.00%	Credit Suisse International	9/20/17	USD 5,585	(145,133)	(27,873)	(117,260)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust (BTZ)

OTC credit default swaps buy protection outstanding as of October 31, 2014 were as follows (concluded):

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Market Value	Premiums Paid (Received)	Unrealized Depreciation
Northrop Grumman Corp.	1.00%	Credit Suisse International	9/20/17	USD 4,715	\$ (122,592)	\$ (62,215)	\$ (60,377)
Raytheon Co.	1.00%	Credit Suisse International	9/20/17	USD 4,715	(121,659)	(66,271)	(55,388)
Humana, Inc.	1.00%	Goldman Sachs Bank USA	9/20/17	USD 4,500	(94,592)	42,792	(137,384)
Humana, Inc.	1.00%	Goldman Sachs International	9/20/17	USD 2,800	(58,857)	26,626	(85,483)
Cigna Corp.	1.00%	Goldman Sachs Bank USA	9/20/17	USD 4,500	(111,054)	(6,218)	(104,836)
Cigna Corp.	1.00%	Goldman Sachs International	9/20/17	USD 2,800	(69,100)	(3,869)	(65,231)
YUM! Brands, Inc.	1.00%	Deutsche Bank AG	3/20/19	USD 20,000	(493,299)	(327,708)	(165,591)
Citigroup, Inc.	1.00%	Deutsche Bank AG	3/20/19	USD 16,700	(281,372)	(62,490)	(218,882)
Kohl's Corp.	1.00%	JPMorgan Chase Bank N.A.	6/20/19	USD 5,345	3,809	99,169	(95,360)
Total					\$ (1,783,241)	\$ (265,755)	\$ (1,517,486)

OTC credit default swaps sold protection outstanding as of October 31, 2014 were as follows:

Issuer	Receive Fixed Rate	Counterparty	Expiration Date	Credit Rating ¹	Notional Amount (000) ²	Market Value	Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
Anadarko Petroleum Corp.	1.00%	Credit Suisse International	6/20/17	BBB	USD 2,425	\$ 36,354	\$ (63,939)	\$ 100,293
Anadarko Petroleum Corp.	1.00%	Morgan Stanley Capital Services LLC	6/20/17	BBB	USD 10	150	(291)	441
Anadarko Petroleum Corp.	1.00%	UBS AG	6/20/17	BBB	USD 994	14,901	(28,507)	43,408
Comcast Corp.	1.00%	Credit Suisse International	9/20/17	A-	USD 12,200	293,551	30,345	263,206
United Health Group, Inc.	1.00%	Goldman Sachs Bank USA	9/20/17	A+	USD 4,500	108,679	(6,191)	114,870
United Health Group, Inc.	1.00%	Goldman Sachs International	9/20/17	A+	USD 2,800	67,622	(3,853)	71,475
WellPoint, Inc.	1.00%	Goldman Sachs Bank USA	9/20/17	A-	USD 4,500	102,938	(24,609)	127,547
WellPoint, Inc.	1.00%	Goldman Sachs International	9/20/17	A-	USD 2,800	64,050	(15,312)	79,362
MetLife, Inc.	1.00%	Deutsche Bank AG	3/20/18	A-	USD 3,025	57,140	(83,014)	140,154
Bank of America Corp.	1.00%	Deutsche Bank AG	3/20/19	A-	USD 16,700	270,936	111,420	159,516
Valero Energy Corporation	1.00%	Citibank N.A.	9/20/19	BBB	USD 24	104	200	(96)
Valero Energy Corporation	1.00%	Barclays Bank PLC	9/20/19	BBB	USD 40	173	184	(11)
Valero Energy Corporation	1.00%	Barclays Bank PLC	9/20/19	BBB	USD 3	13	13	
Valero Energy Corporation	1.00%	Barclays Bank PLC	9/20/19	BBB	USD 110	480	457	23
Devon Energy Corp.	1.00%	BNP Paribas S.A.	12/20/19	BBB+	USD 13,014	24,607		24,607
Devon Energy Corp.	1.00%	BNP Paribas S.A.	12/20/19	BBB+	USD 190	360	276	84
Total						\$ 1,042,058	\$ (82,821)	\$ 1,124,879

¹ Using Standard & Poor's (S&P's) rating of the issuer.² The maximum potential amount the Trust may pay should a negative credit event take place as defined under the terms of the agreement.

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

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to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. The three levels of the fair value hierarchy are as follows:

Level 1 unadjusted quoted prices in active markets/exchanges for identical assets or liabilities that the Trust has the ability to access

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

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

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Trust's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. For information about the Trust's policy regarding valuation of investments and derivative financial instruments, please refer to Note 2 of the Notes to Financial Statements.

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Credit Allocation Income Trust (BTZ)

The following tables summarize the Trust's investments and derivative financial instruments categorized in the disclosure hierarchy as of October 31, 2014:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities		\$ 67,107,199	\$ 5,930,350	\$ 73,037,549
Corporate Bonds		1,860,591,330	21,431,574	1,882,022,904
Foreign Agency Obligations		12,240,650		12,240,650
Municipal Bonds		18,403,250		18,403,250
U.S. Government Sponsored Agency Securities		3,536,314		3,536,314
U.S. Treasury Obligations		22,412,649		22,412,649
Preferred Securities	\$ 57,700,817	332,264,444		389,965,261
Short-Term Securities	4,283,291			4,283,291
Options Purchased:				
Interest rate contracts	795,937	2,573,406		3,369,343
Total	\$ 62,780,045	\$ 2,319,129,242	\$ 27,361,924	\$ 2,409,271,211

	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments ¹				
Assets:				
Credit contracts		\$ 1,124,986		\$ 1,124,986
Interest rate contracts	\$ 1,392,889	25,607		1,418,496
Liabilities:				
Credit contracts		(1,517,593)		(1,517,593)
Interest rate contracts	(1,498,867)	(6,330,049)		(7,828,916)
Total	\$ (105,978)	\$ (6,697,049)		\$ (6,803,027)

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

The Trust may hold assets and/or liabilities in which the fair value approximates the carrying amount for financial statement purposes. As of October 31, 2014, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency at value	\$ 99			\$ 99
Cash pledged as collateral for OTC derivatives	500,000			500,000
Cash pledged for centrally cleared swaps	5,150,000			5,150,000
Cash pledged for financial futures contracts	353,000			353,000
Liabilities:				
Bank overdraft		\$ (26,363)		(26,363)
Cash received as collateral for OTC derivatives		(740,000)		(740,000)
Reverse repurchase agreements		(759,751,939)		(759,751,939)
Total	\$ 6,003,099	\$ (760,518,302)		\$ (754,515,203)

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2014.

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

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	Asset-Backed Securities	Corporate Bonds	Total
Assets:			
Opening Balance, as of October 31, 2013	\$ 8,505,000	\$ 16,746,250	\$ 25,251,250
Transfers into Level 3			
Transfers out of Level 3 ¹	(8,505,000)		(8,505,000)
Accrued discounts/premiums	906		906
Net realized gain (loss)			
Net change in unrealized appreciation/depreciation ^{2,3}	(6,781)	268,361	261,580
Purchases	5,936,225	4,416,963	10,353,188
Sales			
Closing Balance, as of October 31, 2014	\$ 5,930,350	\$ 21,431,574	\$ 27,361,924
Net change in unrealized appreciation/depreciation on investments still held at October 31, 2014 ³	\$ (6,781)	\$ 268,361	\$ 261,580

¹ As of October 31, 2013, the Trust used significant unobservable inputs in determining the value of certain investments. As of October 31, 2014, the Trust used observable inputs in determining the value of the same investments. As a result, investments with a beginning of period value of \$8,505,000 transferred from Level 3 to Level 2 in the disclosure hierarchy.

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock Credit Allocation Income Trust (BTZ)

² Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations.

³ Any difference between Net change in unrealized appreciation/depreciation and Net change in unrealized appreciation/depreciation on investments still held at October 31, 2014 is generally due to investments no longer held or categorized as Level 3 at period end.

The Trust's investments that are categorized as Level 3 were valued utilizing third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in third party information could result in a significantly lower or higher value of such Level 3 investments.

See Notes to Financial Statements.

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Consolidated Schedule of Investments October 31, 2014

BlackRock Floating Rate Income Trust
(BGT)

(Percentages shown are based on Net Assets)

Common Stocks	Shares	Value
Auto Components 0.0%		
Lear Corp.	402	\$ 37,185
Construction & Engineering 0.0%		
USI United Subcontractors	8,067	153,282
Diversified Consumer Services 0.6%		
Cengage Thomson Learning	19,588	541,119
Houghton Mifflin Harcourt Co. (a)	75,047	1,501,690
		2,042,809
Household Durables 0.0%		
Berkline Benchcraft Equity LLC	6,155	
Paper & Forest Products 0.2%		
Ainsworth Lumber Co. Ltd. (a)	220,483	508,634
Ainsworth Lumber Co. Ltd. (a)(b)	62,685	144,608
		653,242
Total Common Stocks 0.8%		2,886,518

Asset-Backed Securities	Par	Value
	(000)	
ALM Loan Funding, Series 2013-7RA (b)(c):		
Class C, 3.68%, 4/24/24	USD 630	588,337
Class D, 5.23%, 4/24/24	550	499,578
ALM XIV Ltd., Series 2014-14A (b)(c):		
Class B, 3.18%, 7/28/26	563	540,797
Class C, 3.68%, 7/28/26	713	655,018
Apidos CDO XI, Series 2012-11A, Class D,		
4.48%, 1/17/23 (b)(c)	500	490,533
Atlas Senior Loan Fund Ltd., Series 2014-6A, Class D, 3.96%, 10/15/26 (b)(c)	525	479,139
Atrium CDO Corp., Series 9A, Class D, 3.74%, 2/28/24 (b)(c)	500	472,862
Carlyle Global Market Strategies CLO Ltd. (b)(c):		
Series 2012-4A, Class D, 4.73%, 1/20/25	450	449,989
Series 2013-1A, Class C, 4.23%, 2/14/25	250	240,701
Cent CLO 22, Ltd., Series 2014-22A, Class C, 3.98%, 11/07/26 (b)(c)	750	715,650
Fraser Sullivan CLO VII Ltd., Series 2012-7A, Class C, 4.23%, 4/20/23 (b)(c)	575	562,655
ING Investment Management, Series 2012-2A, Class D, 4.78%, 10/15/22 (b)(c)	950	950,885
Madison Park Funding XI Ltd., Series 2013-11A, Class D, 3.73%, 10/23/25 (b)(c)	250	235,862
North End CLO Ltd., Series 2013-1A, Class D, 3.73%, 7/17/25 (b)(c)	500	466,391
Octagon Investment Partners XVII Ltd., Series 2013-1A, Class D,		
3.43%, 10/25/25 (b)(c)	750	681,886
OZLM Funding Ltd., Series 2012-2A, Class C, 4.58%, 10/30/23 (b)(c)	500	488,090
Symphony CLO Ltd., Class D (b)(c):		
Series 2012-10A, 5.48%, 7/23/23	925	926,384
Series 2012-9A, 4.48%, 4/16/22	775	756,606
Total Asset-Backed Securities 3.0%		10,201,363

Corporate Bonds

Airlines 0.6%		
American Airlines Pass-Through Trust, Series 2013-2, Class C, 6.00%, 1/15/17 (b)	600	618,000
US Airways Pass-Through Trust, Series 2012-2, Class C, 5.45%, 6/03/18	1,585	1,600,850

Corporate Bonds	Par	Value
		2,218,850

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		(000)	
Auto Components 0.4%			
Icahn Enterprises LP/Icahn Enterprises Finance Corp.:			
3.50%, 3/15/17	USD	410	\$ 407,950
4.88%, 3/15/19		863	878,102
			1,286,052
Capital Markets 0.4%			
Blackstone CQP Holdco LP, 9.30%, 3/18/19			
		555	560,826
E*Trade Financial Corp., 0.00%, 8/31/19 (b)(d)(e)			
		439	947,142
			1,507,968
Commercial Services & Supplies 0.2%			
Avis Budget Car Rental LLC/Avis Budget Finance, Inc., 2.98%, 12/01/17 (c)			
		179	179,233
AWAS Aviation Capital Ltd., 7.00%, 10/17/16 (b)			
		387	394,244
United Rentals North America, Inc., 5.75%, 7/15/18			
		210	219,975
			793,452
Communications Equipment 0.4%			
Avaya, Inc., 7.00%, 4/01/19 (b)			
		232	227,940
Zayo Group LLC/Zayo Capital, Inc., 8.13%, 1/01/20			
		1,010	1,078,175
			1,306,115
Construction & Engineering 0.1%			
Safway Group Holding LLC/Safway Finance Corp., 7.00%, 5/15/18 (b)			
		237	244,703
Diversified Financial Services 0.3%			
Ally Financial, Inc., 2.91%, 7/18/16 (c)			
		875	885,671
Diversified Telecommunication Services 0.3%			
Level 3 Financing, Inc. (b):			
3.82%, 1/15/18 (c)		607	608,517
6.13%, 1/15/21		337	353,429
			961,946
Energy Equipment & Services 0.2%			
Peabody Energy Corp., 6.00%, 11/15/18			
		535	517,612
Health Care Providers & Services 0.8%			
Care UK Health & Social Care PLC,			
5.56%, 7/15/19 (c)	GBP	482	717,082
CHS/Community Health Systems, Inc., 6.88%, 2/01/22			
	USD	192	206,880
HCA, Inc., 5.88%, 5/01/23			
		225	241,875
Tenet Healthcare Corp. (b):			
5.00%, 3/01/19		850	851,062
5.50%, 3/01/19		635	649,288
			2,666,187
Hotels, Restaurants & Leisure 0.4%			
Caesars Entertainment Operating Co., Inc., 9.00%, 2/15/20			
		1,771	1,332,530
Household Durables 0.0%			
Berkline/Benchcraft LLC, 1.00%, 11/03/14 (a)(f)			
		400	
Independent Power and Renewable Electricity Producers 0.3%			
Calpine Corp., 6.00%, 1/15/22 (b)			
		212	228,430
Dynegy Finance I, Inc./Dynegy Finance II, Inc., 6.75%, 11/01/19 (b)			
		850	879,750
			1,108,180
Media 0.2%			
NAI Entertainment Holdings/NAI Entertainment Holdings Finance Corp., 5.00%, 8/01/18 (b)			
		248	254,200
Numericable Group SA, 6.00%, 5/15/22 (b)			
		512	523,520
			777,720
Metals & Mining 0.0%			
Novelis, Inc., 8.38%, 12/15/17			
		155	161,975

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Floating Rate Income Trust
(BGT)

(Percentages shown are based on Net Assets)

	Par	
	(000)	Value
Corporate Bonds		
Oil, Gas & Consumable Fuels 0.2%		
CONSOL Energy, Inc., 5.88%, 4/15/22 (b)	USD 380	\$ 385,700
EP Energy LLC/Everest Acquisition Finance, Inc., 6.88%, 5/01/19	385	400,400
		786,100
Road & Rail 0.2%		
Florida East Coast Holdings Corp., 6.75%, 5/01/19 (b)	535	552,056
Wireless Telecommunication Services 0.3%		
Digicel Group Ltd., 8.25%, 9/30/20 (b)	830	867,350
T-Mobile USA, Inc., 6.13%, 1/15/22	135	139,894
		1,007,244
Total Corporate Bonds 5.3%		18,114,361
Floating Rate Loan Interests (c)		
Aerospace & Defense 1.7%		
DigitalGlobe, Inc., New Term Loan B, 3.75%, 1/31/20	1,345	1,335,705
TASC, Inc., 2nd Lien Term Loan, 12.00%, 5/30/21	725	738,594
Transdigm, Inc.: Term Loan C, 3.75%, 2/28/20	511	502,041
Term Loan D, 3.75%, 6/04/21	524	514,413
TransUnion LLC, Term Loan, 4.00%, 4/09/21	2,900	2,862,371
		5,953,124
Air Freight & Logistics 0.5%		
CEVA Group PLC, Synthetic LC, 6.50%, 3/19/21	450	426,516
CEVA Intercompany BV, Dutch Term Loan, 6.50%, 3/19/21	472	447,532
CEVA Logistics Canada ULC, Canadian Term Loan, 6.50%, 3/19/21	81	77,160
CEVA Logistics US Holdings, Inc., Term Loan, 6.50%, 3/19/21	651	617,286
		1,568,494
Airlines 0.5%		
Northwest Airlines, Inc.: 2.18%, 3/10/17	395	382,656
1.56%, 9/10/18	580	551,091
US Airways Group, Inc., New Term Loan B1, 3.50%, 5/23/19	693	676,292
		1,610,039
Auto Components 4.3%		
Autoparts Holdings Ltd.: 1st Lien Term Loan, 6.50%, 7/28/17	1,584	1,584,812
2nd Lien Term Loan, 10.50%, 1/29/18	650	634,290
Dayco Products LLC, New Term Loan B, 5.25%, 12/12/19	965	961,125
FPC Holdings, Inc., 1st Lien Term Loan, 5.25%, 11/19/19	898	878,780
Gates Global, Inc., Term Loan B, 4.25%, 7/05/21	5,420	5,352,250

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GPX International Tire Corp., Term Loan (a)(f):			
12.25%, 3/31/2012		274	
PIK, 13.00%, 3/30/2012		4	
INA Beteiligungsgesellschaft mbH, Term Loan E,			
4.25%, 5/15/20		1,535	1,530,211
The Goodyear Tire & Rubber Co., New 2nd Lien Term Loan, 4.75%, 4/30/19			
		1,705	1,708,734
Transtar Holding Co., 1st Lien Term Loan,			
5.75%, 10/09/18		1,282	1,273,354
		Par	
Floating Rate Loan Interests (c)		(000)	Value
Auto Components (concluded)			
UCI International, Inc., New Term Loan B,			
5.50%, 7/26/17	USD	914	\$ 911,522
			14,835,078
Automobiles 0.3%			
Chrysler Group LLC:			
2018 Term Loan B, 3.25%, 12/31/18			
		502	497,073
New Term Loan B, 3.50%, 5/24/17			
		522	519,256
			1,016,329
Banks 0.3%			
Redtop Acquisitions Ltd.:			
1st Lien Term Loan, 4.50%, 12/03/20			
		873	869,033
2nd Lien Term Loan, 8.25%, 6/03/21			
		184	183,612
			1,052,645
Beverages 0.0%			
Le-Nature s, Inc., Tranche B Term Loan,			
10.25%, 3/01/2011 (a)(f)		1,000	
Building Products 3.6%			
Continental Building Products LLC, 1st Lien Term Loan, 4.00%, 8/28/20			
		955	926,670
CPG International, Inc., New Term Loan,			
4.75%, 9/30/20		2,508	2,484,665
GYP Holdings III Corp., 1st Lien Term Loan,			
4.75%, 4/01/21		891	870,488
Interline Brands, Inc., 2021 Term Loan,			
4.00%, 3/17/21		1,065	1,039,812
Jeld-Wen, Inc., Term Loan B, 5.25%, 10/15/21			
		1,875	1,860,937
Nortek, Inc., New Term Loan, 3.75%, 10/30/20			
		1,277	1,251,660
Ply Gem Industries, Inc., Term Loan,			
4.00%, 2/01/21		617	604,951
Quikrete Holdings, Inc., 1st Lien Term Loan,			
4.00%, 9/28/20		1,053	1,042,335
United Subcontractors, Inc., Term Loan,			
4.24%, 6/30/15		214	203,704
Wilsonart LLC:			
Incremental Term Loan B2, 4.00%, 10/31/19			
		511	502,617
Term Loan B, 4.00%, 10/31/19			
		1,528	1,502,320
			12,290,159
Capital Markets 0.5%			
Affinion Group, Inc.:			
2nd Lien Term Loan, 8.50%, 10/12/18			
		635	591,079
Term Loan B, 6.75%, 4/30/18			
		803	776,348
American Capital Holdings, Inc., 2017 Term Loan,			
3.50%, 8/22/17		486	480,779
			1,848,206
Chemicals 4.7%			
Allnex (Luxembourg) & Cy SCA, Term Loan B1,			
4.50%, 10/03/19		592	587,141
Allnex USA, Inc., Term Loan B2, 4.50%, 10/03/19			
		307	304,639
Axalta Coating Systems US Holdings, Inc., Term Loan, 3.75%, 2/01/20			
		1,193	1,172,401
CeramTec Acquisition Corp., Term Loan B2,			
4.25%, 8/28/20		71	70,802

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Chemtura Corp., Term Loan B, 3.50%, 8/27/16	356	355,127
Chromaflo Technologies Corp.:		
1st Lien Term Loan, 4.50%, 12/02/19	695	691,276
2nd Lien Term Loan, 8.25%, 5/30/20	295	295,000
Evergreen Acqco 1 LP, New Term Loan, 5.00%, 7/09/19	1,257	1,248,097
INEOS US Finance LLC:		
3 Year Term Loan, 2.15%, 5/04/15	228	227,650
6 Year Term Loan, 3.75%, 5/04/18	521	513,892

See Notes to Financial Statements.

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Consolidated Schedule of Investments (continued)

BlackRock Floating Rate Income Trust
(BGT)

(Percentages shown are based on Net Assets)

		Par	
		(000)	Value
Floating Rate Loan Interests (c)			
Chemicals (concluded)			
MacDermid, Inc., 1st Lien Term Loan, 4.00%, 6/07/20	USD	1,731	\$ 1,693,061
Minerals Technologies Inc., Term Loan B, 4.00%, 5/09/21		1,345	1,339,242
Nexeo Solutions LLC, Term Loan B, 5.00%, 9/08/17		1,172	1,155,855
OXEA Finance LLC:			
2nd Lien Term Loan, 8.25%, 7/15/20		845	817,538
Term Loan B2, 4.25%, 1/15/20		1,416	1,378,538
Royal Adhesives and Sealants LLC, 1st Lien Term Loan, 5.50%, 7/31/18		412	413,353
Solenis International LP:			
1st Lien Term Loan, 4.25%, 7/31/21		945	930,825
2nd Lien Term Loan, 7.75%, 7/31/22		1,055	1,031,263
Tata Chemicals North America, Inc., Term Loan B, 3.75%, 8/07/20		351	343,551
Tronox Pigments (Netherlands) BV, 2013 Term Loan, 4.00%, 3/19/20		942	932,133
Univar, Inc., Term Loan B, 5.00%, 6/30/17		601	596,666
			16,098,050
Commercial Services & Supplies 5.6%			
ADS Waste Holdings, Inc., Term Loan, 3.75%, 10/09/19		1,879	1,837,614
ARAMARK Corp., Term Loan F, 3.25%, 2/24/21		530	521,886
ARAMARK Services, Inc., Term Loan E, 3.25%, 9/07/19		1,698	1,672,649
Brand Energy & Infrastructure Services, Inc., New Term Loan B, 4.75%, 11/26/20		2,307	2,291,228
Catalent Pharma Solutions, Inc.:			
New Term Loan, 6.50%, 12/29/17		44	44,071
Term Loan B, 4.50%, 5/20/21		2,170	2,165,050
Connolly Corp.:			
1st Lien Term Loan, 5.00%, 5/14/21		1,845	1,833,841
2nd Lien Term Loan, 8.00%, 5/14/22		900	896,625
KAR Auction Services, Inc., Term Loan B2, 3.50%, 3/11/21		825	816,874
Koosharem LLC, Exit Term Loan, 7.50%, 5/16/20		1,446	1,428,295
Livingston International, Inc.:			
1st Lien Term Loan, 5.00%, 4/16/19		810	779,384
2nd Lien Term Loan, 9.00%, 4/20/20		268	249,046
Spin Holdco, Inc., Term Loan B, 4.25%, 11/14/19		2,812	2,780,893
US Ecology, Inc., Term Loan, 3.75%, 6/17/21		574	570,219
West Corp., Term Loan B10, 3.25%, 6/30/18		1,405	1,383,328
			19,271,003
Communications Equipment 3.5%			
Amaya Holdings BV:			
1st Lien Term Loan, 5.00%, 8/01/21		510	505,645
2nd Lien Term Loan, 8.00%, 8/01/22		3,550	3,582,553
Applied Systems, Inc.:			
1st Lien Term Loan, 4.25%, 1/25/21		875	865,645
2nd Lien Term Loan, 7.50%, 1/23/22		230	228,372
Avaya, Inc., Extended Term Loan B3, 4.65%, 10/26/17		841	813,644
CommScope, Inc., Term Loan B3, 2.73%, 1/21/17		418	415,715
Telesat Canada, Term Loan A, 4.37%, 3/24/17	CAD	2,564	2,240,623
Zayo Group LLC/Zayo Capital, Inc., Term Loan B, 4.00%, 7/02/19	USD	3,272	3,241,052

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			11,893,249
Construction & Engineering	0.5%		
AECOM Technology Corp., Term Loan B, 3.75%, 10/15/21		515	514,586
BakerCorp International, Inc., Term Loan, 4.25%, 2/14/20		449	434,425
Centaur Acquisition LLC, New 2nd Lien Term Loan, 8.75%, 2/15/20		745	750,587
			1,699,598
		Par	
Floating Rate Loan Interests (c)		(000)	Value
Construction Materials	1.6%		
Filtration Group Corp., 1st Lien Term Loan, 4.50%, 11/21/20		USD 586	\$ 583,233
HD Supply, Inc., Term Loan B, 4.00%, 6/28/18		4,454	4,407,139
McJunkin Red Man Corp., New Term Loan, 5.00%, 11/08/19		396	396,495
			5,386,867
Containers & Packaging	1.0%		
Ardagh Holdings USA, Inc., Incremental Term Loan, 4.00%, 12/17/19		562	556,087
Berry Plastics Holding Corp., Term Loan E, 3.75%, 1/06/21		1,672	1,641,349
BWAY Holding Company, Inc., New Term Loan B, 5.50%, 8/14/20		918	921,141
Rexam PLC, 1st Lien Term Loan, 4.25%, 5/02/21		474	469,074
			3,587,651
Distributors	1.4%		
ABC Supply Co., Inc., Term Loan, 3.50%, 4/16/20		2,826	2,760,509
American Tire Distributors Holdings, Inc., Term Loan B, 5.75%, 6/01/18		886	884,749
Crossmark Holdings, Inc., 1st Lien Term Loan, 4.50%, 12/20/19		491	478,050
VWR Funding, Inc., Term Loan, 3.40%, 4/03/17		722	714,984
			4,838,292
Diversified Consumer Services	2.7%		
Allied Security Holdings LLC:			
New 1st Lien Term Loan, 4.25%, 2/12/21		1,757	1,734,102
New 2nd Lien Term Loan, 8.00%, 8/13/21		254	251,472
Bright Horizons Family Solutions, Inc., Term Loan B, 3.75%, 1/30/20		1,479	1,459,070
Garda World Securities Corp.:			
Delayed Draw Term Loan, 4.00%, 11/06/20		138	133,889
New Term Loan B, 4.00%, 11/06/20		538	523,385
Iglo Foods Midco Ltd., Term Loan B, 4.26%, 6/30/20		EUR 1,020	1,249,581
ROC Finance LLC, Term Loan, 5.00%, 6/20/19		USD 653	624,611
ServiceMaster Company, 2014 Term Loan B, 4.25%, 7/01/21		2,320	2,297,287
Weight Watchers International, Inc., Term Loan B2, 4.00%, 4/02/20		1,231	938,828
			9,212,225
Diversified Financial Services	2.6%		
AssuredPartners Capital, Inc., 1st Lien Term Loan, 4.50%, 3/31/21		910	903,175
RPI Finance Trust, Term Loan B3, 3.25%, 11/09/18		235	233,328
SAM Finance Luxembourg Sarl, Term Loan, 4.25%, 12/17/20		1,563	1,556,356
SIG Euro Holdings AG & Co. KG, 2013 Term Loan, 4.25%, 12/02/18		EUR 4,913	6,151,460
			8,844,319
Diversified Telecommunication Services	4.6%		
Consolidated Communications, Inc., New Term Loan B, 4.25%, 12/23/20		USD 1,847	1,837,429
Hawaiian Telcom Communications, Inc., Term Loan B, 5.00%, 6/06/19		1,441	1,437,145
Integra Telecom, Inc.:			
2nd Lien Term Loan, 9.75%, 2/22/20		685	673,012
Term Loan B, 5.25%, 2/22/19		1,216	1,211,305
Level 3 Financing, Inc.:			
2020 Term Loan B, 4.00%, 1/15/20		4,685	4,661,575
Incremental Term Loan B5, 4.50%, 1/31/22		2,245	2,254,115
New 2019 Term Loan, 4.00%, 8/01/19		902	896,082
Syniverse Holdings, Inc., Term Loan B, 4.00%, 4/23/19		1,183	1,159,905

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Floating Rate Income Trust
(BGT)

(Percentages shown are based on Net Assets)

		Par	
		(000)	Value
Floating Rate Loan Interests (c)			
Diversified Telecommunication Services (concluded)			
US Telepacific Corp., New Term Loan B, 5.75%, 2/23/17	USD	1,865	\$ 1,857,579
			15,988,147
Electric Utilities 0.3%			
American Energy Utica LLC:			
2nd Lien Delayed Draw Term Loan, 11.00%, 9/30/18		134	133,660
2nd Lien Term Loan, 5.50%, 9/30/18		621	639,220
Incremental 2nd Lien Term Loan, 11.00%, 9/30/18		132	131,825
			904,705
Electrical Equipment 1.5%			
Southwire Co., Term Loan, 3.25%, 2/10/21		612	594,332
Texas Competitive Electric Holdings Co. LLC:			
DIP Term Loan, 3.75%, 5/05/16		1,560	1,568,248
Extended Term Loan, 4.65%, 10/10/1 (f)		4,025	2,926,738
			5,089,318
Electronic Equipment, Instruments & Components 0.5%			
CDW LLC, Term Loan, 3.25%, 4/29/20		1,759	1,718,139
Energy Equipment & Services 1.1%			
Dynergy Holdings, Inc., Term Loan B2, 4.00%, 4/23/20		2,552	2,534,510
Exgen Texas Power LLC, Term Loan B, 5.75%, 9/16/21		211	210,517
MEG Energy Corp., Refinancing Term Loan, 3.75%, 3/31/20		956	939,038
			3,684,065
Food & Staples Retailing 1.9%			
Alliance Boots Holdings Ltd., Term Loan B1, 3.48%, 7/09/15	GBP	2,435	3,889,430
New Albertson's, Inc., Term Loan, 4.75%, 6/27/21	USD	900	888,192
Rite Aid Corp., 2nd Lien Term Loan, 5.75%, 8/21/20		540	542,700
Supervalu, Inc., Refinancing Term Loan B, 4.50%, 3/21/19		1,079	1,064,072
			6,384,394
Food Products 3.3%			
CTI Foods Holding Co. LLC, New 1st Lien Term Loan, 4.50%, 6/29/20		515	506,435
Del Monte Foods, Inc., 1st Lien Term Loan, 4.25%, 2/18/21		1,160	1,087,783
Diamond Foods, Inc., New Term Loan, 4.25%, 8/20/18		1,822	1,803,899
Dole Food Co., Inc., New Term Loan B, 4.50%, 11/01/18		1,459	1,452,116
GFA Brands, Inc., New Term Loan B, 4.50%, 7/09/20		292	286,393
Hearthside Group Holdings LLC, Term Loan, 4.50%, 6/02/21		1,322	1,312,608
Performance Food Group Co., 2nd Lien Term Loan, 6.25%, 11/14/19		1,013	1,009,040
Pinnacle Foods Finance LLC:			
Incremental Term Loan H, 3.25%, 4/29/20		1,036	1,016,169
Term Loan G, 3.25%, 4/29/20		995	974,988
Reddy Ice Corp.:			
1st Lien Term Loan, 6.75%, 5/01/19		1,487	1,383,235
2nd Lien Term Loan, 10.75%, 11/01/19		725	630,750
			11,463,416
Health Care Equipment & Supplies 5.7%			
Arysta LifeScience Corp., 1st Lien Term Loan, 4.50%, 5/29/20		1,413	1,406,269
Floating Rate Loan Interests (c)		(000)	Value
Health Care Equipment & Supplies (concluded)			

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Biomet, Inc., Term Loan B2, 3.65%, 7/25/17	USD	1,361	\$ 1,357,008
Capsugel Holdings US, Inc., New Term Loan B, 3.50%, 8/01/18		951	937,081
DJO Finance LLC, 2017 Term Loan, 4.25%, 9/15/17		2,288	2,275,055
Fresenius SE & Co. KGaA, Term Loan B:			
Incremental, 2.33%, 6/28/19	EUR	318	397,005
2.23%, 8/07/19	USD	1,351	1,346,009
The Hologic, Inc., New Term Loan B, 3.25%, 8/01/19		2,186	2,172,448
Immucor, Inc., Refinancing Term Loan B2, 5.00%, 8/17/18		1,708	1,703,910
Kinetic Concepts, Inc., Term Loan E1, 4.00%, 5/04/18		317	314,031
Leonardo Acquisition Corp., Term Loan, 4.25%, 1/31/21		1,423	1,403,286
Millennium Laboratories, Inc., Term Loan B, 5.25%, 4/16/21		1,596	1,595,011
National Vision, Inc.:			
1st Lien Term Loan, 4.00%, 3/12/21		1,674	1,626,226
2nd Lien Term Loan, 6.75%, 3/11/22		650	615,063
Onex Carestream Finance LP, 2nd Lien Term Loan, 9.50%, 12/07/19		39	38,597
Ortho-Clinical Diagnostics, Inc., Term Loan B, 4.75%, 6/30/21		2,444	2,416,992
			19,603,991
Health Care Providers & Services 6.8%			
Amedisys, Inc., 2nd Lien Term Loan, 8.50%, 6/25/20		900	877,500
American Renal Holdings, Inc., 1st Lien Term Loan, 4.50%, 9/20/19		621	609,060
Amsurg Corp., 1st Lien Term Loan B, 3.75%, 7/16/21		1,798	1,783,544
Ardent Medical Services, Inc., Term Loan, 6.75%, 7/02/18		649	649,420
CHG Buyer Corp., New Term Loan, 4.25%, 11/19/19		1,050	1,041,972
CHS/Community Health Systems, Inc., Term Loan D, 4.25%, 1/27/21		5,240	5,242,024
ConvaTec, Inc., Term Loan, 4.00%, 12/22/16		1,102	1,097,679
DaVita HealthCare Partners, Inc., Term Loan B, 3.50%, 6/24/21		5,920	5,866,230
Envision Acquisition Co. LLC, Term Loan, 5.75%, 11/04/20		629	628,650
Envision Healthcare Corp., Term Loan, 4.00%, 5/25/18		911	903,722
Genesis HealthCare Corp., Term Loan B, 10.00%, 9/25/17		527	542,782
HCA, Inc., Extended Term Loan B4, 2.98%, 5/01/18		327	325,008
Ikaria, Inc.:			
1st Lien Term Loan, 5.00%, 2/12/21		174	174,345
2nd Lien Term Loan, 8.75%, 2/14/22		195	194,838
inVentiv Health, Inc., Incremental Term Loan B3, 7.75%, 5/15/18		240	236,741
MPH Acquisition Holdings LLC, Term Loan, 4.00%, 3/31/21		1,327	1,304,903
National Mentor Holdings, Inc., Term Loan B, 4.75%, 1/31/21		692	685,976
Surgery Center Holdings, Inc., New 1st Lien Term Loan, 5.25%, 7/09/20		597	596,316
Surgical Care Affiliates, Inc., Class C Incremental Term Loan, 4.00%, 6/29/18		839	828,883
			23,589,593

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Floating Rate Income Trust
(BGT)

(Percentages shown are based on Net Assets)

	Par		Value
	(000)		
Floating Rate Loan Interests (c)			
Health Care Technology 0.9%			
IMS Health, Inc., New Term Loan, 3.50%, 3/17/21	USD 2,000		\$ 1,973,531
MedAssets, Inc., Term Loan B, 4.00%, 12/13/19	1,167		1,156,021
			3,129,552
Hotels, Restaurants & Leisure 11.9%			
Bally Technologies, Inc., Term Loan B, 4.25%, 11/25/20	854		850,185
Belmond Interfin Ltd., Term Loan B, 4.00%, 3/21/21	1,323		1,306,808
Boyd Gaming Corp., Term Loan B, 4.00%, 8/14/20	688		677,738
Bronco Midstream Funding LLC, Term Loan B, 5.00%, 8/17/20	1,859		1,849,374
Burger King NEWCO Unlimited Liability Company, 2014 Term Loan B, 4.50%, 10/27/21	3,430		3,426,501
Caesars Entertainment Operating Co., Inc.:			
Extended Term Loan B6, 6.99%, 3/01/17	894		800,380
Term Loan B7, 9.75%, 1/28/18	893		824,073
Caesars Entertainment Resort Properties LLC, Term Loan B, 7.00%, 10/11/20	2,335		2,223,587
CCM Merger, Inc., New Term Loan B, 4.50%, 8/08/21	1,014		1,007,541
Dave & Buster's, Inc., New Term Loan, 4.50%, 7/25/20	410		408,820
Diamond Resorts Corp., New Term Loan, 5.50%, 5/09/21	1,421		1,417,884
Dunkin Brands, Inc., Term Loan B4, 3.25%, 2/07/21	882		865,531
Four Seasons Holdings, Inc., 2nd Lien Term Loan, 6.25%, 12/28/20	745		746,863
Hilton Worldwide Finance LLC, Term Loan B2, 3.50%, 10/26/20	3,349		3,313,755
Intrawest ULC, Term Loan, 5.50%, 12/09/20	779		778,380
La Quinta Intermediate Holdings LLC, Term Loan B, 4.00%, 4/14/21	5,318		5,274,998
Las Vegas Sands LLC, Term Loan B, 3.25%, 12/19/20	1,734		1,728,139
MGM Resorts International, Term Loan B, 3.50%, 12/20/19	2,160		2,132,736
Pinnacle Entertainment, Inc., Term Loan B2, 3.75%, 8/13/20	1,031		1,019,648
Playa Resorts Holding BV, Term Loan B, 4.00%, 8/06/19	1,074		1,058,038
RHP Hotel Properties LP, Term Loan B, 3.75%, 1/15/21	788		781,130
Sabre, Inc.:			
Incremental Term Loan, 4.00%, 2/19/19	307		301,913
Term Loan B, 4.00%, 2/19/19	840		826,260
Scientific Games International, Inc., 2014 Term Loan B1, 4.25%, 10/18/20	937		915,726
Station Casinos LLC, Term Loan B, 4.25%, 3/02/20	3,376		3,335,980
Travelport Finance (Luxembourg) S.a.r.l., 2014 Term Loan B, 6.00%, 9/02/21	2,045		2,042,444
Twin River Management Group, Inc., New Term Loan B, 5.25%, 7/10/20	688		684,834
Wendy's International, Inc., New Term Loan B, 3.25%, 5/15/19	573		568,600
			41,167,866
Household Products 1.1%			
Bass Pro Group LLC, New Term Loan, 3.75%, 11/20/19	1,686		1,664,091
Prestige Brands, Inc., New Term Loan, 4.13%, 1/31/19	714		712,785
Spectrum Brands, Inc.:			
Term Loan A, 3.00%, 9/04/17	481		477,865
Term Loan C, 3.50%, 9/04/19	899		889,242

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	Par	
		3,743,983
	Par	
Floating Rate Loan Interests (c)	(000)	Value
Independent Power and Renewable Electricity Producers 2.0%		
Calpine Corp., Term Loan B1, 4.00%, 4/01/18	USD 2,672	\$ 2,659,481
Energy Future Intermediate Holding Co LLC, DIP Term Loan, 4.25%, 6/19/16	2,370	2,364,075
Granite Acquisition Inc.:		
Term Loan B, 5.00%, 10/15/21	1,902	1,904,560
Term Loan C, 5.00%, 10/15/21	84	83,800
		7,011,916
Industrial Conglomerates 0.7%		
Sequa Corp., New Term Loan B, 5.25%, 6/19/17	2,558	2,431,648
Insurance 2.1%		
Alliant Holdings I, Inc., New Term Loan B, 4.25%, 12/20/19	1,103	1,096,078
CNO Financial Group, Inc., Term Loan B2, 3.75%, 9/20/18	1,374	1,357,477
Cooper Gay Swett & Crawford Ltd.:		
1st Lien Term Loan, 5.00%, 4/16/20	1,101	990,956
2nd Lien Term Loan C, 8.25%, 10/16/20	530	445,200
Onex York Acquisition Corp., Term Loan B, 4.75%, 10/01/21	1,168	1,159,642
Sedgwick, Inc.:		
1st Lien Term Loan, 3.75%, 3/01/21	1,169	1,134,928
2nd Lien Term Loan, 6.75%, 2/28/22	1,230	1,193,100
		7,377,381
Internet Software & Services 2.2%		
Dealertrack Technologies, Inc., Term Loan B, 3.50%, 2/28/21	1,163	1,141,295
Go Daddy Operating Co. LLC, New Term Loan B, 4.75%, 5/13/21	1,571	1,565,564
Interactive Data Corp., 2014 Term Loan, 4.75%, 5/02/21	3,436	3,434,369
W3 Co.:		
1st Lien Term Loan, 5.75%, 3/13/20	1,074	1,062,913
2nd Lien Term Loan, 9.25%, 9/11/20	419	406,382
		7,610,523
IT Services 4.5%		
Ceridian LLC:		
Term Loan B1, 4.12%, 5/09/17	1,422	1,419,704
Term Loan B2, 4.50%, 9/15/20	1,047	1,037,762
First Data Corp.:		
New 2018 Extended Term Loan, 3.65%, 3/23/18	7,645	7,568,338
New 2018 Term Loan, 3.65%, 9/24/18	730	722,700
Genpact International, Inc., Term Loan B, 3.50%, 8/30/19	1,148	1,141,088
InfoGroup, Inc., New Term Loan, 7.50%, 5/25/18	314	286,613
SunGard Availability Services Capital, Inc., Term Loan B, 6.00%, 3/31/19	970	863,411
SunGard Data Systems, Inc.:		
Term Loan C, 3.90%, 2/28/17	925	920,375
Term Loan E, 4.00%, 3/08/20	170	169,201
Vantiv, LLC, 2014 Term Loan B, 3.75%, 6/13/21	1,232	1,221,515
		15,350,707
Leisure Products 0.4%		
Bauer Performance Sports Ltd., Term Loan B, 4.00%, 4/15/21	977	968,755
FGI Operating Co. LLC, Term Loan, 5.50%, 4/19/19	504	500,695
		1,469,450
Machinery 2.9%		
Alliance Laundry Systems LLC:		

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2nd Lien Term Loan, 9.50%, 12/10/19	286	287,080
Refinancing Term Loan, 4.25%, 12/10/18	886	875,476

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Floating Rate Income Trust
(BGT)

(Percentages shown are based on Net Assets)

		Par	Value
		(000)	
Floating Rate Loan Interests (c)			
Machinery (concluded)			
Faenza Acquisition GmbH:			
Term Loan B1, 4.25%, 8/31/20	USD	717	\$ 714,064
Term Loan B3, 4.25%, 8/28/20		216	214,958
Gardner Denver, Inc.:			
4.25%, 7/30/20		1,208	1,189,842
4.75%, 7/30/20	EUR	78	98,091
Generac Power Systems, Inc., Term Loan B,			
3.25%, 5/31/20	USD	848	829,789
Intelligrated, Inc., 1st Lien Term Loan,			
4.50%, 7/30/18		1,176	1,156,918
Mirror Bidco Corp., New Term Loan,			
4.25%, 12/28/19		1,046	1,033,362
Navistar International Corp., Term Loan B,			
5.75%, 8/17/17		549	550,311
Rexnord LLC, 1st Lien Term Loan B,			
4.00%, 8/21/20		1,497	1,475,130
Silver II US Holdings LLC, Term Loan,			
4.00%, 12/13/19		870	854,029
STS Operating, Inc., Term Loan, 4.75%, 2/21/21			
		418	414,941
Wabash National Corp., Term Loan B,			
4.50%, 5/08/19		461	458,476
			10,152,467
Media 13.4%			
Activision Blizzard, Inc., Term Loan B, 3.25%, 10/12/20			
		1,564	1,562,903
Advanstar Communications, Inc., New 2nd Lien Term Loan, 9.50%, 6/06/20			
		685	686,712
CBS Outdoor Americas Capital LLC, Term Loan B, 3.00%, 1/31/21			
		455	446,582
Cengage Learning Acquisitions, Inc.:			
0.00%, 7/03/15 (a)(f)		1,296	
1st Lien Term Loan, 7.00%, 3/31/20		3,672	3,673,386
Charter Communications Operating LLC, Term Loan G, 4.25%, 9/12/21			
		2,505	2,520,656
Clear Channel Communications, Inc.:			
Term Loan B, 3.80%, 1/29/16		408	404,650
Term Loan D, 6.90%, 1/30/19		4,332	4,083,496
Cumulus Media Holdings, Inc., 2013 Term Loan,			
4.25%, 12/23/20		1,095	1,082,039
Getty Images, Inc., Term Loan B, 4.75%, 10/18/19			
		122	115,268
Gray Television, Inc., 2014 Term Loan B,			
3.75%, 6/10/21		758	747,494
Hemisphere Media Holdings LLC, Term Loan B,			
5.00%, 7/30/20		1,210	1,199,760
Hubbard Radio LLC, Term Loan B, 4.50%, 4/29/19			
		807	801,429
Intelsat Jackson Holdings SA, Term Loan B2,			
3.75%, 6/30/19		2,622	2,599,429
Liberty Cablevision of Puerto Rico LLC, 1st Lien Term Loan, 4.50%, 1/07/22			
		910	902,611
Lions Gate Entertainment Corp., 2nd Lien Term Loan, 5.00%, 7/17/20			
		390	390,975
Live Nation Entertainment, Inc., 2020 Term Loan B1, 3.50%, 8/17/20			
		302	300,440
MCC Iowa LLC:			
Term Loan I, 2.63%, 6/30/17		668	661,087
Term Loan J, 3.75%, 6/30/21		324	318,414
Media General, Inc., Delayed Draw Term Loan B,			
4.25%, 7/31/20		1,016	1,007,565
Mediacom Communications Corp., Term Loan F, 2.63%, 3/31/18			
		507	493,815
Mediacom Illinois LLC, Term Loan G, 3.75%, 6/30/21			
		830	817,550
NEP/NCP Holdco, Inc., Incremental Term Loan, 4.25%, 1/22/20			
		1,056	1,029,804
Numericable U.S. LLC:			

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Term Loan B1, 4.50%, 5/21/20		1,357	1,359,052
Term Loan B2, 4.50%, 5/21/20		1,174	1,175,766
		Par	
Floating Rate Loan Interests (c)		(000)	Value
Media (concluded)			
Salem Communications Corp., Term Loan B, 4.50%, 3/13/20	USD	1,008	\$ 991,817
SBA Senior Finance II LLC, Term Loan B1, 3.25%, 3/24/21		1,825	1,792,020
Sinclair Television Group, Inc., Term Loan B, 3.00%, 4/09/20		1,143	1,112,831
Tribune Co., 2013 Term Loan, 4.00%, 12/27/20		2,305	2,284,398
Univision Communications, Inc., Term Loan C4, 4.00%, 3/01/20		3,357	3,320,273
UPC Financing Partnership, Term Loan AG, 3.76%, 3/31/21	EUR	910	1,138,325
Virgin Media Investment Holdings Ltd.:			
Term Loan B, 3.50%, 6/07/20	USD	815	803,003
Term Loan E, 4.25%, 6/30/23	GBP	1,105	1,753,386
WideOpenWest Finance LLC, Term Loan B, 4.75%, 4/01/19	USD	1,092	1,089,964
William Morris Endeavor Entertainment LLC:			
1st Lien Term Loan, 5.25%, 5/06/21		1,066	1,048,054
2nd Lien Term Loan, 8.25%, 5/01/22		560	546,000
Ziggo BV:			
Term Loan B1A, 3.25%, 1/15/22		1,108	1,078,191
Term Loan B2A, 3.25%, 1/15/22		668	651,345
Term Loan B3, 2.75%, 1/15/22		142	138,215
			46,128,705
Metals & Mining 1.6%			
Ameriforge Group, Inc., 2nd Lien Term Loan, 8.75%, 12/19/20		265	263,675
API Heat Transfer, Inc., Term Loan, 5.25%, 5/03/19		974	963,858
FMG Resources (August 2006) Property Ltd., Term Loan B, 3.75%, 6/30/19		1,222	1,190,753
Novelis, Inc., New Term Loan, 3.75%, 3/10/17		1,579	1,561,044
Windsor Financing LLC, Term Loan B, 6.25%, 12/05/17		1,589	1,596,825
			5,576,155
Multiline Retail 1.9%			
99¢ Only Stores, New Term Loan, 4.50%, 1/11/19		1,122	1,113,646
BJ's Wholesale Club, Inc.:			
New 1st Lien Term Loan, 4.50%, 9/26/19		1,581	1,563,637
New 2nd Lien Term Loan, 8.50%, 3/26/20		375	374,610
Hudson's Bay Co., 1st Lien Term Loan, 4.75%, 11/04/20		1,045	1,045,386
The Neiman Marcus Group, Inc., 2020 Term Loan, 4.25%, 10/25/20		2,637	2,600,949
			6,698,228
Oil, Gas & Consumable Fuels 3.8%			
American Energy Marcellus LLC, 1st Lien Term Loan, 5.25%, 8/04/20		565	549,389
Arch Coal, Inc., Term Loan B, 6.25%, 5/16/18		1,132	997,752
Drillships Financing Holding, Inc., Term Loan B1, 6.00%, 3/31/21		870	829,762
Drillships Ocean Ventures, Inc., Term Loan B, 5.50%, 7/25/21		1,401	1,342,625
EP Energy LLC/Everest Acquisition Finance, Inc., Term Loan B3, 3.50%, 5/24/18		1,170	1,138,796
Fieldwood Energy LLC:			
1st Lien Term Loan, 3.88%, 9/28/18		822	802,914
2nd Lien Term Loan, 8.38%, 9/30/20		360	345,827
Obsidian Natural Gas Trust, Term Loan, 7.00%, 11/02/15		418	417,065
Offshore Group Investment Ltd., Term Loan B, 5.75%, 3/28/19		67	60,190
Panda Patriot LLC, Term Loan B1, 6.75%, 12/19/20		865	873,650
Panda Temple II Power LLC, New Term Loan B, 7.25%, 4/03/19		940	952,530

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Floating Rate Income Trust
(BGT)

(Percentages shown are based on Net Assets)

	Par		Value
	(000)		
Floating Rate Loan Interests (c)			
Oil, Gas & Consumable Fuels (concluded)			
Power Buyer LLC, 2nd Lien Term Loan, 8.25%, 11/06/20	USD	285	\$ 276,450
Samchully Midstream 3 LLC, Term Loan B, 7.00%, 10/14/21		1,100	1,089,000
Seventy Seven Operating LLC, Term Loan B, 3.75%, 6/25/21		162	158,265
Southcross Energy Partners LP, 1st Lien Term Loan, 5.25%, 8/04/21		718	719,995
Southcross Holdings Borrower LP, Term Loan B, 6.00%, 8/04/21		579	571,318
TPF II Power LLC, Term Loan B, 5.50%, 10/02/21		985	978,844
WTG Holdings III Corp., 1st Lien Term Loan, 4.75%, 1/15/21		1,042	1,031,704
			13,136,076
Personal Products 0.1%			
Prestige Brands, Inc., Term Loan B2, 4.50%, 9/03/21		275	275,085
Pharmaceuticals 5.4%			
Akorn, Inc., Term Loan B, 4.50%, 4/16/21		1,365	1,359,035
Amneal Pharmaceuticals LLC, New Term Loan, 4.75%, 11/01/19		639	632,166
CCC Information Services, Inc., Term Loan, 4.00%, 12/20/19		511	501,959
Endo Luxembourg Finance Co. I Sarl, 2014 Term Loan B, 3.25%, 2/28/21		716	707,001
Grifols Worldwide Operations USA, Inc., Term Loan B, 3.15%, 2/27/21		3,199	3,155,931
JLL/Delta Dutch Newco BV, Term Loan, 4.25%, 3/11/21		973	947,033
Mallinckrodt International Finance SA:			
Incremental Term Loan B1, 3.50%, 3/19/21		880	872,300
Term Loan B, 3.50%, 3/19/21		1,413	1,398,418
Par Pharmaceutical Cos., Inc., Term Loan B2, 4.00%, 9/30/19		2,275	2,239,105
Pharmaceutical Product Development LLC, New Term Loan B, 4.00%, 12/05/18		2,587	2,566,837
Quintiles Transnational Corp., Term Loan B3, 3.75%, 6/08/18		1,277	1,264,277
Valeant Pharmaceuticals International, Inc.:			
Series C2 Term Loan B, 3.50%, 12/11/19		975	966,781
Series D2 Term Loan B, 3.50%, 2/13/19		943	934,875
Series E Term Loan B, 3.50%, 8/05/20		1,158	1,148,381
			18,694,099
Professional Services 2.2%			
Advantage Sales & Marketing, Inc.:			
2014 1st Lien Term Loan, 4.25%, 7/23/21		1,215	1,202,978
2014 2nd Lien Term Loan, 7.50%, 7/25/22		965	957,521
Delayed Draw Term Loan, 4.25%, 7/23/21		20	20,049
Emdeon Business Services LLC, Term Loan B2, 3.75%, 11/02/18		1,257	1,244,744
Intertrust Group Holding BV:			
2nd Lien Term Loan, 7.15%, 4/16/22		725	714,582
Term Loan B4, 4.30%, 4/16/21	EUR	1,000	1,249,591
SIRVA Worldwide, Inc., Term Loan, 7.50%, 3/27/19	USD	1,113	1,124,181
Truven Health Analytics, Inc., Term Loan B, 4.50%, 6/06/19		1,030	1,009,336

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			7,522,982
Real Estate Management & Development	1.6%		
CityCenter Holdings LLC, Term Loan B, 4.25%, 10/16/20		1,396	1,385,951
DTZ US Borrower LLC:			
1st Lien Term Loan, 5.50%, 10/06/21		825	824,145
Delayed Draw Term Loan, 5.50%, 10/21/21		492	491,641
		Par	
Floating Rate Loan Interests (c)		(000)	Value
Real Estate Management & Development (concluded)			
Realogy Corp.:			
Extended Letter of Credit, 0.27%, 10/10/16	USD	110	\$ 107,360
Term Loan B, 3.75%, 3/05/20		2,884	2,858,669
			5,667,766
Road & Rail	1.5%		
RAC Finance Ltd.:			
Term Loan B, 5.29%, 9/30/18	GBP	1,182	1,886,010
Term Loan D, 5.26%, 10/29/19		500	796,851
Road Infrastructure Investment LLC:			
New 1st Lien Term Loan, 4.25%, 3/31/21	USD	1,239	1,192,321
New 2nd Lien Term Loan, 7.75%, 9/21/21		600	544,500
The Hertz Corp., Term Loan B2, 3.00%, 3/11/18		888	865,003
			5,284,685
Semiconductors & Semiconductor Equipment	1.7%		
Avago Technologies Cayman Ltd., Term Loan B, 3.75%, 5/06/21		3,312	3,299,712
Freescale Semiconductor, Inc.:			
Term Loan B4, 4.25%, 2/28/20		1,392	1,371,652
Term Loan B5, 5.00%, 1/15/21		431	429,651
NXP BV, Term Loan D, 3.25%, 1/11/20		861	851,610
			5,952,625
Software	3.5%		
BMC Software Finance, Inc., Term Loan, 5.00%, 9/10/20		297	293,654
GCA Services Group, Inc.:			
2nd Lien Term Loan, 9.25%, 10/22/20		400	399,000
New Term Loan B, 4.25%, 11/01/19		1,075	1,054,637
Infor US, Inc.:			
Term Loan B3, 3.75%, 6/03/20		525	517,074
Term Loan B5, 3.75%, 6/03/20		2,644	2,606,544
IQOR US, Inc., Term Loan B, 6.00%, 4/01/21		542	501,556
Kronos Worldwide, Inc., 2014 Term Loan, 4.75%, 2/18/20		308	307,549
Kronos, Inc., 2nd Lien Term Loan, 9.75%, 4/30/20		1,088	1,115,147
Mitchell International, Inc.:			
New 1st Lien Term Loan, 4.50%, 10/12/20		1,355	1,342,332
New 2nd Lien Term Loan, 8.50%, 10/11/21		1,000	995,000
Regit Eins GmbH, 1st Lien Term Loan, 6.00%, 1/08/21		588	574,756
Sophia LP, 2014 Term Loan B, 4.00%, 7/19/18		1,948	1,926,921
Websense, Inc., 2nd Lien Term Loan, 8.25%, 12/24/20		300	296,751
			11,930,921
Specialty Retail	4.2%		
Academy Ltd., Term Loan, 4.50%, 8/03/18		1,257	1,250,438
Equinox Holdings, Inc., Repriced Term Loan B, 4.25%, 1/31/20		804	797,311
General Nutrition Centers, Inc., New Term Loan, 3.25%, 3/04/19		1,566	1,526,223
The Gymboree Corp., Initial Term Loan, 5.00%, 2/23/18		70	43,464
Jo-Ann Stores, Inc., Term Loan, 4.00%, 3/16/18		1,102	1,057,718
Leslie's Poolmart, Inc., New Term Loan, 4.25%, 10/16/19		1,225	1,201,259
Michaels Stores, Inc.:			

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Incremental 2014 Term Loan B2, 4.00%, 1/28/20	1,781	1,757,640
Term Loan B, 3.75%, 1/28/20	899	881,932
Party City Holdings, Inc., Term Loan, 4.00%, 7/27/19	2,622	2,566,240
Petco Animal Supplies, Inc., New Term Loan, 4.00%, 11/24/17	1,828	1,811,040
Things Remembered, Inc., New Term Loan B, 8.25%, 5/24/18	997	947,601

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Floating Rate Income Trust
(BGT)

(Percentages shown are based on Net Assets)

	Par		Value
	(000)		
Floating Rate Loan Interests (c)			
Specialty Retail (concluded)			
Toys R Us-Delaware, Inc.:			
Incremental Term Loan B2, 5.25%, 5/25/18	USD 114	\$	91,408
Term Loan B3, 5.25%, 5/25/18	24		19,185
Term Loan B4, 9.75%, 3/15/20	424		385,080
			14,336,539
Textiles, Apparel & Luxury Goods 2.2%			
ABG Intermediate Holdings 2 LLC, 1st Lien Term Loan, 5.50%, 5/27/21	1,318		1,308,487
Ascend Performance Materials LLC, Term Loan B, 6.75%, 4/10/18	1,402		1,356,180
J. Crew Group, Inc., New Term Loan B, 4.00%, 3/05/21	1,473		1,420,603
Kate Spade & Co., Term Loan B, 4.00%, 4/09/21	1,337		1,298,221
Nine West Holdings, Inc.:			
Guarantee Term Loan, 6.25%, 1/08/20	495		457,875
Term Loan B, 4.75%, 10/08/19	579		564,809
Polymer Group, Inc., 1st Lien Term Loan, 5.25%, 12/19/19	1,020		1,019,812
			7,425,987
Thriffs & Mortgage Finance 0.3%			
IG Investment Holdings LLC, 1st Lien Term Loan, 5.25%, 10/31/19	1,184		1,180,953
Wireless Telecommunication Services 0.8%			
Crown Castle Operating Co., Term Loan B2, 3.00%, 1/31/21	1,211		1,200,255
LTS Buyer LLC, 1st Lien Term Loan, 4.00%, 4/13/20	1,610		1,589,505
			2,789,760
Total Floating Rate Loan Interests 133.9%			461,477,155
Non-Agency Mortgage-Backed Securities 0.2%			
Collateralized Mortgage Obligations 0.2%			
Hilton USA Trust, Series 2013-HLT, Class EFX, 5.22%, 11/05/30 (b)(c)	813		828,289
Other Interests (g)	Beneficial Interest (000)		
Auto Components 0.0%			
Lear Corp. Escrow	500		4,375
Construction Materials 0.0%			
USI Senior Holdings	8		
Diversified Financial Services 0.0%			
J.G. Wentworth LLC Preferred Equity Interests, (Acquired 11/18/13, cost \$837,899) (h)	12		136,576
Total Other Interests 0.0%			140,951
Warrants (i)	Shares	Value	
Chemicals 0.0%			
British Vita Holdings Co. (Non-Expiring)	166		
Media 0.0%			
New Vision Holdings LLC (Expires 12/31/14)	22,447	\$	1,214
Software 0.0%			
Bankruptcy Management Solutions, Inc.:			
(Expires 6/28/18)	181		

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(Expires 6/28/19)	195	
(Expires 6/28/20)	292	
HMH Holdings/EduMedia (Issued/Exercisable 3/09/10, 19 Shares for 1 Warrant, Expires 6/22/19, Strike Price \$42.27)	1,501	8,274
		8,274
Total Warrants 0.0%		9,488

Investment Companies

Capital Markets 0.0%		
Eaton Vance Floating-Rate Income Trust	34	485
Eaton Vance Senior Income Trust	8,925	57,388
Total Investment Companies 0.0%		57,873
Total Long-Term Investments		
(Cost \$501,369,644) 143.2%		493,715,998

Short-Term Securities

BlackRock Liquidity Funds, TempFund, Institutional Class, 0.07% (j)(k)	2,630,534	2,630,534
Total Short-Term Securities		
(Cost \$2,630,534) 0.8%		2,630,534
Options Purchased		
(Cost \$25,422) 0.0%		
Total Investments (Cost \$504,025,600) 144.0%		496,346,532
Liabilities in Excess of Other Assets (44.0)%		(151,678,929)
Net Assets 100.0%		\$ 344,667,603

Notes to Schedule of Investments

- (a) Non-income producing security.
- (b) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (c) Variable rate security. Rate shown is as of report date.
- (d) Zero-coupon bond.

See Notes to Financial Statements.

Consolidated Schedule of Investments (continued)

BlackRock Floating Rate Income Trust
(BGT)

- (e) Convertible security.
- (f) Issuer filed for bankruptcy and/or is in default of principal and/or interest payments.
- (g) Other interests represent beneficial interests in liquidation trusts and other reorganization or private entities.
- (h) Security is held by a wholly owned subsidiary. See Note 1 of the Notes to Financial Statements for details on the wholly owned subsidiary.
- (i) Warrants entitle the Trust 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.
- (j) Investments in issuers considered to be an affiliate of the Trust during the year ended October 31, 2014, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

Affiliate	Shares Held at October 31, 2013	Net Activity	Shares Held at October 31, 2014	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	3,378,158	(747,624)	2,630,534	\$ 417

- (k) Represents the current yield as of report date.

For Trust compliance purposes, the Trust'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 the investment advisor. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Forward foreign currency exchange contracts outstanding as of October 31, 2014 were as follows:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation/ (Depreciation)
GBP 900,000	USD 1,445,598	Deutsche Bank AG	1/21/15	\$ (6,771)
USD 2,614,839	CAD 2,937,000	Barclays Bank PLC	1/21/15	14,064
USD 12,199,678	EUR 9,562,000	JPMorgan Chase Bank N.A.	1/21/15	210,797
USD 10,161,494	GBP 6,373,000	Barclays Bank PLC	1/21/15	(26,999)
Total				\$ 191,091

OTC options purchased as of October 31, 2014 were as follows:

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Description	Counterparty	Put/ Call	Strike Price	Expiration Date	Contracts	Market Value
Marsico Parent Superholdco LLC	Goldman Sachs & Co.	Call	USD 942.86	12/14/19	26	

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. The three levels of the fair value hierarchy are as follows:

Level 1 unadjusted quoted prices in active markets/exchanges for identical assets or liabilities that the Trust has the ability to access

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

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

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Trust's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. For information about the Trust's policy regarding valuation of investments and derivative financial instruments, please refer to Note 2 of the Notes to Financial Statements.

The following tables summarize the Trust's investments and derivative financial instruments categorized in the disclosure hierarchy as of October 31, 2014:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities		\$ 9,485,713	\$ 715,650	\$ 10,201,363
Common Stocks	\$ 2,047,509	685,727	153,282	2,886,518
Corporate Bonds		17,553,535	560,826	18,114,361
Floating Rate Loan Interests		424,396,522	37,080,633	461,477,155
Non-Agency Mortgage-Backed Securities		828,289		828,289
Other Interests	136,576		4,375	140,951
Warrants		8,274	1,214	9,488
Investment Companies	57,873			57,873
Short-Term Securities	2,630,534			2,630,534
Liabilities:				
Unfunded Floating Rate Loan Interests ¹		(25,380)		(25,380)
Total	\$ 4,872,492	\$ 452,932,680	\$ 38,515,980	\$ 496,321,152

¹ Unfunded floating rate loan interests are valued at the unrealized appreciation/depreciation on the commitment.

See Notes to Financial Statements.

Consolidated Schedule of Investments (concluded)

BlackRock Floating Rate Income Trust
(BGT)

	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments ¹				
Assets:				
Foreign currency exchange contracts		\$ 224,861		\$ 224,861
Liabilities:				
Foreign currency exchange contracts		(33,770)		(33,770)
Total		\$ 191,091		\$ 191,091

¹ Derivative financial instruments are forward foreign currency exchange contracts which are valued at the unrealized appreciation/depreciation on the instrument.

The Trust may hold assets and/or liabilities in which the fair value approximates the carrying amount for financial statement purposes. As of October 31, 2014, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 753,332			\$ 753,332
Foreign currency at value	6,914			6,914
Liabilities:				
Bank borrowings payable		\$ (145,000,000)		(145,000,000)
Total	\$ 760,246	\$ (145,000,000)		\$ (144,239,754)

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2014.

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

	Asset-Backed Securities	Common Stocks	Corporate Bonds	Floating Rate Loan Interests	Other Interests	Warrants	Unfunded Floating Rate Loan Interests	Unfunded Floating Rate Loan Interests (Liabilities)	Total
Assets:									
Opening Balance, as of October 31, 2013	\$ 14,250,070	\$ 2,637,960		\$ 28,839,567	\$ 1,426,987	\$ 1,549	\$ 14,706	\$ (903)	\$ 47,169,936
Transfers into Level 3 ¹				13,371,068					13,371,068
Transfers out of Level 3 ²	(8,528,110)			(5,298,290)	(524,486)				(14,350,886)
Accrued discounts/premiums	17,317		\$ (155)	104,179					121,341
Net realized gain (loss)	302,683	1,319,724		73,638	1,361,239				3,057,284
Net change in unrealized appreciation/ depreciation ^{3,4}	(289,654)	(925,933)	2,768	(688,966)	(890,625)	(335)	(14,706)	903	(2,806,548)
Purchases	715,650		558,213	16,480,570					17,754,433
Sales	(5,752,306)	(2,878,469)		(15,801,133)	(1,368,740)				(25,800,648)
Closing Balance, as of October 31, 2014	\$ 715,650	\$ 153,282	\$ 560,826	\$ 37,080,633	\$ 4,375	\$ 1,214			\$ 38,515,980
Net change in unrealized appreciation/depreciation on investments still held at October 31, 2014	\$ (12)	\$ 145,215	\$ 2,768	\$ (647,207)	\$ 1,875	\$ (334)			\$ (497,695)

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¹ As of October 31, 2013, the Trust used observable inputs in determining the value of certain investments. As of October 31, 2014, the Trust used significant unobservable inputs in determining the value of the same investments. As a result, investments with a beginning of period value of \$13,371,068 transferred from Level 2 to Level 3 in the disclosure hierarchy.

² As of October 31, 2013, the Trust used significant unobservable inputs in determining the value of certain investments. As of October 31, 2014, the Trust used observable inputs in determining the value of the same investments. As a result, investments with a beginning of period value of \$14,350,886 transferred from Level 3 to Level 2 in the disclosure hierarchy.

³ Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations.

⁴ Any difference between Net change in unrealized appreciation/depreciation and Net change in unrealized appreciation/depreciation on investments still held at October 31, 2014 is generally due to investments no longer held or categorized as Level 3 at year end.

The Trust's investments that are categorized as Level 3 were valued utilizing third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in third party information inputs could result in a significantly lower or higher value of such Level 3 investments.

See Notes to Financial Statements.

Schedule of Investments October 31, 2014

BlackRock Multi-Sector Income Trust (BIT)

(Percentages shown are based on Net Assets)

	Par		Value
	(000)		
Asset-Backed Securities			
ACE Securities Corp. Home Equity Loan Trust, Series 2006-HE1, Class A2D, 0.45%, 2/25/36 (a)	USD 6,775	\$	5,910,307
Adirondack Park CLO Ltd., Series 2013-1A (a)(b):			
Class D, 3.88%, 4/15/24	3,250		3,064,442
Class E, 4.88%, 4/15/24	2,000		1,783,573
ALM Loan Funding, Series 2013-7RA (a)(b):			
Class C, 3.68%, 4/24/24	4,000		3,735,474
Class D, 5.23%, 4/24/24	1,000		908,323
ALM V Ltd., Series 2012-5A, Class C, 4.73%, 2/13/23 (a)(b)	4,000		4,003,926
ALM XIV Ltd., Series 2014-14A, Class C, 3.68%, 7/28/26 (a)(b)(c)	3,610		3,318,760
American Homes 4 Rent, Series 2014-SFR2, Class E, 6.23%, 10/17/36 (b)	2,000		2,004,388
AMMC CLO XII Ltd., Series 2013-12A, Class D1, 3.98%, 5/10/25 (a)(b)	1,000		948,370
Apidos CLO XII, Series 2013-12A, Class D, 3.28%, 4/15/25 (a)(b)	1,000		910,131
Atrium X, Series 10A (a)(b):			
Class D, 3.73%, 7/16/25	1,000		944,264
Class E, 4.73%, 7/16/25	2,000		1,784,527
Benefit Street Partners CLO Ltd., Series 2012-IA, Class C, 4.73%, 10/15/23 (a)(b)	2,750		2,737,801
Benefit Street Partners CLO II Ltd., Series 2013-IIA, Class C, 3.73%, 7/15/24 (a)(b)	1,750		1,598,037
Benefit Street Partners CLO V Ltd., Series 2014-VA, Class D, 3.55%, 10/20/26 (a)(b)	2,750		2,591,875
Brookside Mill CLO Ltd., Series 2013-1A, Class D, 3.28%, 4/17/25 (a)(b)	1,250		1,121,611
C-BASS Trust, Series 2006-CB7, Class A4, 0.31%, 10/25/36 (a)	10,132		6,953,564
Carlyle Global Market Strategies CLO Ltd., Class D (a)(b):			
Series 2012-4A, 4.73%, 1/20/25	2,350		2,349,943
Series 2013-2A, 3.98%, 4/18/25	1,250		1,185,253
Carrington Mortgage Loan Trust, Series 2006-FRE2 (a):			
Class A2, 0.27%, 10/25/36	7,221		4,160,042
Class A5, 0.23%, 10/25/36	7,657		4,388,297
Central Park CLO Ltd., Series 2011-1A, Class D, 3.43%, 7/23/22 (a)(b)	2,250		2,219,540
CIFC Funding Ltd. (a)(b):			
Series 2012-1AR, Class B1R, 4.39%, 8/14/24	2,000		1,965,135
Series 2013-2A, Class B1L, 3.83%, 4/21/25	1,000		927,801
Series 2014-3A, Class D, 3.55%, 7/22/26	480		435,861
Citigroup Mortgage Loan Trust, Inc., Series 2005-HE3, Class M2, 0.63%, 9/25/35 (a)	4,800		4,487,822
Countrywide Asset-Backed Certificates, Series 2006-BC5, Class 2A3, 0.32%, 3/25/37 (a)	5,410		4,725,999
Credit Suisse ABS Repackaging Trust, Series 2013-A, Class B, 2.50%, 1/25/30 (b)	2,019		1,944,265
ECP CLO Ltd., Series 2013-5A, Class C, 3.73%, 1/20/25 (a)(b)	2,500		2,282,170
Fieldstone Mortgage Investment Trust, Series 2006-3, Class 2A3, 0.31%, 11/25/36 (a)	13,300		7,640,094
Flatiron CLO Ltd., Series 2012-1A, Class C, 4.73%, 10/25/24 (a)(b)	1,375		1,358,797
Fremont Home Loan Trust, Class 2A3 (a):			
Series 2006-A, 0.31%, 5/25/36	27,639		15,975,803
Series 2006-D, 0.30%, 11/25/36	25,508		12,273,241
	Par		
Asset-Backed Securities			
GoldenTree Loan Opportunities VII Ltd., Series 2013-7A, Class D, 3.53%, 4/25/25 (a)(b)	USD 1,250	\$	1,169,246
GSAMP Trust (a):			
Series 2005-AHL2, Class A2C, 0.39%, 12/25/35	6,412		5,813,376
Series 2006-FM2, Class A2C, 0.30%, 9/25/36	13,027		5,993,101
Series 2007-FM2, Class A2B, 0.24%, 1/25/37	9,481		5,669,026
Halcyon Loan Advisors Funding Ltd., Series 2013-1A, Class C, 3.73%, 4/15/25 (a)(b)	2,000		1,838,553
Home Equity Mortgage Loan Asset-Backed Trust, Series 2006-E, Class 2A3, 0.32%, 4/25/37 (a)	15,902		10,297,951
ING IM CLO Ltd., Series 2013-2A, Class C, 3.73%, 4/25/25 (a)(b)	1,000		933,908
Jamestown CLO I Ltd., Series 2012-1A, Class C, 4.24%, 11/05/24 (a)(b)	2,550		2,470,092
Jamestown CLO IV Ltd., Series 2014-4A, Class C, 3.73%, 7/15/26 (a)(b)	1,335		1,232,149
Lehman XS Trust, Series 2007-1, Class 2A1, 5.60%, 2/25/37 (a)	10,096		9,266,067

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Madison Park Funding Ltd. (a):		
Series 2012-10A, Class D, 4.48%, 1/20/25 (b)	1,000	991,986
Series 2012-8X, Class E, 5.58%, 4/22/22	3,000	2,886,852
Mastr Asset-Backed Securities Trust (a):		
Series 2006-HE2, Class A3, 0.30%, 6/25/36	13,315	7,253,385
Series 2006-WMC2, Class A5, 0.40%, 4/25/36	9,692	4,529,196
Morgan Stanley IXIS Real Estate Capital Trust, Series 2006-2, Class A3, 0.30%, 11/25/36 (a)	16,426	9,383,457
Octagon Investment Partners XIV Ltd., Series 2012-1A, Class C, 4.23%, 1/15/24 (a)(b)	1,000	968,547
Octagon Investment Partners XVI Ltd., Series 2013-1A, Class D, 3.58%, 7/17/25 (a)(b)	2,250	2,069,725
Octagon Investment Partners XXI Ltd., Series 2014-1A, Class C, 3.88%, 11/14/26 (a)(b)	1,000	951,300
OHA Credit Partners VII Ltd., Series 2012-7A, Class D, 4.23%, 11/20/23 (a)(b)	3,000	2,927,937
OZLM Funding IV Ltd., Series 2013-4A, Class C, 3.43%, 7/22/25 (a)(b)	1,250	1,129,156
OZLM Funding Ltd., Series 2012-2A, Class C, 4.59%, 10/30/23 (a)(b)	2,000	1,952,362
Race Point CLO Ltd., Series 2011-5AR, Class ER, 6.23%, 12/15/22 (a)(b)	1,500	1,499,912
Renaissance Home Equity Loan Trust, Series 2007-3, Class AF2, 7.00%, 9/25/37 (d)	4,850	3,151,257
Saxon Asset Securities Trust, Series 2007-3, Class 2A3, 0.55%, 9/25/47 (a)	5,000	3,352,100
Scholar Funding Trust, Series 2013-A, Class R, 0.00% (b)(e)	(f)	4,148,172
Symphony CLO XV Ltd., Series 2014-15A, Class D, 3.98%, 10/17/26 (a)(b)(g)	3,500	3,294,550
Tyron Park CLO Ltd., Series 2013-1A (a)(b):		
Class C, 3.73%, 7/15/25	1,250	1,166,455
Class D, 4.63%, 7/15/25	1,000	876,496
WaMu Asset-Backed Certificates Trust, Series 2007-HE3, Class 2A3, 0.39%, 5/25/47 (a)	11,451	7,510,642
Total Asset-Backed Securities 28.5%		217,366,392

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

(Percentages shown are based on Net Assets)

	Par	
	(000)	Value
Corporate Bonds		
Airlines 5.2%		
Air Canada Pass-Through Trust, Series 2013-1 (b)(c):		
Class B, 5.38%, 11/15/22	USD 3,269	\$ 3,310,264
Class C, 6.63%, 5/15/18	761	782,384
American Airlines Pass-Through Trust (c):		
Series 2013-1, Class C, 6.13%, 7/15/18 (b)	1,500	1,539,375
Series 2013-2, Class A, 4.95%, 7/15/24	2,360	2,519,215
Series 2013-2, Class B, 5.60%, 1/15/22 (b)	2,777	2,832,876
Series 2013-2, Class C, 6.00%, 1/15/17 (b)	2,800	2,884,000
Continental Airlines Pass-Through Trust (c):		
Series 2003-ERJ1, 7.88%, 1/02/20	6,828	7,292,585
Series 2007-1, Class B, 6.90%, 10/19/23	3,451	3,658,026
Series 2012-1, Class B, 6.25%, 10/11/21	488	516,838
Series 2012-3, Class C, 6.13%, 4/29/18	678	715,290
Delta Air Lines Pass-Through Trust, Class B (c):		
Series 2007-1, 8.02%, 2/10/24	2,346	2,720,925
Series 2012-1, 6.88%, 5/07/19 (b)	4,485	4,978,503
United Airlines Pass-Through Trust, Series 2014-2, Class B, 4.63%, 3/03/24 (c)	2,750	2,667,500
US Airways Pass-Through Trust, Series 2013-1, Class B, 5.38%, 5/15/23 (c)	3,100	3,154,250
		39,572,031
Auto Components 1.2%		
Dana Holding Corp., 6.75%, 2/15/21 (c)	1,257	1,335,562
Icahn Enterprises LP/Icahn Enterprises Finance Corp. (c):		
3.50%, 3/15/17	170	169,150
4.88%, 3/15/19	2,898	2,948,715
6.00%, 8/01/20	2,174	2,282,700
5.88%, 2/01/22	1,334	1,370,685
Schaeffler Finance BV, 4.75%, 5/15/21 (b)(c)	1,045	1,042,388
		9,149,200
Automobiles 1.0%		
Chrysler Group LLC/CG Co-Issuer, Inc. (c):		
8.00%, 6/15/19	1,212	1,298,355
8.25%, 6/15/21	1,003	1,120,852
General Motors Co. (c):		
3.50%, 10/02/18	2,669	2,749,070
6.25%, 10/02/43	2,194	2,610,860
		7,779,137
Banks 2.5%		
CIT Group, Inc., 5.25%, 3/15/18 (c)	9,558	10,083,690
Fifth Third Bancorp, 5.10% (a)(c)(h)	5,000	4,725,000
Sberbank of Russia, 5.25%, 5/23/23 (b)	5,000	4,395,000
		19,203,690
Building Products 0.8%		
American Builders & Contractors Supply Co., Inc., 5.63%, 4/15/21 (b)(c)	375	379,688
Builders FirstSource, Inc., 7.63%, 6/01/21 (b)(c)	1,100	1,144,000
Building Materials Corp. of America, 6.75%, 5/01/21 (b)(c)	3,125	3,351,562
Cemex SAB de CV, 5.88%, 3/25/19 (b)(c)	200	207,250
USG Corp., 9.75%, 1/15/18 (c)	572	659,230
		5,741,730
Capital Markets 0.8%		
AE-Rotor Holding BV, 4.97%, 3/28/18 (c)	2,500	2,568,700
American Capital Ltd., 6.50%, 9/15/18 (b)(c)	700	724,500

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Credit Suisse Group AG, 7.50% (a)(b)(c)(h)	2,851	3,030,043
		6,323,243
Chemicals 0.5%		
PetroLogistics LP/PetroLogistics Finance Corp., 6.25%, 4/01/20	246	268,755
	Par	
	(000)	Value
Corporate Bonds		
Chemicals (concluded)		
Rockwood Specialties Group, Inc., 4.63%, 10/15/20 (c)	USD 3,392	\$ 3,541,248
		3,810,003
Commercial Services & Supplies 1.8%		
ARAMARK Services, Inc., 5.75%, 3/15/20 (c)	672	702,240
Aviation Capital Group Corp., 6.75%, 4/06/21 (b)(c)	5,000	5,700,000
Brand Energy & Infrastructure Services, Inc., 8.50%, 12/01/21 (b)(c)	406	404,477
United Rentals North America, Inc. (c): 8.25%, 2/01/21	4,204	4,582,360
7.63%, 4/15/22	2,440	2,720,600
		14,109,677
Communications Equipment 1.0%		
Alcatel-Lucent USA, Inc., 8.88%, 1/01/20 (b)(c)	942	1,033,845
Avaya, Inc., 7.00%, 4/01/19 (b)(c)	691	678,908
Zayo Group LLC/Zayo Capital, Inc., 10.13%, 7/01/20 (c)	5,000	5,550,000
		7,262,753
Construction & Engineering 0.3%		
Alam Synergy Property Ltd., 6.95%, 3/27/20 (c)	2,000	1,980,000
BlueLine Rental Finance Corp., 7.00%, 2/01/19 (b)(c)	183	192,608
Safway Group Holding LLC/Safway Finance Corp., 7.00%, 5/15/18 (b)(c)	290	299,425
		2,472,033
Construction Materials 1.6%		
HD Supply, Inc. (c): 8.13%, 4/15/19	2,292	2,475,360
11.00%, 4/15/20	2,900	3,327,750
7.50%, 7/15/20	6,388	6,803,220
		12,606,330
Distributors 0.1%		
VWR Funding, Inc., 7.25%, 9/15/17 (c)	652	684,600
Diversified Consumer Services 0.3%		
APX Group, Inc. (c): 6.38%, 12/01/19	289	283,943
8.75%, 12/01/20	1,428	1,235,220
Laureate Education, Inc., 9.75%, 9/01/19 (b)(c)	624	642,720
		2,161,883
Diversified Financial Services 3.7%		
Aircastle Ltd., 6.25%, 12/01/19 (c)	2,624	2,794,560
Ally Financial, Inc., 8.00%, 11/01/31 (c)	9,315	11,853,337
DPL, Inc., 6.50%, 10/15/16 (c)	112	119,840
General Motors Financial Co., Inc. (c): 3.25%, 5/15/18	235	240,288
4.25%, 5/15/23	326	335,780
Intesa Sanpaolo SpA, 5.02%, 6/26/24 (b)(c)	2,290	2,238,049
Jefferies Finance LLC/JFIN Co-Issuer Corp., 7.38%, 4/01/20 (b)(c)	845	840,775
Reynolds Group Issuer, Inc. (c): 9.88%, 8/15/19	3,278	3,560,728
5.75%, 10/15/20	4,941	5,138,640
8.25%, 2/15/21	1,124	1,208,300
		28,330,297
Diversified Telecommunication Services 3.8%		

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CenturyLink, Inc., Series V, 5.63%, 4/01/20 (c)	834	884,040
Cequel Communications Escrow 1 LLC/Cequel Capital Corp., 6.38%, 9/15/20 (b)(c)	662	690,135

See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

(Percentages shown are based on Net Assets)

		Par	
		(000)	Value
Corporate Bonds			
Diversified Telecommunication Services (concluded)			
Consolidated Communications, Inc., 10.88%, 6/01/20 (c)	USD	1,264	\$ 1,440,960
Level 3 Communications, Inc., 8.88%, 6/01/19 (c)		1,234	1,323,465
Level 3 Financing, Inc., 8.13%, 7/01/19 (c)		7,722	8,262,540
Verizon Communications, Inc., 6.55%, 9/15/43 (b)(c)		12,500	15,757,575
Windstream Corp. (c):			
7.75%, 10/15/20		450	479,250
6.38%, 8/01/23		555	559,162
			29,397,127
Electric Utilities 0.7%			
Star Energy Geothermal Wayang Windu Ltd., 6.13%, 3/27/20 (c)		5,000	5,112,500
Energy Equipment & Services 0.9%			
MEG Energy Corp., 6.50%, 3/15/21 (b)(c)		3,586	3,550,140
Peabody Energy Corp. (c):			
6.00%, 11/15/18		176	170,280
6.25%, 11/15/21		3,625	3,432,422
			7,152,842
Food & Staples Retailing 0.1%			
Rite Aid Corp., 6.75%, 6/15/21 (c)		506	540,155
Food Products 0.2%			
Barry Callebaut Services NV, 5.50%, 6/15/23 (b)		1,200	1,260,120
Smithfield Foods, Inc., 5.88%, 8/01/21 (b)(c)		307	325,420
			1,585,540
Health Care Equipment & Supplies 1.2%			
Biomet, Inc. (c):			
6.50%, 8/01/20		5,795	6,200,650
6.50%, 10/01/20		2,904	3,070,980
			9,271,630
Health Care Providers & Services 4.5%			
CHS/Community Health Systems, Inc., 6.88%, 2/01/22		3,548	3,822,970
DaVita HealthCare Partners, Inc., 5.13%, 7/15/24 (c)		2,500	2,550,000
HCA, Inc. (c):			
6.50%, 2/15/20		10,643	11,880,249
5.88%, 3/15/22		124	136,090
4.75%, 5/01/23		161	163,616
Hologic, Inc., 6.25%, 8/01/20 (c)		3,216	3,380,820
Tenet Healthcare Corp. (c):			
6.25%, 11/01/18		6,087	6,612,004
6.00%, 10/01/20		1,150	1,236,250
8.13%, 4/01/22		4,137	4,742,036
			34,524,035
Hotels, Restaurants & Leisure 3.2%			
Caesars Entertainment Operating Co., Inc., 9.00%, 2/15/20		2,078	1,561,395
Caesars Entertainment Resort Properties LLC/Caesars Entertainment Resort Property, 8.00%, 10/01/20 (b)(c)		2,773	2,689,810
Enterprise Inns PLC, 6.00%, 10/06/23	GBP	3,320	5,297,728
The Unique Pub Finance Co. PLC:			

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Series A3, 6.54%, 3/30/21		2,678	4,498,870
Series M, 7.40%, 3/28/24		6,400	10,596,416
			24,644,219
Household Durables 0.9%			
Brookfield Residential Properties, Inc., 6.50%, 12/15/20 (b)(c)	USD	2,750	2,928,750
		Par	
		(000)	Value
Corporate Bonds			
Household Durables (concluded)			
Brookfield Residential Properties, Inc./Brookfield Residential US Corp., 6.13%, 7/01/22 (b)(c)	USD	750	\$ 796,875
Standard Pacific Corp., 8.38%, 1/15/21 (c)		2,000	2,335,000
Taylor Morrison Communities, Inc./Monarch Communities, Inc., 5.25%, 4/15/21 (b)(c)		357	359,545
Tri Pointe Holdings, Inc. (b)(c):			
4.38%, 6/15/19		415	412,925
5.88%, 6/15/24		280	285,600
			7,118,695
Independent Power and Renewable Electricity Producers 1.2%			
Calpine Corp. (c):			
6.00%, 1/15/22 (b)		254	273,685
5.38%, 1/15/23		4,000	4,040,000
5.88%, 1/15/24 (b)		240	258,000
NRG Energy, Inc., 7.63%, 1/15/18 (c)		2,735	3,070,037
NRG REMA LLC, 9.68%, 7/02/26 (c)		1,750	1,890,000
			9,531,722
Insurance 1.1%			
A-S Co-Issuer Subsidiary, Inc./A-S Merger Sub LLC, 7.88%, 12/15/20 (b)(c)		680	700,400
Genworth Holdings, Inc., 6.50%, 6/15/34 (c)		5,500	6,327,475
MPL 2 Acquisition Canco, Inc.,			
9.88%, 8/15/18 (b)(c)		1,400	1,501,500
			8,529,375
Internet Software & Services 0.1%			
Equinix, Inc., 4.88%, 4/01/20 (c)		144	147,240
VeriSign, Inc., 4.63%, 5/01/23 (c)		575	572,844
			720,084
IT Services 2.3%			
Ceridian HCM Holding, Inc.,			
11.00%, 3/15/21 (b)(c)		742	836,605
Ceridian LLC, 8.88%, 7/15/19 (b)(c)		2,007	2,217,735
Epicor Software Corp., 8.63%, 5/01/19 (c)		425	452,094
First Data Corp. (b)(c):			
7.38%, 6/15/19		5,071	5,375,260
6.75%, 11/01/20		3,111	3,328,770
SunGard Data Systems, Inc., 6.63%, 11/01/19 (c)		5,003	5,178,105
			17,388,569
Media 7.4%			
Bharti Airtel International Netherlands BV, 5.13%, 3/11/23 (c)		3,000	3,168,840
Cablevision Systems Corp., 5.88%, 9/15/22 (c)		700	712,250
CBS Outdoor Americas Capital LLC/CBS Outdoor Americas Capital Corp. (b)(c):			
5.25%, 2/15/22		3,117	3,218,302
5.63%, 2/15/24		94	97,995
CCO Holdings LLC/CCO Holdings Capital Corp., 5.13%, 2/15/23 (c)		7,029	7,011,427
Clear Channel Worldwide Holdings, Inc. (c):			
7.63%, 3/15/20		5,274	5,610,217
6.50%, 11/15/22		2,573	2,663,055
Columbus International, Inc.,			
7.38%, 3/30/21 (b)(c)		1,560	1,653,600
DISH DBS Corp., 5.13%, 5/01/20 (c)		5,500	5,720,000
Gannett Co., Inc., 6.38%, 10/15/23 (c)		1,400	1,505,000
Gray Television, Inc., 7.50%, 10/01/20 (c)		891	932,209
iHeartCommunications, Inc., 9.00%, 12/15/19 (c)		700	707,438
Inmarsat Finance PLC, 4.88%, 5/15/22 (b)(c)		1,000	1,000,000

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Intelsat Jackson Holdings SA (c):		
7.25%, 10/15/20	1,250	1,334,375
5.50%, 8/01/23	2,241	2,246,602
Intelsat Luxembourg SA, 6.75%, 6/01/18 (c)	3,000	3,105,000

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

(Percentages shown are based on Net Assets)

	Par	
	(000)	Value
Corporate Bonds		
Media (concluded)		
Live Nation Entertainment, Inc., 7.00%, 9/01/20 (b)(c)	USD 199	\$ 211,438
Midcontinent Communications & Midcontinent Finance Corp., 6.25%, 8/01/21 (b)(c)	250	255,625
NAI Entertainment Holdings/NAI Entertainment Holdings Finance Corp., 5.00%, 8/01/18 (b)(c)	629	644,725
Numericable Group SA, 6.00%, 5/15/22 (b)(c)	3,000	3,067,500
Radio One, Inc., 9.25%, 2/15/20 (b)(c)	685	679,863
RCN Telecom Services LLC/RCN Capital Corp., 8.50%, 8/15/20 (b)(c)	630	659,925
Sirius XM Radio, Inc., 4.25%, 5/15/20 (b)(c)	994	988,409
Unitymedia Hessen GmbH & Co. KG/Unitymedia NRW GmbH, 5.50%, 1/15/23 (b)(c)	5,287	5,511,697
Univision Communications, Inc., 5.13%, 5/15/23 (b)(c)	2,093	2,208,115
Virgin Media Finance PLC, 6.38%, 4/15/23 (b)(c)	805	851,288
WaveDivision Escrow LLC/WaveDivision Escrow Corp., 8.13%, 9/01/20 (b)(c)	980	1,065,750
		56,830,645
Metals & Mining 1.6%		
ArcelorMittal, 6.13%, 6/01/18 (c)	1,900	2,033,000
Commercial Metals Co., 4.88%, 5/15/23 (c)	984	959,400
Novelis, Inc., 8.75%, 12/15/20 (c)	7,164	7,817,715
Wise Metals Group LLC/Wise Alloys Finance Corp., 8.75%, 12/15/18 (b)(c)	1,140	1,231,200
		12,041,315
Multiline Retail 0.4%		
Dollar General Corp., 4.13%, 7/15/17 (c)	643	669,643
Neiman Marcus Group Ltd. (b)(c): 8.00%, 10/15/21	927	988,818
8.75% (8.75% Cash or 9.50% PIK), 10/15/21 (i)	963	1,030,410
		2,688,871
Oil, Gas & Consumable Fuels 2.5%		
Antero Resources Finance Corp., 5.38%, 11/01/21 (c)	284	288,260
Athlon Holdings LP/Athlon Finance Corp., 7.38%, 4/15/21 (c)	254	278,130
Bonanza Creek Energy, Inc., 6.75%, 4/15/21 (c)	99	99,248
Chesapeake Energy Corp., 5.75%, 3/15/23 (c)	1,145	1,253,775
CrownRock LP/CrownRock Finance, Inc., 7.13%, 4/15/21 (b)(c)	383	379,170
Kinder Morgan Energy Partners LP (c): 6.55%, 9/15/40	300	338,646
5.00%, 8/15/42	1,130	1,049,869
5.00%, 3/01/43	570	525,800
Kinder Morgan, Inc., 5.63%, 11/15/23 (b)(c)	486	534,600
Memorial Production Partners LP/Memorial Production Finance Corp., 7.63%, 5/01/21 (c)	334	323,562
MIE Holdings Corp., 6.88%, 2/06/18	2,000	1,970,000
Pacific Drilling SA, 5.38%, 6/01/20 (b)(c)	669	598,337
Pertamina Persero PT, 5.63%, 5/20/43 (b)(c)	2,000	1,915,000
Range Resources Corp. (c): 5.75%, 6/01/21	2,874	3,032,070
5.00%, 8/15/22	91	95,436
5.00%, 3/15/23	211	220,495
Regency Energy Partners LP/Regency Energy Finance Corp., 4.50%, 11/01/23 (c)	297	294,773
RKI Exploration & Production LLC/RKI Finance Corp., 8.50%, 8/01/21 (b)(c)	218	213,095
Rosetta Resources, Inc., 5.63%, 5/01/21 (c)	3,286	3,187,420
Sabine Pass Liquefaction LLC, 6.25%, 3/15/22 (b)(c)	752	810,280
	Par	
	(000)	Value
Corporate Bonds		
Oil, Gas & Consumable Fuels (concluded)		

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Summit Midstream Holdings LLC/Summit Midstream Finance Corp., 7.50%, 7/01/21 (c)	USD	703	\$ 762,755
Whiting Petroleum Corp., 5.00%, 3/15/19 (c)		878	908,730
			19,079,451
Paper & Forest Products 0.1%			
Ainsworth Lumber Co. Ltd., 7.50%, 12/15/17 (b)(c)		385	398,475
Pharmaceuticals 0.9%			
Forest Laboratories, Inc., 5.00%, 12/15/21 (b)(c)		718	769,375
Grifols Worldwide Operations Ltd., 5.25%, 4/01/22 (b)(c)		1,094	1,121,350
Salix Pharmaceuticals Ltd., 6.00%, 1/15/21 (b)(c)		308	333,410
Valeant Pharmaceuticals International, Inc. (b)(c): 6.75%, 8/15/18		1,807	1,922,196
6.75%, 8/15/21		1,276	1,317,470
5.63%, 12/01/21		1,182	1,170,180
			6,633,981
Real Estate Investment Trusts (REITs) 0.2%			
Felcor Lodging LP, 6.75%, 6/01/19 (c)		1,261	1,311,440
Real Estate Management & Development 4.3%			
Caifu Holdings Ltd., 8.75%, 1/24/20 (c)		3,000	2,890,890
Kaisa Group Holdings Ltd., 10.25%, 1/08/20 (c)		2,000	2,079,000
Lai Sun International Finance 2012 Ltd., 5.70%, 1/18/18		2,000	2,000,800
Northwest Florida Timber Finance LLC, 4.75%, 3/04/29 (b)(c)		4,360	4,353,024
Punch Taverns Finance B Ltd.: 7.37%, 6/30/22	GBP	3,023	5,125,633
Series A6, 5.94%, 9/30/22		6,346	10,227,837
Realogy Corp., 7.63%, 1/15/20 (b)(c)	USD	2,454	2,662,590
Shea Homes LP/Shea Homes Funding Corp., 8.63%, 5/15/19 (c)		1,505	1,602,825
Sparkle Assets Ltd., 6.88%, 1/30/20		2,000	2,027,600
			32,970,199
Road & Rail 0.5%			
The Hertz Corp. (c): 4.25%, 4/01/18		400	400,000
7.38%, 1/15/21		3,075	3,251,813
			3,651,813
Software 0.7%			
Infor US, Inc., 9.38%, 4/01/19 (c)		2,400	2,610,000
Nuance Communications, Inc., 5.38%, 8/15/20 (b)(c)		1,605	1,613,025
Sophia LP/Sophia Finance, Inc., 9.75%, 1/15/19 (b)(c)		1,220	1,308,450
			5,531,475
Specialty Retail 0.2%			
Party City Holdings, Inc., 8.88%, 8/01/20 (c)		623	675,955
Sally Holdings LLC/Sally Capital, Inc., 5.75%, 6/01/22 (c)		647	689,055
			1,365,010
Technology Hardware, Storage & Peripherals 0.1%			
Pacific Emerald Property Ltd., 9.75%, 7/25/18		1,000	1,087,500
Textiles, Apparel & Luxury Goods 0.3%			
Springs Industries, Inc., 6.25%, 6/01/21 (c)		1,434	1,407,113
The William Carter Co., 5.25%, 8/15/21 (c)		604	622,120
			2,029,233
Trading Companies & Distributors 0.6%			
Doric Nimrod Air Alpha 2013-1 Pass-Through Trust, 5.25%, 5/30/25 (b)(c)		2,871	3,021,680

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

(Percentages shown are based on Net Assets)

	Par		Value
	(000)		
Corporate Bonds			
Trading Companies & Distributors (concluded)			
Doric Nimrod Air Finance Alpha Ltd. Pass-Through Trust, Series 2012-1, Class B, 6.50%, 5/30/21 (b)(c)	USD	1,160	\$ 1,226,707
			4,248,387
Wireless Telecommunication Services 4.0%			
Crown Castle International Corp., 5.25%, 1/15/23 (c)		6,565	6,720,919
Digicel Ltd., 6.00%, 4/15/21 (b)(c)		5,000	5,050,000
Softbank Corp., 4.50%, 4/15/20 (b)(c)		1,500	1,518,750
Sprint Communications, Inc., 9.00%, 11/15/18 (b)(c)		8,131	9,564,089
Sprint Corp., 7.88%, 9/15/23 (b)(c)		1,922	2,080,565
T-Mobile USA, Inc. (c):			
6.63%, 4/28/21		3,820	4,025,325
6.73%, 4/28/22		945	999,337
6.84%, 4/28/23		610	645,075
			30,604,060
Total Corporate Bonds 64.8%			495,194,955
Floating Rate Loan Interests (a)			
Aerospace & Defense 0.3%			
TransUnion LLC, Term Loan, 4.00%, 4/09/21		1,935	1,909,749
Airlines 0.4%			
Delta Air Lines, Inc., 2016 Term Loan B2, 2.40%, 4/18/16		2,948	2,929,078
Auto Components 0.3%			
Gates Global, Inc., Term Loan B, 4.25%, 7/05/21		2,365	2,335,437
Chemicals 0.0%			
Allnex (Luxembourg) & Cy SCA, Term Loan B1, 4.50%, 10/03/19		88	87,103
Allnex USA, Inc., Term Loan B2, 4.50%, 10/03/19		46	45,194
Tronox Pigments (Netherlands) BV, 2013 Term Loan, 4.00%, 3/19/20		246	243,843
			376,140
Commercial Services & Supplies 0.4%			
ADS Waste Holdings, Inc., Term Loan, 3.75%, 10/09/19		639	624,415
ARAMARK Services, Inc., Term Loan E, 3.25%, 9/07/19		437	430,110
Spin Holdco, Inc., Term Loan B, 4.25%, 11/14/19		1,933	1,911,771
			2,966,296
Communications Equipment 0.2%			
Zayo Group LLC/Zayo Capital, Inc., Term Loan B, 4.00%, 7/02/19		1,920	1,901,730
Construction Materials 0.3%			
HD Supply, Inc., Term Loan B, 4.00%, 6/28/18		2,486	2,459,702
Distributors 0.1%			
ABC Supply Co., Inc., Term Loan, 3.50%, 4/16/20		594	580,142
Diversified Consumer Services 0.1%			
Bright Horizons Family Solutions, Inc., Term Loan B, 3.75%, 1/30/20		491	484,741
Weight Watchers International, Inc., Term Loan B2, 4.00%, 4/02/20		493	375,531
			860,272
Diversified Telecommunication Services 0.3%			
Level 3 Financing, Inc., 2020 Term Loan B, 4.00%, 1/15/20		2,275	2,263,625
	Par		
Floating Rate Loan Interests (a)	(000)		Value

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Electronic Equipment, Instruments & Components	0.0%		
CDW LLC, Term Loan, 3.25%, 4/29/20		USD 296	\$ 288,693
Energy Equipment & Services	0.2%		
Dynegy Holdings, Inc., Term Loan B2, 4.00%, 4/23/20		1,620	1,608,374
Food Products	0.2%		
Pinnacle Foods Finance LLC, Term Loan G, 3.25%, 4/29/20		1,457	1,428,777
Health Care Equipment & Supplies	0.1%		
Immucor, Inc., Refinancing Term Loan B2, 5.00%, 8/17/18		737	735,261
Health Care Providers & Services	0.1%		
American Renal Holdings, Inc., 1st Lien Term Loan, 4.50%, 9/20/19		463	454,540
Hotels, Restaurants & Leisure	3.3%		
Caesars Entertainment Resort Properties LLC, Term Loan B, 7.00%, 10/11/20		1,821	1,734,310
Hilton Fort Lauderdale, Mezzanine Term Loan 5, 6.15%, 8/04/19		6,500	6,500,000
Hilton Los Cabos, B-Note, 8.16%, 9/18/18		5,375	5,375,000
Hilton Orlando, Mezzanine A3, 6.41%, 8/01/16		7,250	7,250,000
Hilton Worldwide Finance LLC, Term Loan B2, 3.50%, 10/26/20		2,411	2,385,286
MGM Resorts International, Term Loan A, 2.90%, 12/20/17		1,228	1,214,309
Station Casinos LLC, Term Loan B, 4.25%, 3/02/20		954	942,610
			25,401,515
Insurance	0.3%		
Sedgwick, Inc., 1st Lien Term Loan, 3.75%, 3/01/21		1,995	1,936,634
IT Services	0.4%		
First Data Corp., New 2018 Extended Term Loan, 3.65%, 3/23/18		3,000	2,970,000
SunGard Data Systems, Inc., Term Loan E, 4.00%, 3/08/20		227	225,602
			3,195,602
Machinery	0.3%		
Generac Power Systems, Inc., Term Loan B, 3.25%, 5/31/20		903	884,007
Silver II US Holdings LLC, Term Loan, 4.00%, 12/13/19		1,178	1,156,805
			2,040,812
Media	0.2%		
Clear Channel Communications, Inc.:			
Term Loan B, 3.80%, 1/29/16		36	35,949
Term Loan D, 6.90%, 1/30/19		675	636,395
Univision Communications, Inc., Term Loan C4, 4.00%, 3/01/20		493	487,194
Virgin Media Investment Holdings Ltd., Term Loan B, 3.50%, 6/07/20		700	689,696
			1,849,234
Metals & Mining	0.2%		
FMG Resources (August 2006) Property Ltd., Term Loan B, 3.75%, 6/30/19		1,315	1,281,674
Oil, Gas & Consumable Fuels	0.2%		
Offshore Group Investment Ltd., Term Loan B, 5.75%, 3/28/19		1,182	1,069,710
Power Buyer LLC:			
1st Lien Term Loan, 4.25%, 5/06/20		685	668,118

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

(Percentages shown are based on Net Assets)

		Par		Value
		(000)		
Floating Rate Loan Interests (a)				
Oil, Gas & Consumable Fuels (concluded)				
Power Buyer LLC (concluded):				
Delayed Draw Term Loan, 4.25%, 5/06/20	USD	36	\$	35,585
				1,773,413
Pharmaceuticals 0.1%				
Par Pharmaceutical Cos., Inc., Term Loan B2, 4.00%, 9/30/19		740		727,799
Real Estate Investment Trusts (REITs) 0.5%				
BRE Select Holdings LP, Mezzanine Term Loan, 6.80%, 12/15/15		3,460		3,494,600
Real Estate Management & Development 0.1%				
Realogy Corp., Term Loan B, 3.75%, 3/05/20		882		873,911
Semiconductors & Semiconductor Equipment 0.1%				
Freescale Semiconductor, Inc., Term Loan B4, 4.25%, 2/28/20		493		485,318
Specialty Retail 0.1%				
Party City Holdings, Inc., Term Loan, 4.00%, 7/27/19		983		961,518
SRAM LLC, Term Loan B, 4.00%-5.25%, 4/10/20		128		125,448
				1,086,966
Technology Hardware, Storage & Peripherals 0.5%				
Walton Portland Holdings VI LLC, Mezzanine Term Loan, 7.48%, 7/06/16		3,750		3,750,000
Total Floating Rate Loan Interests 9.3%				70,995,294
Foreign Agency Obligations				
Cyprus Government International Bond, 4.63%, 2/03/20 (b)	EUR	2,950		3,493,839
Iceland Government International Bond, 5.88%, 5/11/22 (c)	USD	3,415		3,858,738
Slovenia Government International Bond, 5.85%, 5/10/23 (b)(c)		766		859,360
Sri Lanka Government International Bond, 5.88%, 7/25/22 (c)		3,000		3,120,000
Total Foreign Agency Obligations 1.5%				11,331,937
Non-Agency Mortgage-Backed Securities				
Collateralized Mortgage Obligations 35.3%				
Alternative Loan Trust:				
Series 2005-61, Class 2A1, 0.43%, 12/25/35 (a)		4,565		3,992,510
Series 2005-9CB, Class 1A3, 0.60%, 5/25/35 (a)		6,958		5,789,346
Series 2006-40T1, Class 2A5, 0.55%, 12/25/36 (a)		3,660		1,691,621
Series 2006-7CB, Class 2A1, 6.50%, 5/25/36		5,120		3,516,390
Series 2006-J7, Class 2A1, 2.17%, 11/20/36 (a)		11,168		7,433,665
Series 2006-J8, Class A5, 6.00%, 2/25/37		2,961		2,341,626
Series 2006-OA10, Class 2A1, 0.34%, 8/25/46 (a)		10,036		7,611,763
Series 2006-OA14, Class 3A1, 0.96%, 11/25/46 (a)		16,280		12,070,583
Series 2006-OA16, Class A2, 0.34%, 10/25/46 (a)		11,812		10,006,347
Series 2006-OA18, Class A1, 0.27%, 12/25/46 (a)		7,027		6,072,752
Series 2006-OA22, Class A1, 0.31%, 2/25/47 (a)		6,074		5,313,649
		Par		
		(000)		Value
Non-Agency Mortgage-Backed Securities				
Collateralized Mortgage Obligations (continued)				
Alternative Loan Trust (concluded):				
Series 2006-OA6, Class 1A1A, 0.36%, 7/25/46 (a)	USD	12,942	\$	9,705,972
Series 2006-OA8, Class 1A1, 0.34%, 7/25/46 (a)		4,106		3,302,056
Series 2007-12T1, Class A22, 5.75%, 6/25/37		8,142		6,830,305

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Series 2007-12T1, Class A5, 6.00%, 6/25/37	3,951	3,369,349
Series 2007-22, Class 2A16, 6.50%, 9/25/37	13,362	10,825,125
Series 2007-23CB, Class A1, 6.00%, 9/25/37	12,449	10,951,262
Series 2007-4CB, Class 1A3, 0.50%, 4/25/37 (a)	7,964	5,876,686
Series 2007-OA2, Class 1A1, 0.95%, 3/25/47 (a)	7,821	5,772,809
Series 2007-OA6, Class A1A, 0.29%, 6/25/37 (a)	12,313	10,454,771
American Home Mortgage Assets Trust, Series 2006-5, Class A1, 1.03%, 11/25/46 (a)	7,248	3,939,438
American Home Mortgage Investment Trust, Series 2007-1, Class GA1C, 0.34%, 5/25/47 (a)	5,010	3,584,210
Banc of America Funding Trust, Series 2006-G, Class 2A1, 0.38%, 7/20/36 (a)	2,772	2,573,976
Bear Stearns ARM Trust, Series 2006-1, Class A1, 2.36%, 2/25/36 (a)	4,811	4,793,742
CHL Mortgage Pass-Through Trust:		
Series 2006-3, Class 1A1, 0.39%, 3/25/36 (a)	16,258	13,904,366
Series 2007-J2, Class 2A1, 0.80%, 7/25/37 (a)	7,206	4,936,018
Series 2007-J2, Class 2A8, 6.00%, 7/25/37	3,979	3,362,014
Citigroup Mortgage Loan Trust:		
Series 2005-9, Class 21A2, 5.50%, 11/25/35	6,866	6,343,772
Series 2006-AR7, Class 2A3A, 2.45%, 11/25/36 (a)	9,709	7,926,012
Countrywide Home Loan Mortgage Pass-Through Trust, Series 2006-OA5, Class 3A1, 0.35%, 4/25/46 (a)	12,928	11,288,579
Credit Suisse First Boston Mortgage Trust, Series 2008-2R, Class 1A1, 6.00%, 7/25/37 (b)	3,869	3,369,124
Fannie Mae Connecticut Avenue Securities, Class 1M2 (a):		
Series 2014-C02, 2.75%, 5/25/24	10,000	8,877,220
Series 2014-C03, 3.15%, 7/25/24	15,000	13,731,090
GreenPoint Mortgage Funding Trust, Series 2007-AR3, Class A1, 0.37%, 6/25/37 (a)	7,808	6,583,791
GSR Mortgage Loan Trust (a):		
Series 2005-AR3, Class 5A1, 2.67%, 5/25/35	4,058	3,938,085
Series 2005-AR6, Class 2A1, 2.66%, 9/25/35	2,802	2,810,623
Morgan Stanley Re-REMIC Trust, Series 2010-R5, Class 7B, 0.38%, 5/26/37 (a)(b)	19,883	12,440,547
Nomura Asset Acceptance Corp. Alternative Loan Trust, Series 2006-AF1, Class 1A2, 6.16%, 5/25/36 (a)	10,255	5,640,342
Residential Asset Securitization Trust, Series 2006-A8, Class 2A5, 0.75%, 8/25/36 (a)	8,947	4,051,933

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

(Percentages shown are based on Net Assets)

	Par		Value
	(000)		
Non-Agency Mortgage-Backed Securities			
Collateralized Mortgage Obligations (concluded)			
Structured Asset Mortgage Investments II Trust, Series 2006-AR1, Class 3A1, 0.38%, 2/25/36 (a)	USD	4,502	\$ 3,669,352
WaMu Mortgage Pass-Through Certificates, Class 1A (a):			
Series 2006-AR19, 0.85%, 1/25/47		3,419	2,783,671
Series 2007-OA4, 0.88%, 5/25/47		6,794	5,805,550
			269,282,042
Commercial Mortgage-Backed Securities 18.4%			
Bank of America Merrill Lynch Commercial Mortgage Securities Trust, Series 2013-DSMZ, Class M, 5.84%, 9/15/18 (a)(b)		7,500	7,499,959
BHMS Mortgage Trust, Series 2014-MZ, Class M, 7.37%, 7/05/33 (a)(b)		2,000	2,014,179
CD Commercial Mortgage Trust, Series 2007-CD5, Class C, 6.11%, 11/15/44 (a)		3,372	3,347,610
CG-CCRE Commercial Mortgage Trust, Series 2014-FL1 (a)(b):			
Class D, 2.90%, 6/15/31 (c)		3,000	2,983,038
Class E, 4.80%, 6/15/31		1,931	1,920,325
Commercial Mortgage Pass-Through Certificates (a)(b):			
Series 2007-C9, Class G, 5.80%, 12/10/49		5,120	5,019,981
Series 2013-FL3, Class MMHP, 3.75%, 10/13/28		4,000	3,999,800
Series 2013-LC13, Class D, 5.05%, 8/10/46		2,650	2,619,289
Series 2014-CR16, Class D, 4.91%, 4/10/47		2,000	1,895,184
Series 2014-KYO, Class F, 3.65%, 6/11/27		9,000	8,980,038
Series 2014-LC15, Class D, 4.94%, 4/10/47		3,000	2,821,839
Series 2014-PAT, Class E, 3.30%, 8/13/27		1,000	990,219
Series 2014-PAT, Class F, 2.59%, 8/13/27		3,000	2,844,375
Series 2014-PAT, Class G, 1.75%, 8/13/27		2,000	1,751,250
Commercial Mortgage Trust, Series 2007-GG11, Class AJ, 6.05%, 12/10/49 (a)		2,000	2,090,604
Credit Suisse First Boston Mortgage Securities Corp., Series 2005-C3, Class B, 4.88%, 7/15/37		2,000	1,993,818
Del Coronado Trust, Series 2013-HDMZ, Class M, 5.15%, 3/15/18 (a)(b)		6,000	6,013,200
GS Mortgage Securities Trust (a):			
Series 2006-GG6, Class AJ, 5.52%, 4/10/38		5,000	5,140,575
Series 2006-GG6, Class C, 5.55%, 4/10/38		6,480	6,490,767
Series 2014-GSFL, Class D, 4.05%, 7/15/31 (b)		1,325	1,321,254
Series 2014-GSFL, Class E, 6.10%, 7/15/31 (b)		1,000	987,395
JPMorgan Chase Commercial Mortgage Securities Trust (a):			
Series 2007-CB20, Class AJ, 6.07%, 2/12/51		4,000	4,216,868
Series 2007-CB20, Class B, 6.17%, 2/12/51 (b)		1,000	1,045,213
Series 2014-CBMZ, Class M, 6.38%, 10/15/29 (b)		4,000	4,000,000
Series 2014-DSTY, Class E, 3.80%, 6/10/27 (b)		5,000	4,568,045
LB-UBS Commercial Mortgage Trust:			
Series 2006-C4, Class AJ, 5.85%, 6/15/38 (a)		5,000	5,243,325
Series 2007-C1, Class AJ, 5.48%, 2/15/40		2,000	2,081,386
Series 2007-C2, Class AM, 5.49%, 2/15/40 (a)		5,000	5,301,955
Series 2007-C7, Class AJ, 6.25%, 9/15/45 (a)		5,000	5,288,165
Series 2007-C7, Class B, 6.25%, 9/15/45 (a)		871	887,546
	Par		
	(000)		Value
Non-Agency Mortgage-Backed Securities			
Commercial Mortgage-Backed Securities (concluded)			
London & Regional Debt Securitisation No. 2 PLC, Series 2, Class A, 3.56%, 10/15/15 (a)	GBP	3,624	\$ 5,867,411
Hilton USA Trust, Series 2013-HLT, Class EFX, 5.22%, 11/05/30 (a)(b)	USD	5,000	5,094,025
Madison Avenue Trust, Series 2013-650M, Class E, 4.03%, 10/12/32 (a)(b)		5,000	4,808,725
New York Mortgage Securitization Trust, Series 2013-1, Class A, 5.40%, 8/27/24 (a)(b)		5,000	5,025,000
RBSSP Resecuritization Trust, Series 2013-5, Class 3A1, 0.51%, 1/26/36 (a)(b)		2,345	2,026,601

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Talisman Finance PLC, Series 6, Class A, 0.26%, 10/22/16 (a)	EUR	5,209	6,361,137
Wachovia Bank Commercial Mortgage Trust, Series 2007-C33, Class AJ, 5.94%, 2/15/51 (a)	USD	6,000	6,306,744
			140,846,845
Total Non-Agency Mortgage-Backed Securities	53.7%		410,128,887

Preferred Securities

Capital Trusts

Banks 3.9%

BNP Paribas SA, 7.20% (a)(b)(c)(h)		7,500	8,648,475
Fifth Third Bancorp, Series J, 4.90% (a)(c)(h)		3,000	2,950,800
HSBC Holdings PLC, 5.63% (a)(c)(h)		3,720	3,780,450
Lloyds Bank PLC, 12.00% (a)(b)(c)(h)		3,500	5,066,250
Wachovia Capital Trust III, 5.57% (a)(c)(h)		10,000	9,675,000
			30,120,975

Capital Markets 1.4%

The Bank of New York Mellon Corp., Series D, 4.50% (a)(c)(h)		6,067	5,740,899
Credit Suisse Group AG, 6.25% (a)(b)(c)(h)		1,035	1,006,537
Morgan Stanley, Series H, 5.45% (a)(c)(h)		3,644	3,661,083
			10,408,519

Diversified Financial Services 5.9%

Bank of America Corp. (a)(c)(h):			
Series U, 5.20%		1,750	1,623,125
Series V, 5.13%		7,965	7,726,050
Citigroup, Inc. (a)(c)(h):			
5.90%		2,250	2,238,750
Series D, 5.35%		3,700	3,450,250
General Electric Capital Corp.,			
Series B, 6.25% (a)(c)(h)		5,000	5,468,950
JPMorgan Chase & Co. (a)(c)(h):			
Series Q, 5.15%		5,500	5,211,250
Series V, 5.00%		2,500	2,459,375
Macquarie Bank Ltd., 10.25%, 6/20/57 (a)(c)		10,000	11,300,000
Societe Generale SA, 6.00% (a)(b)(c)(h)		5,540	5,221,450
			44,699,200

Electric Utilities 1.0%

Electricite de France SA, 5.25% (a)(b)(c)(h)		7,500	7,781,250
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Insurance 8.3%

The Allstate Corp., 5.75%, 8/15/53 (a)(c)		2,000	2,127,500
American International Group, Inc., 8.18%, 5/15/68 (a)(c)		4,500	6,108,750
AXA SA, 6.46% (a)(b)(c)(h)		10,000	10,443,800
Genworth Holdings, Inc.,			
6.15%, 11/15/66 (a)(c)		10,000	8,550,000

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

(Percentages shown are based on Net Assets)

	Par	Value
	(000)	
Capital Trusts		
Insurance (concluded)		
Liberty Mutual Group, Inc., 7.80%, 3/07/87 (b)(c)	USD 14,000	\$ 16,380,000
Prudential Financial, Inc., 5.63%, 6/15/43 (a)(c)	6,000	6,225,000
Sompo Japan Insurance, Inc., 5.33%, 3/28/73 (a)(b)(c)	6,000	6,315,000
Voya Financial, Inc., 5.65%, 5/15/53 (a)(c)	1,090	1,090,000
XL Group PLC, Series E, 6.50% (a)(c)(h)	6,500	6,236,750
		63,476,800
Oil, Gas & Consumable Fuels 1.1%		
DCP Midstream LLC, 5.85%, 5/21/43 (a)(b)(c)	5,020	4,957,250
Enterprise Products Operating LLC, Series A, 8.38%, 8/01/66 (a)(c)	3,248	3,548,440
		8,505,690
Total Capital Trusts 21.6%		164,992,434
Preferred Stocks		
Aerospace & Defense 0.4%		
United Technologies Corp., 7.50% (j)	50,000	2,918,500
Capital Markets 1.7%		
The Goldman Sachs Group, Inc., Series J, 5.50% (a)(h)	395,017	9,452,757
Morgan Stanley, 6.88% (a)(h)	100,000	2,652,000
SCE Trust III, 5.75% (a)(h)	23,730	641,659
		12,746,416
Diversified Financial Services 0.2%		
Citigroup, Inc., Series K, 6.88% (a)(h)	75,000	2,007,000
Preferred Stocks		
Real Estate Investment Trusts (REITs) 1.9%		
Firststar Realty LLC, 8.88% (b)(h)	10,000	\$ 12,496,875
SunTrust Real Estate Investment Corp., 9.00% (b)(h)	15	1,824,665
		14,321,540
Total Preferred Stocks 4.2%		31,993,456
Total Preferred Securities 25.8%		196,985,890
Total Long-Term Investments		
(Cost \$1,378,595,377) 183.6%		1,402,003,355
Short-Term Securities		
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.07% (k)(l)	18,823,385	18,823,385
Total Short-Term Securities		
(Cost \$18,823,385) 2.4%		18,823,385
Options Purchased		
(Cost \$18,750) 0.0%		3,750
Total Investments Before Options Written		
(Cost \$1,397,437,512) 186.1%		1,420,830,490
Options Written		
(Premiums Received \$5,938) (0.0)%		(250)
Total Investments, Net of Options Written		
(Cost \$1,397,431,574) 186.1%		1,420,830,240
Liabilities in Excess of Other Assets (86.1)%		(657,470,525)

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Net Assets 100.0%

\$ 763,359,715

Notes to Schedule of Investments

- (a) Variable rate security. Rate shown is as of report date.
- (b) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (c) All or a portion of security has been pledged as collateral in connection with outstanding reverse repurchase agreements.
- (d) Represents a step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate shown is as of report date.
- (e) Zero-coupon bond.
- (f) Amount is less than \$500.
- (g) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation (Depreciation)
Bank of America N.A.	\$ 3,294,550	

- (h) Security is perpetual in nature and has no stated maturity date.
- (i) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares and/or in cash. Rates shown are the current rate and possible payment rates.
- (j) Convertible security.
- (k) Investments in issuers considered to be an affiliate of the Trust during the year ended October 31, 2014, for purposes of Section 2(a)(3) of the 1940 Act, were as follows:

Affiliate	Shares Held at October 31, 2013	Net Activity	Shares Held at October 31, 2014	Income
BlackRock Liquidity Funds, TempFund, Institutional Class	10,668,292	8,155,093	18,823,385	\$ 6,878

- (l) Represents the current yield as of report date.

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See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

For Trust compliance purposes, the Trust's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by the investment advisor. These definitions 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, 2014 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Face Value	Face Value Including Accrued Interest
BNP Paribas Securities Corp.	0.34%	1/14/14	Open	\$ 13,719,000	\$ 13,756,704
Barclays Capital, Inc.	0.65%	2/03/14	Open	1,869,145	1,878,291
Barclays Capital, Inc.	0.60%	2/04/14	Open	4,837,500	4,859,269
Deutsche Bank Securities, Inc.	0.58%	2/06/14	Open	215,000	215,928
Deutsche Bank Securities, Inc.	0.55%	2/07/14	Open	288,000	289,175
Deutsche Bank Securities, Inc.	0.55%	2/28/14	Open	1,502,000	1,507,645
Deutsche Bank Securities, Inc.	0.55%	2/28/14	Open	1,127,000	1,131,236
Deutsche Bank Securities, Inc.	0.60%	3/03/14	Open	2,225,000	2,234,011
Deutsche Bank Securities, Inc.	0.58%	3/12/14	Open	658,000	660,481
Deutsche Bank Securities, Inc.	0.45%	3/20/14	Open	4,902,000	4,915,787
Deutsche Bank Securities, Inc.	0.45%	3/20/14	Open	1,414,000	1,417,977
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	617,000	619,121
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	1,094,000	1,097,761
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	5,231,000	5,248,982
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	2,250,000	2,257,734
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	7,582,500	7,608,565
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	5,096,000	5,113,517
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	2,376,000	2,384,167
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	172,000	172,591
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	2,696,000	2,705,267
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	4,235,000	4,249,558
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	3,082,000	3,092,594
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	4,647,000	4,662,974
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	3,094,000	3,104,636
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	2,454,000	2,462,436
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	3,115,000	3,125,708
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	2,079,000	2,086,147
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	618,000	620,124
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	10,343,000	10,378,554
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	3,044,000	3,054,464
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	651,000	653,238
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	5,781,000	5,800,872
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	4,544,000	4,559,620
Deutsche Bank Securities, Inc.	0.55%	3/20/14	Open	4,900,000	4,916,844
Barclays Capital, Inc.	0.60%	4/07/14	Open	2,885,335	2,895,337
Deutsche Bank Securities, Inc.	0.58%	4/07/14	Open	674,880	677,142
Deutsche Bank Securities, Inc.	0.50%	4/21/14	Open	1,940,000	1,945,213
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	603,000	604,782
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	4,849,000	4,863,333
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	3,345,000	3,354,887
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	2,550,000	2,557,537
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	3,735,000	3,746,040
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	5,704,000	5,720,860
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	1,317,000	1,320,883
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	1,100,000	1,103,251
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	4,230,000	4,242,503
Deutsche Bank Securities, Inc.	0.55%	4/21/14	Open	2,086,000	2,092,166
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	1,483,000	1,487,623

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Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	378,000	379,178
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	2,533,000	2,540,896
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	667,000	669,079
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	348,000	349,085
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	667,000	669,079
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	653,000	655,035
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	626,000	627,951
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	4,524,000	4,538,102
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	632,000	633,970
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	633,000	634,973
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	727,000	729,266
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	359,000	360,119

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

Reverse repurchase agreements outstanding as of October 31, 2014 were as follows (continued):

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Face Value	Face Value Including Accrued Interest
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	\$ 882,000	\$ 884,749
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	588,000	589,833
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	1,855,000	1,860,782
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	1,515,000	1,519,722
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	2,957,000	2,966,217
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	297,000	297,926
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	435,000	436,356
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	652,000	654,032
Deutsche Bank Securities, Inc.	0.58%	4/21/14	Open	1,309,000	1,313,080
Deutsche Bank Securities, Inc.	0.40%	5/05/14	Open	4,524,000	4,532,998
Deutsche Bank Securities, Inc.	0.55%	5/05/14	Open	1,015,000	1,017,776
Deutsche Bank Securities, Inc.	0.55%	5/05/14	Open	186,000	186,509
Deutsche Bank Securities, Inc.	0.55%	5/05/14	Open	1,495,000	1,499,088
Barclays Capital, Inc.	0.45%	5/07/14	Open	2,528,000	2,533,625
Barclays Capital, Inc.	0.55%	5/07/14	Open	3,248,000	3,256,833
Deutsche Bank Securities, Inc.	0.60%	5/12/14	Open	1,095,000	1,098,157
Deutsche Bank Securities, Inc.	0.55%	5/13/14	Open	2,865,000	2,872,485
Deutsche Bank Securities, Inc.	0.58%	5/13/14	Open	515,000	516,419
Deutsche Bank Securities, Inc.	0.58%	5/13/14	Open	567,000	568,562
Deutsche Bank Securities, Inc.	0.59%	5/13/14	Open	702,000	703,967
Deutsche Bank Securities, Inc.	0.59%	5/13/14	Open	955,000	957,676
Deutsche Bank Securities, Inc.	0.59%	5/13/14	Open	911,000	913,553
Deutsche Bank Securities, Inc.	0.60%	5/13/14	Open	276,000	276,787
Deutsche Bank Securities, Inc.	0.60%	5/13/14	Open	264,000	264,752
Deutsche Bank Securities, Inc.	0.60%	5/13/14	Open	508,000	509,448
Deutsche Bank Securities, Inc.	0.60%	5/13/14	Open	617,000	618,758
Deutsche Bank Securities, Inc.	0.60%	5/13/14	Open	597,000	598,701
UBS Securities LLC	0.40%	5/13/14	Open	5,061,000	5,070,616
UBS Securities LLC	0.45%	5/13/14	Open	7,397,000	7,412,811
UBS Securities LLC	0.50%	5/13/14	Open	7,707,000	7,725,304
UBS Securities LLC	0.50%	5/13/14	Open	8,271,000	8,290,644
UBS Securities LLC	0.50%	5/13/14	Open	5,837,000	5,850,863
UBS Securities LLC	0.55%	5/13/14	Open	4,748,000	4,760,404
UBS Securities LLC	0.55%	5/13/14	Open	2,810,000	2,817,341
UBS Securities LLC	0.55%	5/13/14	Open	10,300,000	10,326,909
UBS Securities LLC	0.55%	5/13/14	Open	1,815,000	1,819,742
UBS Securities LLC	0.55%	5/13/14	Open	9,085,000	9,108,735
UBS Securities LLC	0.55%	5/13/14	Open	8,988,000	9,011,481
UBS Securities LLC	0.60%	5/13/14	Open	2,713,000	2,720,732
Barclays Bank PLC	0.70%	5/14/14	Open	2,646,000	2,654,746
Barclays Bank PLC	0.85%	5/14/14	Open	1,614,000	1,620,478
Barclays Capital, Inc.	0.40%	5/14/14	Open	5,942,000	5,958,836
Barclays Capital, Inc.	0.40%	5/14/14	Open	6,277,000	6,293,303
Barclays Capital, Inc.	0.45%	5/14/14	Open	5,999,000	6,015,431
Barclays Capital, Inc.	0.45%	5/14/14	Open	10,141,000	10,169,733
Barclays Capital, Inc.	0.45%	5/14/14	Open	9,120,000	9,145,840
Barclays Capital, Inc.	0.45%	5/14/14	Open	5,189,000	5,201,252
Barclays Capital, Inc.	0.60%	5/14/14	Open	1,320,000	1,323,678
Barclays Capital, Inc.	0.60%	5/14/14	Open	6,086,000	6,103,244
Barclays Capital, Inc.	0.60%	5/14/14	Open	881,000	883,080
Barclays Capital, Inc.	0.60%	5/14/14	Open	950,000	952,692
Barclays Capital, Inc.	0.60%	5/14/14	Open	2,479,000	2,483,683
Barclays Capital, Inc.	0.60%	5/14/14	Open	2,129,000	2,134,529
Barclays Capital, Inc.	0.60%	5/14/14	Open	1,483,000	1,487,202
Barclays Capital, Inc.	0.60%	5/14/14	Open	1,222,000	1,225,347

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Barclays Capital, Inc.	0.60%	5/14/14	Open	3,073,000	3,081,562
Barclays Capital, Inc.	0.60%	5/14/14	Open	1,212,000	1,215,434
Barclays Capital, Inc.	0.60%	5/14/14	Open	793,000	795,247
Barclays Capital, Inc.	0.60%	5/14/14	Open	799,000	801,264
Barclays Capital, Inc.	0.60%	5/14/14	Open	1,218,000	1,221,336
Barclays Capital, Inc.	0.60%	5/14/14	Open	1,219,000	1,222,396
Deutsche Bank Securities, Inc.	0.55%	5/15/14	Open	1,473,000	1,476,826
Deutsche Bank Securities, Inc.	0.55%	5/15/14	Open	1,527,000	1,530,966

See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

Reverse repurchase agreements outstanding as of October 31, 2014 were as follows (continued):

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Face Value	Face Value Including Accrued Interest
Deutsche Bank Securities, Inc.	0.55%	5/15/14	Open	\$ 1,293,000	\$ 1,296,358
Deutsche Bank Securities, Inc.	0.55%	5/15/14	Open	1,361,000	1,364,535
Barclays Bank PLC	0.25%	5/23/14	Open	4,288,000	4,292,705
Barclays Bank PLC	0.25%	5/23/14	Open	2,203,000	2,205,417
Barclays Bank PLC	0.70%	5/23/14	Open	10,050,000	10,080,876
Barclays Bank PLC	0.75%	5/23/14	Open	2,393,000	2,400,877
Deutsche Bank Securities, Inc.	0.55%	6/02/14	Open	1,280,000	1,282,972
Deutsche Bank Securities, Inc.	0.55%	6/02/14	Open	2,193,000	2,198,093
Deutsche Bank Securities, Inc.	0.55%	6/02/14	Open	759,000	760,763
Deutsche Bank Securities, Inc.	0.55%	6/02/14	Open	2,036,000	2,040,728
Barclays Capital, Inc.	0.60%	6/05/14	Open	1,037,177	1,039,753
Barclays Capital, Inc.	0.60%	6/06/14	Open	657,352	658,973
Deutsche Bank Securities, Inc.	0.58%	6/06/14	Open	636,000	637,516
Barclays Capital, Inc.	0.60%	6/16/14	Open	300,000	300,685
Barclays Capital, Inc.	0.60%	6/16/14	Open	2,038,000	2,042,653
Barclays Capital, Inc.	0.60%	6/16/14	Open	1,166,000	1,168,662
Barclays Capital, Inc.	0.60%	6/16/14	Open	892,000	894,037
Barclays Capital, Inc.	0.60%	6/16/14	Open	520,000	521,187
Barclays Capital, Inc.	0.60%	6/16/14	Open	3,471,000	3,478,925
Barclays Capital, Inc.	0.60%	6/16/14	Open	692,000	693,580
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	1,764,000	1,767,787
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	233,000	233,500
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	124,000	124,266
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	200,000	200,429
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	181,000	181,389
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	255,000	255,547
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	259,000	259,556
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	269,000	269,577
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	88,000	88,189
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	97,000	97,208
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	147,000	147,316
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	108,000	108,232
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	260,000	260,558
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	952,000	954,044
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	208,000	208,447
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	374,000	374,803
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	134,000	134,288
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	89,000	89,191
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	269,000	269,578
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	391,000	391,839
Deutsche Bank Securities, Inc.	0.59%	6/20/14	Open	157,000	157,337
Deutsche Bank Securities, Inc.	0.59%	6/27/14	Open	407,000	407,847
Deutsche Bank Securities, Inc.	0.55%	7/22/14	Open	3,037,114	3,041,847
Deutsche Bank Securities, Inc.	0.55%	7/23/14	Open	2,523,000	2,526,893
Deutsche Bank Securities, Inc.	0.60%	7/28/14	Open	2,475,000	2,478,960
Deutsche Bank Securities, Inc.	0.60%	7/28/14	Open	2,303,000	2,306,685
Deutsche Bank Securities, Inc.	0.59%	7/30/14	Open	855,000	856,317
Deutsche Bank Securities, Inc.	0.60%	7/30/14	Open	1,421,250	1,423,477
Deutsche Bank Securities, Inc.	0.58%	8/01/14	Open	584,000	584,866
Deutsche Bank Securities, Inc.	0.59%	8/12/14	Open	2,281,000	2,284,028
Deutsche Bank Securities, Inc.	0.59%	8/12/14	Open	1,838,000	1,840,440
Deutsche Bank Securities, Inc.	0.59%	8/12/14	Open	2,046,000	2,048,716
Deutsche Bank Securities, Inc.	0.59%	8/12/14	Open	2,703,000	2,706,588
Deutsche Bank Securities, Inc.	0.59%	8/12/14	Open	1,879,000	1,881,494
Deutsche Bank Securities, Inc.	0.59%	8/12/14	Open	1,949,000	1,951,587

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Deutsche Bank Securities, Inc.	0.59%	8/12/14	Open	2,514,000	2,517,337
Deutsche Bank Securities, Inc.	0.59%	8/13/14	Open	2,869,000	2,872,762
Deutsche Bank Securities, Inc.	0.59%	8/13/14	Open	2,416,000	2,419,168
Deutsche Bank Securities, Inc.	0.59%	8/13/14	Open	695,000	695,911
Deutsche Bank Securities, Inc.	0.59%	8/13/14	Open	2,355,000	2,358,088
Deutsche Bank Securities, Inc.	0.59%	8/13/14	Open	1,861,000	1,863,440
Deutsche Bank Securities, Inc.	0.59%	8/13/14	Open	226,000	226,296
Deutsche Bank Securities, Inc.	0.59%	8/13/14	Open	3,564,000	3,568,673

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

Reverse repurchase agreements outstanding as of October 31, 2014 were as follows (continued):

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Face Value	Face Value Including Accrued Interest
Deutsche Bank Securities, Inc.	0.59%	8/13/14	Open	\$ 96,000	\$ 96,126
Deutsche Bank Securities, Inc.	0.59%	8/13/14	Open	1,897,000	1,899,487
Barclays Capital, Inc.	(1.75)%	8/22/14	Open	3,611,406	3,598,942
BNP Paribas Securities Corp.	0.34%	8/22/14	Open	332,000	332,223
BNP Paribas Securities Corp.	0.34%	8/22/14	Open	688,000	688,461
BNP Paribas Securities Corp.	0.63%	8/22/14	Open	3,730,000	3,734,635
BNP Paribas Securities Corp.	0.63%	8/22/14	Open	362,000	362,450
BNP Paribas Securities Corp.	0.65%	8/22/14	Open	721,000	721,924
Deutsche Bank Securities, Inc.	0.59%	8/22/14	Open	938,000	939,091
Deutsche Bank Securities, Inc.	0.59%	8/22/14	Open	2,801,000	2,804,259
Deutsche Bank Securities, Inc.	0.59%	8/22/14	Open	2,798,000	2,801,256
Deutsche Bank Securities, Inc.	0.59%	8/22/14	Open	1,644,000	1,645,913
Deutsche Bank Securities, Inc.	0.59%	8/22/14	Open	4,532,000	4,537,273
Deutsche Bank Securities, Inc.	0.59%	8/22/14	Open	2,876,000	2,879,347
Deutsche Bank Securities, Inc.	0.59%	8/22/14	Open	1,953,000	1,955,273
Deutsche Bank Securities, Inc.	0.59%	8/22/14	Open	2,923,000	2,926,401
Deutsche Bank Securities, Inc.	0.59%	8/28/14	Open	255,000	255,272
Deutsche Bank Securities, Inc.	0.58%	9/15/14	Open	2,303,000	2,304,744
BNP Paribas Securities Corp.	0.57%	9/16/14	Open	6,219,000	6,223,431
BNP Paribas Securities Corp.	0.57%	9/16/14	Open	7,786,000	7,791,547
BNP Paribas Securities Corp.	0.57%	9/16/14	Open	7,417,000	7,422,285
RBC Capital Markets, LLC	0.34%	9/16/14	Open	518,700	518,920
RBC Capital Markets, LLC	0.65%	9/16/14	Open	2,075,000	2,076,686
BNP Paribas Securities Corp.	1.15%	10/01/14	11/03/14	8,386,000	8,394,319
Barclays Capital, Inc.	1.40%	10/02/14	11/03/14	22,384,670	22,409,951
Deutsche Bank Securities, Inc.	0.58%	10/02/14	Open	616,000	616,288
Deutsche Bank Securities, Inc.	0.58%	10/02/14	Open	368,000	368,172
Deutsche Bank Securities, Inc.	0.59%	10/02/14	Open	429,000	429,204
Deutsche Bank Securities, Inc.	0.59%	10/02/14	Open	712,000	712,338
Deutsche Bank Securities, Inc.	0.59%	10/02/14	Open	824,000	824,392
Deutsche Bank Securities, Inc.	0.59%	10/02/14	Open	476,000	476,226
Deutsche Bank Securities, Inc.	0.60%	10/02/14	Open	1,084,000	1,084,524
Deutsche Bank Securities, Inc.	0.60%	10/02/14	Open	2,755,000	2,756,332
Deutsche Bank Securities, Inc.	0.60%	10/02/14	Open	1,084,000	1,084,524
Deutsche Bank Securities, Inc.	0.60%	10/02/14	Open	6,209,000	6,212,001
Deutsche Bank Securities, Inc.	0.60%	10/02/14	Open	706,000	706,341
Deutsche Bank Securities, Inc.	0.55%	10/06/14	Open	496,000	496,197
Barclays Capital, Inc.	1.40%	10/07/14	11/07/14	8,798,000	8,806,226
Deutsche Bank Securities, Inc.	0.58%	10/07/14	Open	111,720	111,765
JPMorgan Securities LLC	1.30%	10/08/14	11/07/14	2,583,000	2,585,242
BNP Paribas Securities Corp.	1.15%	10/08/14	11/10/14	10,243,000	10,250,538
BNP Paribas Securities Corp.	1.15%	10/08/14	11/10/14	15,867,000	15,879,191
Barclays Capital, Inc.	1.40%	10/09/14	11/10/14	13,454,000	13,465,533
Barclays Capital, Inc.	1.40%	10/15/14	11/14/14	8,895,000	8,900,888
JPMorgan Securities LLC	1.30%	10/15/14	11/14/14	2,550,000	2,551,570
JPMorgan Securities LLC	1.40%	10/15/14	11/14/14	2,554,000	2,555,693
Deutsche Bank Securities, Inc.	0.45%	10/15/14	Open	3,348,000	3,348,670
Deutsche Bank Securities, Inc.	0.45%	10/15/14	Open	798,000	798,160
Deutsche Bank Securities, Inc.	0.58%	10/15/14	Open	2,413,000	2,413,622
Deutsche Bank Securities, Inc.	0.58%	10/16/14	Open	536,640	536,778
Deutsche Bank Securities, Inc.	0.59%	10/16/14	Open	1,312,500	1,312,844
Deutsche Bank Securities, Inc.	0.59%	10/20/14	Open	581,000	581,114
Barclays Capital, Inc.	1.41%	10/21/14	11/20/14	12,418,000	12,422,849
Deutsche Bank Securities, Inc.	0.59%	10/24/14	Open	763,332	763,433
Barclays Capital, Inc.	0.60%	10/29/14	Open	4,473,000	4,473,027

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Barclays Capital, Inc.	0.60%	10/29/14	Open	3,127,000	3,127,036
Barclays Capital, Inc.	0.60%	10/29/14	Open	1,994,000	1,994,020
Barclays Capital, Inc.	0.60%	10/29/14	Open	766,000	766,207
Barclays Capital, Inc.	0.60%	10/29/14	Open	234,000	234,012
Barclays Capital, Inc.	0.60%	10/29/14	Open	970,000	970,016
Barclays Capital, Inc.	0.60%	10/29/14	Open	323,000	323,020
Barclays Capital, Inc.	0.60%	10/29/14	Open	2,449,000	2,449,033
Barclays Capital, Inc.	0.60%	10/29/14	Open	14,852,000	14,852,041

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

Reverse repurchase agreements outstanding as of October 31, 2014 were as follows (concluded):

Counterparty	Interest Rate	Trade Date	Maturity Date ¹	Face Value	Face Value Including Accrued Interest
Barclays Capital, Inc.	0.60%	10/29/14	Open	\$ 300,000	\$ 300,046
Barclays Capital, Inc.	0.60%	10/29/14	Open	4,675,000	4,675,050
Barclays Capital, Inc.	0.60%	10/29/14	Open	1,001,000	1,001,054
Barclays Capital, Inc.	0.60%	10/29/14	Open	474,000	474,063
Barclays Capital, Inc.	0.60%	10/29/14	Open	642,000	642,067
Barclays Capital, Inc.	0.60%	10/29/14	Open	1,237,000	1,237,071
Barclays Capital, Inc.	0.60%	10/29/14	Open	781,000	781,092
Barclays Capital, Inc.	0.60%	10/29/14	Open	194,000	194,088
Barclays Capital, Inc.	0.65%	10/29/14	Open	803,000	803,075
Barclays Capital, Inc.	0.65%	10/29/14	Open	927,000	927,084
Barclays Capital, Inc.	0.75%	10/29/14	Open	4,813,000	4,813,058
Credit Suisse Securities (USA) LLC	0.40%	10/29/14	Open	2,665,000	2,665,037
Credit Suisse Securities (USA) LLC	0.65%	10/29/14	Open	590,000	590,025
Credit Suisse Securities (USA) LLC	0.65%	10/29/14	Open	810,000	810,029
Credit Suisse Securities (USA) LLC	0.65%	10/29/14	Open	792,000	792,079
BNP Paribas Securities Corp.	1.20%	10/30/14	1/05/15	8,219,000	8,219,000
Barclays Capital, Inc.	1.55%	10/31/14	1/05/15	22,414,160	22,414,160
Total				\$ 705,972,381	\$ 707,293,903

¹ Certain agreements have no stated maturity and can be terminated by either party at any time.

Financial futures contracts outstanding as of October 31, 2014 were as follows:

Contracts Purchased (Sold)	Issue	Exchange	Expiration	Notional Value	Unrealized Depreciation
(275)	10-Year U.S. Treasury Note	Chicago Board of Trade	December 2014	USD 34,748,828	\$ (204,329)
(134)	U.S. Treasury Long Bond	Chicago Board of Trade	December 2014	USD 18,906,562	(204,929)
(104)	Ultra Long U.S. Treasury Bond	Chicago Board of Trade	December 2014	USD 16,308,500	(202,947)
(88)	5-Year U.S. Treasury Note	Chicago Board of Trade	December 2014	USD 10,509,813	(82,488)
Total					\$ (694,693)

Forward foreign currency exchange contracts outstanding as of October 31, 2014 were as follows:

Currency Purchased	Currency Sold	Amount	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
BRL 395,840	USD 160,000		Bank of America N.A.	11/04/14	\$ (252)
BRL 396,800	USD 162,344		Bank of America N.A.	11/04/14	(2,208)
USD 160,000	BRL 396,800		Bank of America N.A.	11/04/14	(136)
USD 161,951	BRL 395,840		Bank of America N.A.	11/04/14	2,203
USD 400,000	ZAR 4,461,600		Bank of America N.A.	11/17/14	(3,645)
MXN 5,420,800	USD 400,000		Bank of America N.A.	11/18/14	2,199
USD 400,000	COP 829,000,000		Bank of America N.A.	11/18/14	(2,268)
BRL 389,520	USD 160,000		Bank of America N.A.	11/28/14	(3,958)
USD 160,000	BRL 398,800		Bank of America N.A.	11/28/14	241
USD 8,720,114	EUR 6,821,777		Bank of America N.A.	1/21/15	166,937

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USD	34,720,247	GBP	21,798,000	Bank of America N.A.	1/21/15	(128,140)
Total						\$ 30,973

Exchange-traded options purchased as of October 31, 2014 were as follows:

Description	Put/ Call	Strike Price	Expiration Date	Contracts	Market Value
Eurodollar 2-Year Mid-Curve Option	Put	USD 97.88	12/12/14	40	\$ 3,750

Exchange-traded options written as of October 31, 2014 were as follows:

Description	Put/ Call	Strike Price	Expiration Date	Contracts	Market Value
Eurodollar 2-Year Mid-Curve Option	Put	USD 97.50	12/12/14	40	\$ (250)

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

Centrally cleared credit default swaps buy protection outstanding as of October 31, 2014 were as follows:

Index	Pay Fixed Rate	Clearinghouse	Expiration Date	Notional Amount (000)	Unrealized Depreciation
Dow Jones CDX North America High Yield Index, Series 22, Version 2	5.00%	Chicago Mercantile	6/20/19	USD 21,335	\$ (236,552)

Centrally cleared credit default swaps sold protection outstanding as of October 31, 2014 were as follows:

Index	Receive Fixed Rate	Clearinghouse	Expiration Date	Credit Rating ¹	Notional Amount (000) ²	Unrealized Appreciation
Dow Jones CDX North America High Yield Index, Series 22, Version 2	5.00%	Chicago Mercantile	6/20/19	B+	USD 99	\$ 232

¹ Using S&P's rating of the issuer or the underlying securities of the index, as applicable.² The maximum potential amount the Trust may pay should a negative credit event take place as defined under the terms of the agreement.

Centrally cleared interest rate swaps outstanding as of October 31, 2014 were as follows:

Fixed Rate	Floating Rate	Clearinghouse	Effective Date	Expiration Date	Notional Amount (000)	Unrealized Depreciation
2.72% ¹	3-month LIBOR	Chicago Mercantile	N/A	9/19/24	USD 350	\$ (8,023)

¹ Trust pays the fixed rate and receives the floating rate.

OTC credit default swaps buy protection outstanding as of October 31, 2014 were as follows:

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Market Value	Premiums Paid	Unrealized Depreciation
United Mexican States	1.00%	Credit Suisse International	12/20/19	USD 672	\$ (6,893)	\$ 2,897	\$ (9,790)

OTC credit default swaps sold protection outstanding as of October 31, 2014 were as follows:

Index	Receive Fixed Rate	Counterparty	Expiration Date	Credit Rating ¹	Notional Amount (000) ²	Market Value	Premiums Received	Unrealized Appreciation
Dow Jones CDX North America Investment Grade, Series 9	5.00%	Bank of America N.A.	12/20/17	BBB+	USD 10,000	\$ 724,678	\$ (542,303)	\$ 1,266,981

¹ Using S&P's rating of the issuer or the underlying securities of the index, as applicable.² The maximum potential amount the Trust may pay should a negative credit event take place as defined under the terms of the agreement.

OTC interest rate swaps outstanding as of October 31, 2014 were as follows:

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Fixed Rate	Floating Rate	Counterparty	Effective Date	Expiration Date	Notional Amount (000)	Market Value	Premiums Received	Unrealized Appreciation (Depreciation)
11.15% ³	1-Day BROIS	Deutsche Bank AG	N/A	1/04/16	BRL 12,096	\$ (57,970)	\$ (164)	\$ (57,806)
12.11% ³	1-Day BROIS	Deutsche Bank AG	N/A	1/02/18	BRL 4,464	(22,329)	(201)	(22,128)
6.28% ³	1-month MXIBOR	Citibank N.A.	N/A	9/05/24	MXN 5,400	4,658	(71)	4,729
Total						\$ (75,641)	\$ (436)	\$ (75,205)

³ Trust pays the floating rate and receives the fixed rate.

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. The three levels of the fair value hierarchy are as follows:

Level 1 unadjusted quoted prices in active markets/exchanges for identical assets or liabilities that the Trust has the ability to access

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

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

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Multi-Sector Income Trust (BIT)

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Trust's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. For information about the Trust's policy regarding valuation of investments and derivative financial instruments, please refer to Note 2 of the Notes to Financial Statements.

The following tables summarize the Trust's investments and derivative financial instruments categorized in the disclosure hierarchy as of October 31, 2014:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Asset-Backed Securities		\$ 204,436,230	\$ 12,930,162	\$ 217,366,392
Corporate Bonds		490,841,931	4,353,024	495,194,955
Floating Rate Loan Interests		44,625,694	26,369,600	70,995,294
Foreign Agency Obligations		11,331,937		11,331,937
Non-Agency Mortgage-Backed Securities		386,041,114	24,087,773	410,128,887
Preferred Securities	\$ 17,671,916	179,313,974		196,985,890
Short-Term Securities	18,823,385			18,823,385
Options Purchased:				
Interest rate contracts	3,750			3,750
Total	\$ 36,499,051	\$ 1,316,590,880	\$ 67,740,559	\$ 1,420,830,490

	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments ¹				
Assets:				
Credit contracts		\$ 1,267,213		\$ 1,267,213
Foreign currency exchange contracts		171,580		171,580
Interest rate contracts		4,729		4,729
Liabilities:				
Credit contracts		(246,342)		(246,342)
Foreign currency exchange contracts		(140,607)		(140,607)
Interest rate contracts	\$ (694,943)	(87,957)		(782,900)
Total	\$ (694,943)	\$ 968,616		\$ 273,673

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

The Trust may hold assets and/or liabilities in which the fair value approximates the carrying amount for financial statement purposes. As of October 31, 2014, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash	\$ 4,999			\$ 4,999
Foreign currency at value	1,835,632			1,835,632
Cash pledged for centrally cleared swaps	1,025,000			1,025,000
Cash pledged as collateral for reverse repurchase agreements	1,541,529			1,541,529
Cash pledged for financial futures contracts	999,000			999,000
Liabilities:				
Cash received as collateral for OTC derivatives		\$ (660,000)		(660,000)
Cash received as collateral for reverse repurchase agreements		(873,000)		(873,000)
Reverse repurchase agreements		(707,293,903)		(707,293,903)

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Total	\$ 5,406,160	\$ (708,826,903)	\$ (703,420,743)
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There were no transfers between Level 1 and Level 2 during the year ended October 31, 2014.

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock Multi-Sector Income Trust (BIT)

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

	Asset-Backed Securities	Corporate Bonds	Floating Rate Loan Interests	Non-Agency Mortgage- Backed Securities	Unfunded Floating Rate Loan Interests (Liabilities)	Total
Assets:						
Opening Balance, as of						
October 31, 2013	\$ 67,811,145		\$ 18,805,204	\$ 16,556,311	\$ (1,224)	\$ 103,171,436
Transfers into Level 3						
Transfers out of Level 3 ¹	(50,139,764)		(1,181,504)	(4,688,500)		(56,009,768)
Accrued discounts/premiums	16,431		12,660	291,601		320,692
Net realized gain (loss)	1,230,081		27,219	112,501		1,369,801
Net change in unrealized appreciation/depreciation ^{2,3}	44,479	\$ 59,165	26,605	1,465,895	1,224	1,597,368
Purchases	10,843,793	4,293,859	26,977,266	11,560,943		53,675,861
Sales	(16,876,003)		(18,297,850)	(1,210,978)		(36,384,831)
Closing Balance, as of October 31, 2014	\$ 12,930,162	\$ 4,353,024	\$ 26,369,600	\$ 24,087,773		\$ 67,740,559
Net change in unrealized appreciation/depreciation on investments still held at October 31, 2014 ³	\$ (15,902)	\$ 59,165	\$ 57,205	\$ 1,465,895		\$ 1,566,363

¹ As of October 31, 2013, the Trust used significant unobservable inputs in determining the value of certain investments. As of October 31, 2014, the Trust used observable inputs in determining the value of the same investments. As a result, investments with a beginning of period value of \$56,009,768 transferred from Level 3 to Level 2 in the disclosure hierarchy.

² Included in the related net change in unrealized appreciation/depreciation in the Statements of Operations.

³ Any difference between Net change in unrealized appreciation/depreciation and Net change in unrealized appreciation/depreciation on investments still held at October 31, 2014 is generally due to investments no longer held or categorized as Level 3 at period end.

The Trust's investments that are categorized as Level 3 were valued utilizing third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in third party information could result in a significantly lower or higher value of such Level 3 investments.

See Notes to Financial Statements.

Statements of Assets and Liabilities

October 31, 2014	BlackRock Credit Allocation Income Trust (BTZ)	BlackRock Floating Rate Income Trust (BGT) ¹	BlackRock Multi- Sector Income Trust (BIT)
Assets			
Investments at value unaffiliated	\$ 2,404,987,920	\$ 493,715,998	\$ 1,402,007,105
Investments at value affiliated	4,283,291	2,630,534	18,823,385
Cash		753,332	4,999
Cash pledged for centrally cleared swaps	5,150,000		1,025,000
Cash pledged as collateral for OTC derivatives	500,000		
Cash pledged for financial futures contracts	353,000		999,000
Cash pledged as collateral for reverse repurchase agreements			1,541,529
Foreign currency at value ⁴	99	6,914	1,835,632
Interest receivable	31,585,435	1,913,157	13,219,228
Investments sold receivable	14,491,173	8,147,687	5,762,660
Reverse repurchase agreements receivable			47,978,493
Unrealized appreciation on OTC derivatives	1,124,986		1,271,710
Swap premiums paid	513,888		2,897
Variation margin receivable on centrally cleared swaps	376,026		5,443
Variation margin receivable on financial futures contracts	273,562		208,795
Swaps receivable	101,033		392,484
Dividends receivable	68,863		182,662
Unrealized appreciation on forward foreign currency exchange contracts		224,861	171,580
Principal paydowns receivable			218
Prepaid expenses	6,177	1,577	2,236
Total assets	2,463,815,453	507,394,060	1,495,435,056
Liabilities			
Reverse repurchase agreements	759,751,939		707,293,903
Bank borrowings payable		145,000,000	
Investments purchased payable	32,410,192	16,759,297	3,298,613
Reverse repurchase agreements payable	2,542,637		16,474,945
Options written at value ⁵	2,444,259		250
Unrealized depreciation on OTC derivatives	1,517,593		89,724
Investment advisory fees payable	1,269,816	302,472	978,213
Swap premiums received	862,464		542,739
Cash received as collateral for OTC derivatives	740,000		660,000
Officers and Trustees fees payable	585,306	187,919	9,113
Income dividends payable	408,838	31,714	192,275
Variation margin payable on financial futures contracts	400,503		
Swaps payable	127,971		357,461
Bank overdraft	26,363		
Interest expense payable		204,962	
Unrealized depreciation on forward foreign currency exchange contracts		33,770	140,607
Unrealized depreciation on unfunded floating rate loan interests		25,380	
Cash received as collateral for reverse repurchase agreements			873,000
Variation margin payable on centrally cleared swaps			78,574
Other liabilities			832,628
Other accrued expenses payable	285,607	180,943	253,296
Total liabilities	803,373,488	162,726,457	732,075,341
Net Assets	\$ 1,660,441,965	\$ 344,667,603	\$ 763,359,715
Net Assets Consist of			
Paid-in capital ^{6,7,8}	\$ 1,892,035,910	\$ 429,064,959	\$ 727,781,455
Undistributed net investment income	290,393	984,527	856,831

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Accumulated net realized gain (loss)	(379,484,356)	(77,799,341)	11,078,282
Net unrealized appreciation/depreciation	147,600,018	(7,582,542)	23,643,147
Net Assets	\$ 1,660,441,965	\$ 344,667,603	\$ 763,359,715
Net asset value	\$ 15.36	\$ 14.57	\$ 19.87
¹ Consolidated Statement of Assets and Liabilities.			
² Investments at cost unaffiliated	\$ 2,258,039,015	\$ 501,395,066	\$ 1,378,614,127
³ Investments at cost affiliated	\$ 4,283,291	\$ 2,630,534	\$ 18,823,385
⁴ Foreign currency at cost	\$ 101	\$ 6,936	\$ 1,855,449
⁵ Premiums received	\$ 7,454,970		\$ 5,938
⁶ Par value per share	\$ 0.001	\$ 0.001	\$ 0.001
⁷ Shares outstanding	108,088,170	23,663,232	38,421,624
⁸ Shares authorized	unlimited	unlimited	unlimited

See Notes to Financial Statements.

Statements of Operations

Year Ended October 31, 2014	BlackRock Credit Allocation Income Trust (BTZ)	BlackRock Floating Rate Income Trust (BGT) ¹	BlackRock Multi-Sector Income Trust (BIT)
Investment Income			
Interest	\$ 121,170,921	\$ 25,098,938	\$ 76,063,360
Dividends unaffiliated	4,146,077	199,982	2,148,302
Dividends affiliated	2,660	417	6,878
Total income	125,319,658	25,299,337	78,218,540
Expenses			
Investment advisory	14,791,025	3,611,279	10,822,184
Accounting services	175,562	56,302	101,927
Transfer agent	161,026	41,003	69,492
Officer and Trustees	158,373	34,181	72,631
Professional	146,657	125,401	221,442
Custodian	137,394	175,329	137,952
Printing	44,407	18,580	23,328
Registration	37,625	9,181	11,097
Miscellaneous	167,457	56,202	57,416
Total expenses excluding interest expense	15,819,526	4,127,458	11,517,469
Interest expense	2,472,858	1,195,377	3,970,125
Total expenses	18,292,384	5,322,835	15,487,594
Less fees waived by Manager	(5,184)	(812)	(14,158)
Less fees paid indirectly	(42)	(130)	(62)
Total expenses after fees waived and paid indirectly	18,287,158	5,321,893	15,473,374
Net investment income	107,032,500	19,977,444	62,745,166
Realized and Unrealized Gain (Loss)			
Net realized gain (loss) from:			
Investments	17,087,796	8,219,024	4,037,359
Financial futures contracts	(3,034,410)		(3,487,491)
Foreign currency transactions	21,385	296,119	899,679
Options written	(320,674)		198,413
Swaps	(10,668,059)	(1,401,406)	457,051
	3,086,038	7,113,737	2,105,011
Net change in unrealized appreciation/depreciation on:			
Investments	30,678,176	(12,371,318)	25,291,763
Financial futures contracts	1,924,960		(32,016)
Foreign currency translations	(21,224)	(491,846)	(740,369)
Options written	3,958,519		5,688
Swaps	(1,506,531)	457,695	(118,929)
Unfunded floating rate loan interests		(39,081)	1,224
	35,033,900	(12,444,550)	24,407,361
Net realized and unrealized gain (loss)	38,119,938	(5,330,813)	26,512,372

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Net Increase in Net Assets Resulting from Operations	\$ 145,152,438	\$ 14,646,631	\$ 89,257,538
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¹ Consolidated Statement of Operations.

See Notes to Financial Statements.

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Statements of Changes in Net Assets

Increase (Decrease) in Net Assets:	BlackRock Credit Allocation Income Trust (BTZ) Year Ended October 31,	
	2014	2013
Operations		
Net investment income	\$ 107,032,500	\$ 99,114,534
Net realized gain	3,086,038	32,493,332
Net change in unrealized appreciation/depreciation	35,033,900	(71,895,937)
Net increase in net assets resulting from operations	145,152,438	59,711,929
Distributions to Shareholders From¹		
Net investment income	(104,413,172)	(99,536,463)
Capital Share Transactions		
Net proceeds from the issuance of shares due to reorganization		862,691,514
Net Assets		
Total increase in net assets	40,739,266	822,866,980
Beginning of year	1,619,702,699	796,835,719
End of year	\$ 1,660,441,965	\$ 1,619,702,699
Undistributed net investment income, end of year	\$ 290,393	\$ 944,076

Increase (Decrease) in Net Assets:	BlackRock Floating Rate Income Trust (BGT) ² Year Ended October 31,	
	2014	2013
Operations		
Net investment income	\$ 19,977,444	\$ 22,212,564
Net realized gain	7,113,737	5,355,527
Net change in unrealized appreciation/depreciation	(12,444,550)	3,431,673
Net increase in net assets resulting from operations	14,646,631	30,999,764
Distributions to Shareholders From¹		
Net investment income	(19,919,709)	(24,716,431)
Capital Share Transactions		
Reinvestment of dividends		374,931
Net Assets		
Total increase (decrease) in net assets	(5,273,078)	6,658,264
Beginning of year	349,940,681	343,282,417
End of year	\$ 344,667,603	\$ 349,940,681

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Undistributed (distributions in excess of) net investment income, end of year	\$	984,527	\$	(1,724,564)
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¹ Distributions for annual periods determined in accordance with federal income tax regulations.

² Consolidated Statements of Changes.

See Notes to Financial Statements.

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Statements of Changes in Net Assets

	BlackRock Multi-Sector Income Trust (BIT)	
	Year Ended October 31, 2014	Period February 27, 2013¹ to October 31, 2013
Increase (Decrease) in Net Assets:		
Operations		
Net investment income	\$ 62,745,166	\$ 38,588,756
Net realized gain (loss)	2,105,011	(10,846,530)
Net change in unrealized appreciation/depreciation	24,407,361	(764,214)
Net increase in net assets resulting from operations	89,257,538	26,978,012
Distributions to Shareholders From²		
Net investment income	(53,805,642)	(26,851,648)
Return of capital		(4,534,977)
Decrease in net assets resulting from distributions to shareholders	(53,805,642)	(31,386,625)
Capital Share Transactions		
Net proceeds from the issuance of shares		686,096,414
Net proceeds from the underwriter's over allotment option exercised		46,120,006
Net increase in net assets derived from capital share transactions		732,216,420
Net Assets		
Total increase in net assets	35,451,896	727,807,807
Beginning of period	727,907,819	100,012
End of period	\$ 763,359,715	\$ 727,907,819
Undistributed (distributions in excess of) net investment income, end of period	\$ 856,831	\$ (589,378)

¹ Commencement of operations.

² Distributions for annual periods determined in accordance with federal income tax regulations.

See Notes to Financial Statements.

Statements of Cash Flows

Year Ended October 31, 2014	BlackRock		
	BlackRock Credit Allocation Income Trust (BTZ)	Floating Rate Income Trust (BGT) ¹	BlackRock Multi-Sector Income Trust (BIT)
Cash Provided by Operating Activities			
Net increase in net assets resulting from operations	\$ 145,152,438	\$ 14,646,631	\$ 89,257,538
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:			
Decrease in interest receivable	1,368,368	556,339	242,848
(Increase) decrease in swap receivable	229,972	26,006	(319,290)
(Increase) decrease in cash pledged for centrally cleared swaps	4,515,000	145,000	(525,000)
(Increase) decrease in cash pledged as collateral for OTC derivatives	(500,000)	600,000	
(Increase) decrease in cash pledged as financial futures contracts	1,310,940		(669,000)
Decrease in cash pledged as collateral for reverse repurchase agreements	1,333,000		1,491,221
(Increase) decrease in prepaid expenses	20,550	8,098	(2,236)
Increase in variation margin receivable on financial futures contracts	(58,644)		(191,451)
(Increase) decrease in dividends receivable	1,952		(80,787)
Increase in variation margin receivable on centrally cleared swaps	(376,026)		(5,443)
(Increase) decrease in swap premiums paid	590,494		(2,897)
Increase (decrease) in swaps payable	(111,210)		357,461
Increase (decrease) in investment advisory fees payable	20,644	(5,330)	125,162
Increase (decrease) in interest expense payable	888,740	(6,737)	107,427
Increase in other liabilities			832,628
Increase (decrease) in other accrued expenses payable	(60,418)	(86,723)	11,111
Increase in Officers and Trustees fees payable	74,209	16,382	1,782
Increase (decrease) in swap premiums received	141,464	(1,020,061)	(934,325)
Increase in variation margin payable on financial futures contracts	400,503		
Increase in cash received as collateral for reverse repurchase agreements			873,000
Increase in cash received as collateral for OTC derivatives	40,000		60,000
Increase (decrease) in variation margin payable on centrally cleared swaps	(24,452)	(1,943)	75,066
Net realized gain (loss) on investments and options written	(8,555,263)	(7,813,904)	815,454
Net unrealized gain (loss) on investments, options written, swaps, foreign currency translations and unfunded floating rate loan interests	(34,344,187)	12,519,912	(24,497,569)
Amortization of premium and accretion of discount on investments	5,215,247	(1,113,024)	(13,539,319)
Premiums received from options written	9,444,187		205,679
Proceeds from sales of long-term investments and principal paydowns	732,826,768	322,539,904	377,684,232
Purchases of long-term investments	(695,497,112)	(315,029,657)	(491,722,566)
Net proceeds from sales (purchases) of short-term securities	(283,824)	747,624	(8,155,093)
Premiums paid on closing options written	(9,043,829)		(1,328)
Net cash provided by (used for) operating activities	154,719,511	26,728,517	(68,505,695)
Cash Used for Financing Activities			
Proceeds from bank borrowings		189,000,000	
Payments on bank borrowings		(196,000,000)	
Net borrowing of reverse repurchase agreements	(50,622,478)		123,643,052
Cash dividends paid to shareholders	(104,531,085)	(19,920,832)	(53,846,343)
Increase (decrease) in bank overdraft	26,363	(46,524)	
Net cash provided by (used for) financing activities	(155,127,200)	(26,967,356)	69,796,709
Cash Impact from Foreign Exchange Fluctuations			
Cash impact from foreign exchange fluctuations	\$ (2)	\$ (538)	\$ (18,358)

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Cash and Foreign Currency

Net increase (decrease) in cash and foreign currency	(407,691)	(239,377)	1,272,656
Cash and foreign currency at beginning of year	407,790	999,623	567,975
Cash and foreign currency at end of year	\$ 99	\$ 760,246	\$ 1,840,631

Supplemental Disclosure of Cash Flow Information

Cash paid during the period for interest	\$ 1,584,118	\$ 1,202,114	\$ 3,862,698
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¹ Consolidated Statement of Cash Flows.

See Notes to Financial Statements.

Financial Highlights

BlackRock Credit Allocation Income Trust (BTZ)

	Year Ended October 31,				
	2014	2013	2012	2011	2010
Per Share Operating Performance					
Net asset value, beginning of year	\$ 14.99	\$ 15.37	\$ 13.94	\$ 14.46	\$ 12.64
Net investment income ¹	0.99	0.97	0.94	0.88	0.85
Net realized and unrealized gain (loss)	0.35	(0.37)	1.43	(0.54)	2.14
Distributions to Preferred Shareholders from net investment income				(0.01)	(0.07)
Net increase from investment operations	1.34	0.60	2.37	0.33	2.92
Distributions to Common Shareholders from: ²					
Net investment income	(0.97)	(0.98)	(0.94)	(0.85)	(0.81)
Return of capital					(0.29)
Total distributions	(0.97)	(0.98)	(0.94)	(0.85)	(1.10)
Net asset value, end of year	\$ 15.36	\$ 14.99	\$ 15.37	\$ 13.94	\$ 14.46
Market price, end of year	\$ 13.54	\$ 12.97	\$ 14.23	\$ 12.08	\$ 13.02
Total Return Applicable to Common Shareholders³					
Based on net asset value	10.11%	4.86%	18.35%	3.28%	25.16%
Based on market price	12.18%	(2.01)%	26.44%	(0.60)%	29.98%
Ratios to Average Net Assets Applicable to Common Shareholders					
Total expenses	1.11%	1.15% ⁴	1.20% ⁵	1.09% ⁶	1.12% ⁶
Total expenses after fees waived and paid indirectly	1.11%	1.15% ⁴	1.20% ⁵	1.09% ⁶	1.11% ⁶
Total expenses after fees waived and paid indirectly and excluding interest expense	0.96%	1.00% ⁴	1.07% ⁵	0.99% ⁶	1.07% ⁶
Net investment income	6.48%	6.43%	6.53%	6.25% ⁶	6.33% ⁶
Distributions to Preferred Shareholders				0.09%	0.50%
Net investment income to Common Shareholders	6.48%	6.43%	6.53%	6.16%	5.83%
Supplemental Data					
Net assets Applicable to Common Shareholders, end of year (000)	\$ 1,660,442	\$ 1,619,703	\$ 796,836	\$ 722,337	\$ 749,360
Preferred Shares outstanding at \$25,000 liquidation preference, end of year (000)					\$ 231,000
Borrowings outstanding, end of year (000)	\$ 759,752	\$ 812,028	\$ 373,716	\$ 339,303	\$
Average borrowings outstanding, during the year (000)	\$ 733,661	\$ 724,537	\$ 312,634	\$ 182,843	\$ 63,660
Portfolio turnover rate	29%	43%	37%	54%	64%
Asset coverage per Preferred Share at \$25,000 liquidation preference, end of year					\$ 106,104

Financial Highlights

BlackRock Floating Rate Income Trust
(BGT)

	2014 ¹	Year Ended October 31,			2010
	2013 ¹	2012 ¹	2011		
Per Share Operating Performance					
Net asset value, beginning of year	\$ 14.79	\$ 14.52	\$ 13.97	\$ 14.48	\$ 13.29
Net investment income ²	0.84	0.94	0.97	1.00	0.97
Net realized and unrealized gain (loss)	(0.22)	0.38	0.68	(0.42)	1.09
Distributions to Preferred Shareholders from net investment income				(0.00) ³	(0.04)
Net increase from investment operations	0.62	1.32	1.65	0.58	2.02
Distributions from net investment income ⁴	(0.84)	(1.05)	(1.10)	(1.09)	(0.83)
Net asset value, end of year	\$ 14.57	\$ 14.79	\$ 14.52	\$ 13.97	\$ 14.48
Market price, end of year	\$ 13.18	\$ 14.12	\$ 15.07	\$ 13.00	\$ 14.52
Total Return Applicable to Common Shareholders⁵					
Based on net asset value	4.60%	9.37%	12.37%	4.03%	15.55%
Based on market price	(0.89)%	0.60%	25.33%	(3.46)%	22.41%
Ratio to Average Net Assets Applicable to Common Shareholders					
Total expenses	1.52%	1.57%	1.66%	1.73% ⁶	1.43% ⁶
Total expenses after fees waived and paid indirectly	1.52%	1.57%	1.61%	1.60% ⁶	1.25% ⁶
Total expenses after fees waived and paid indirectly and excluding interest expense	1.18%	1.19%	1.25% ⁷	1.24% ⁶	1.15% ⁶
Net investment income	5.71%	6.39%	6.87%	6.95% ⁶	7.01% ⁶
Distributions to Preferred Shareholders				0.03%	0.27%
Net investment income to Common Shareholders	5.71%	6.39%	6.87%	6.92%	6.74%
Supplemental Data					
Net assets applicable Common Shareholders, end of year (000)	\$ 344,668	\$ 349,941	\$ 343,282	\$ 329,831	\$ 341,436
Preferred Shares outstanding at \$25,000 liquidation preference, end of year (000)					\$ 58,800
Borrowings outstanding, end of year (000)	\$ 145,000	\$ 152,000	\$ 145,000	\$ 122,000	\$ 38,000
Average borrowings outstanding, during the year (000)	\$ 131,570	\$ 138,337	\$ 126,186	\$ 120,334	\$ 24,321
Portfolio turnover rate	64%	72%	65%	89%	87%
Asset coverage per Preferred Share at \$25,000 liquidation preference, end of year (000)					\$ 170,174
Asset coverage, end of year per \$1,000	\$ 3,377	\$ 3,302	\$ 3,367	\$ 3,704	

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- ¹ Consolidated Financial Highlights.
- ² Based on average shares outstanding.
- ³ Amount is greater than \$(0.005) per share.
- ⁴ Distributions for annual periods determined in accordance with federal income tax regulations.
- ⁵ Total returns based on market price, which can be significantly greater or less than the net asset value, may result in substantially different returns. Where applicable, excludes the effects of any sales charges and assumes the reinvestment of distributions.
- ⁶ Do not reflect the effect of dividends to Preferred Shareholders.
- ⁷ For the year ended October 31, 2012, the total expense ratio after fees waived and paid indirectly and excluding interest expense and borrowing costs was 1.14%.

See Notes to Financial Statements.

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Financial Highlights

BlackRock Multi-Sector Income Trust (BIT)

	Year Ended October 31, 2014	Period February 27, 2013 ¹ to October 31, 2013
Per Share Operating Performance		
Net asset value, beginning of period	\$ 18.95	\$ 19.10 ²
Net investment income ³	1.62	1.02
Net realized and unrealized gain (loss)	0.70	(0.35)
Net increase from investment operations	2.32	0.67
Distributions from: ⁴		
Net investment income	(1.40)	(0.70)
Return of capital		(0.12)
Total distributions	(1.40)	(0.82)
Net asset value, end of period	\$ 19.87	\$ 18.95
Market price, end of period	\$ 17.79	\$ 17.04
Total Return⁵		
Based on net asset value	13.40%	4.04% ⁶
Based on market price	12.91%	(10.66)% ⁶
Ratios to Average Net Assets		
Total expenses	2.04%	1.67% ⁷
Total expenses after fees waived and paid indirectly	2.04%	1.67% ⁷
Total expenses after fees waived and paid indirectly and excluding interest expense	1.52%	1.33% ⁷
Net investment income	8.27%	8.05% ⁷
Supplemental Data		
Net assets, end of period (000)	\$ 763,360	\$ 727,908
Borrowings outstanding, end of period (000)	\$ 707,294	\$ 552,040
Average borrowings outstanding, during the period (000)	\$ 593,978	\$ 397,402
Portfolio turnover rate	29%	77% ⁸
Asset coverage, end of period per \$1,000	\$ 2,079	\$ 2,319

¹ Commencement of operations.

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- ² Net asset value, beginning of period, reflects a deduction of \$0.90 per share sales charge from the initial offering price of \$20.00 per share.
- ³ Based on average shares outstanding.
- ⁴ Distributions for annual periods determined in accordance with federal income tax regulations.
- ⁵ Total returns based on market price, which can be significantly greater or less than the net asset value, may result in substantially different returns. Where applicable, excludes the effects of any sales charges and assumes the reinvestment of distributions.
- ⁶ Aggregate total return.
- ⁷ Annualized.
- ⁸ Includes mortgage dollar roll transactions (MDRs). Excluding MDRs, the portfolio turnover rate would have been 54%.

See Notes to Financial Statements.

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Notes to Financial Statements

1. Organization:

BlackRock Credit Allocation Income Trust (BTZ), BlackRock Floating Rate Income Trust (BGT) and BlackRock Multi-Sector Income Trust (BIT) (collectively, the Trusts or individually as a Trust) are registered under the 1940 Act, as non-diversified, closed-end management investment companies. The Trusts are organized as Delaware statutory trusts. The Boards of Trustees of the Trusts are collectively referred to throughout this report as the Board of Trustees or the Board, and the trustees thereof are collectively referred to throughout this report as Trustees . The Trusts determine and make available for publication the NAVs of their Common Shares on a daily basis.

Reorganization: The Board and shareholders of BTZ and the respective Boards of Directors and Boards of Trustees and shareholders of each BlackRock Credit Allocation Income Trust I, Inc. (PSW), BlackRock Credit Allocation Income Trust II, Inc. (PSY) and BlackRock Credit Allocation Income Trust III (BPP) (individually, a Target Fund and collectively the Target Funds) approved the reorganizations of each Target Fund into BTZ pursuant to which BTZ acquired substantially all of the assets and substantially all of the liabilities of each Target Fund in exchange for an equal aggregate value of newly-issued shares of BTZ in a merger transaction.

Each shareholder of a Target Fund received Common Shares of BTZ in an amount equal to the aggregate net asset value of such shareholder's Target Fund shares, as determined at the close of business on December 7, 2012, less the costs of the Target Fund's reorganization. Cash was distributed for any fractional shares.

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

Target Fund	Shares Prior to	Conversion	Shares of
	Reorganization	Ratio	BTZ
PSW	10,311,941	0.74476327	7,679,944
PSY	40,807,418	0.80162384	32,712,181
BPP	18,467,785	0.85922134	15,867,889

Each Target Fund's net assets and composition of net assets on December 7, 2012, the valuation date of the reorganization were as follows:

	Target Funds		
	PSW	PSY	BPP
Net assets	\$ 117,764,870	\$ 501,609,101	\$ 243,318,554
Paid-in capital	\$ 220,759,069	\$ 855,557,957	\$ 421,683,737
Undistributed (distributions in excess of) net investment income	\$ (271,460)	\$ (379,634)	\$ (20,963)
Accumulated net realized loss	\$ (117,819,600)	\$ (415,840,977)	\$ (201,649,795)
Net unrealized appreciation (depreciation)	\$ 15,096,861	\$ 62,271,755	\$ 23,305,575

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

The net assets of the BTZ before the acquisition were \$794,732,940. The aggregate net assets of BTZ immediately after the acquisition amounted to \$1,657,424,622. Each Target Fund's fair value and cost of investments prior to the reorganization were as follows:

Target Fund	Fair Value of	Cost of
	Investments	Investments
PSW	\$ 173,824,678	\$ 158,779,261
PSY	\$ 728,147,930	\$ 666,028,086

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BPP	\$ 354,504,965	\$ 331,424,010
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The purpose of these transactions was to combine four funds managed by the Manager with the same or substantially similar (but not identical) investment objectives, investment policies, strategies, risks and restrictions. Each reorganization was a tax-free event and was effective on December 10, 2012.

Assuming the acquisition had been completed on November 1, 2012, the beginning of the fiscal reporting period of BTZ, the pro forma results of operations for the year ended October 31, 2013, are as follows:

Net investment income: \$104,977,862

Net realized and change in unrealized gain/loss on investments: \$(41,452,879)

Net increase/decrease in net assets resulting from operations: \$63,524,983

Because the combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Funds that have been included in the BTZ Statement of Operations since December 10, 2012.

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

Notes to Financial Statements (continued)

Basis of Consolidation: The accompanying consolidated financial statements of BGT include the accounts of BGT Subsidiary, LLC (the Taxable Subsidiary), which is a wholly owned taxable subsidiary of BGT. The Taxable Subsidiary enables BGT to hold an investment in an operating company and satisfy regulated investment company tax requirements. Income earned and gains realized on the investment held by the Taxable Subsidiary are taxable to such subsidiary. A tax provision for income, if any, is shown as income tax in the Consolidated Statement of Operations for BGT. A tax provision for realized and unrealized gains, if any, is included as a reduction of realized and/or unrealized gain (loss) in the Consolidated Statement of Operations for BGT. BGT may invest up to 25% of its total assets in the Taxable Subsidiary. The net assets of the Taxable Subsidiary at October 31, 2014 were 0.06% of BGT's consolidated net assets. Intercompany accounts and transactions, if any, have been eliminated. The Taxable Subsidiary is subject to the same investment policies and restrictions that apply to BGT.

2. Significant Accounting Policies:

The Trusts' financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. Each Trust is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies. The following is a summary of significant accounting policies followed by the Trusts:

Valuation: The Trusts' investments are valued at fair value as of the close of trading on the New York Stock Exchange (NYSE) (generally 4:00 p.m., Eastern time). U.S. GAAP defines fair value as the price the Trusts would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Trusts determine the fair values of their financial instruments at market value using independent dealers or pricing services under policies approved by the Board. The BlackRock Global Valuation Methodologies Committee (the Global Valuation Committee) is the committee formed by management to develop global pricing policies and procedures and to provide oversight of the pricing function for the Trusts for all financial instruments.

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

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

Equity investments traded on a recognized securities exchange are valued at the official close each day, if available. For equity investments traded on more than one exchange, the official close 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 may be valued at the last available bid price.

Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates determined as of the close of business on the NYSE. Forward 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 options on swaps (swaptions) are valued by an independent pricing service using a mathematical

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model, which incorporates a number of market data factors, such as the trades and prices of the underlying instruments.

In the event that the application of these methods of valuation results in a price for an investment that is deemed not to be representative of the market value of such investment, or if a price is not available, the investment will be valued by the Global Valuation Committee, or its delegate, in accordance with

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Notes to Financial Statements (continued)

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

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 Trusts' net assets. If events (e.g., 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 Investments and be valued at their fair value, as determined in good faith by the Global Valuation Committee, or its delegate, using a pricing service and/or policies approved by the Board.

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

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

Segregation and Collateralization: In cases where a Trust enters into certain investments (e.g., financial futures contracts, forward foreign currency exchange contracts, swaps and options written) or certain borrowings (e.g., reverse repurchase transactions) that would be senior securities for 1940 Act purposes, the Trust may segregate or designate on its books and records cash or liquid securities having a market value at least equal to the amount of the Trust's future obligations under such investments or borrowings. Doing so allows the investment or borrowing to be excluded from treatment as a senior security. Furthermore, if required by an exchange or counterparty agreement, the Trust may be required to deliver/deposit cash and/or securities to/with an exchange, or broker-dealer or custodian as collateral for certain investments or obligations.

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 date. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Trusts are informed of the ex-dividend date. Under the applicable foreign tax laws, a withholding tax at various rates may be imposed on capital gains, dividends and interest. Upon notification from issuers, some of the dividend income received from a real estate investment trust may be redesignated as a reduction of cost of the related investment and/or realized gain. Interest income, including amortization and accretion of premiums and discounts on debt securities, is recognized on the accrual basis.

Distributions: Distributions from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend date. Portions of return of capital distributions under U.S. GAAP may be taxed at ordinary income rates. The character of distributions is determined in accordance with federal income tax regulations, which may differ from U.S. GAAP. The portion of distributions that exceeds a Trust's current and accumulated earnings and profits, which are measured on a tax basis, will constitute a non-taxable return of

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capital. Realized net capital gains can be offset by capital losses carried forward from prior years. However, certain Trusts have capital loss carryforwards from pre-2012 tax years that offset realized net capital gains but do not offset current and accumulated earnings and profits. Consequently, if distributions in any tax year are less than the Trust's current earnings and profits but greater than net investment income and net realized capital gains (taxable income), distributions in excess of taxable income are not treated as non-taxable return of capital, but rather may be taxable to shareholders at ordinary income rates. Under certain circumstances, taxable excess distributions could be significant. See Note 7, Income Tax Information, for the tax character of each Trust's distributions paid during the year.

Notes to Financial Statements (continued)

Deferred Compensation Plan: Under the Deferred Compensation Plan (the Plan) approved by each Trust's Board, the independent Trustees (Independent Trustees) 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 Trustees. This has the same economic effect for the Independent Trustees as if the Independent Trustees had invested the deferred amounts directly in certain other BlackRock Closed-End Funds.

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

Recent Accounting Standard: In June 2014, the Financial Accounting Standards Board issued guidance to improve the financial reporting of reverse repurchase agreements and other similar transactions. The guidance will require expanded disclosure for entities that enter into reverse repurchase agreements and similar transactions accounted for as secured borrowings. It is effective for financial statements with fiscal years beginning on or after December 15, 2014 and interim periods within those fiscal years. Management is evaluating the impact, if any, of this guidance on the Trusts' financial statement disclosures.

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

The Trusts 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.

3. Securities and Other Investments:

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

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

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

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Multiple Class Pass-Through Securities: The Trusts may invest in multiple class pass-through securities, including collateralized mortgage obligations (CMOs) and commercial mortgage-backed securities. These multiple class securities may be issued by Ginnie Mae, U.S. government agencies or instrumentalities or by trusts formed by private originators of, or investors in, mortgage loans. In general, CMOs are debt obligations of a legal entity that are collateralized by, and multiple class pass-through securities represent direct ownership interests in, a pool of residential or commercial mortgage loans or mortgage pass-through securities (the Mortgage Assets), the payments on which are used to make payments on the CMOs or multiple pass-through securities. Classes of CMOs include interest only (IOs), principal only (POs), planned amortization classes and targeted amortization classes. IOs and

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Notes to Financial Statements (continued)

POs are stripped mortgage-backed securities representing interests in a pool of mortgages, the cash flow from which has been separated into interest and principal components. IOs receive the interest portion of the cash flow while POs receive the principal portion. IOs and POs can be extremely volatile in response to changes in interest rates. As interest rates rise and fall, the value of IOs tends to move in the same direction as interest rates. POs perform best when prepayments on the underlying mortgages rise since this increases the rate at which the principal is returned and the yield to maturity on the PO. When payments on mortgages underlying a PO are slower than anticipated, the life of the PO is lengthened and the yield to maturity is reduced. If the underlying Mortgage Assets experience greater than anticipated prepayments of principal, the Trusts may not fully recoup its initial investment in IOs.

Zero-Coupon Bonds: The Trusts 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 and Trust Preferred Securities: The Trusts may invest in capital trusts and/or trust preferred securities. 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. For trust preferred securities, the issuing bank or corporation will pay interest to the trust, which will then be distributed to holders of the trust preferred securities as a dividend. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. Payments on these securities are treated as interest rather than dividends for federal income tax purposes. These securities generally are rated below that of the issuing company's senior debt securities and are freely callable at the issuer's option.

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

Floating Rate Loan Interests: The Trusts may invest in floating rate loan interests. The floating rate loan interests held by the Trusts 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 Trusts may invest in obligations of borrowers who are in bankruptcy proceedings. Floating rate loan interests may include fully funded term loans or revolving lines of credit. Floating rate loan interests are typically senior in the corporate capital structure of the borrower. Floating rate loan interests generally pay interest at rates that are periodically determined by reference to a base lending rate plus a premium. The base lending rates are generally the lending rate offered by one or more European banks, such as the London Interbank Offered Rate (LIBOR), the prime rate offered by one or more U.S. banks or the certificate of deposit rate. Floating rate loan interests may involve foreign borrowers, and investments may be denominated in foreign currencies. The Trusts consider these investments to be investments in debt securities for purposes of their investment policies.

When the Trusts purchase a floating rate loan interest, they may receive a facility fee and when it sells a floating rate loan interest, they may pay a facility fee. On an ongoing basis, the Trusts may receive a commitment fee based on the undrawn portion of the underlying line of credit amount of a floating rate loan interest. Facility and commitment fees are typically amortized to income over the term of the loan or term of the commitment, respectively. Consent and amendment fees are recorded to income as earned. Prepayment penalty fees, which may be received by the Trusts upon the prepayment of a floating rate loan interest by a borrower, are recorded as realized gains. The Trusts 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 Trusts may invest in such loans in the form of participations in loans (Participations) or assignments (Assignments) of all or a portion of loans from third parties. Participations typically will result in the Trusts having a contractual relationship only with the lender, not with the borrower. The Trusts will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the Participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing Participations, the Trusts 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 Trusts may not benefit directly from any collateral supporting the loan in which it has purchased the Participation. As a result, the Trusts will assume the credit risk of both the borrower and the lender that is selling the Participation. The Trusts' investment in loan participation interests involves the risk of insolvency of the

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financial intermediaries who are parties to the transactions. In the event of the insolvency of the lender selling the Participation, the Trusts may be treated as a general creditor of the lender and may not benefit from any offset between the lender and the borrower. Assignments typically result in the Trusts having a direct contractual relationship with the borrower, and the Trusts may enforce compliance by the borrower with the terms of the loan agreement.

Notes to Financial Statements (continued)

In connection with floating rate loan interests, the Trusts may also enter into unfunded floating rate loan interests (commitments). In connection with these commitments, the Trusts earn a commitment fee, typically set as a percentage of the commitment amount. Such fee income, which is included in interest income in the Statements of Operations, is recognized ratably over the commitment period. Unfunded floating rate loan interests are marked-to-market daily, and any unrealized appreciation or depreciation is included in the Statements of Assets and Liabilities and Statements of Operations. As of October 31, 2014, the Trusts had the following unfunded floating rate loan interests:

Borrower	Par	Commitment Amount	Value	Unrealized Depreciation
Advantage Sales & Marketing, Inc. Delayed Draw Term Loan	20,242	\$ 20,127	\$ 20,050	\$ (77)
Onex York Acquisition Corp. Delayed Draw Term Loan	126,234	\$ 126,234	\$ 125,367	\$ (867)
Ziggo BV Term Loan B2A	50,818	\$ 50,639	\$ 49,452	\$ (1,187)
Ziggo BV Term Loan B3	1,040,075	\$ 1,035,378	\$ 1,012,129	\$ (23,249)

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

TBA Commitments: The Trusts may enter into TBA commitments. TBA commitments are forward agreements for the purchase or sale of mortgage-backed securities for a fixed price, with payment and delivery on an agreed upon future settlement date. The specific securities to be delivered are not identified at the trade date. However, delivered securities must meet specified terms, including issuer, rate and mortgage terms. When entering into TBA commitments, the Trusts may take possession of or deliver the underlying mortgage-backed securities but can extend the settlement or roll the transaction. TBA commitments involve a risk of loss if the value of the security to be purchased or sold declines or increases, respectively, prior to settlement date.

In order to better define contractual rights and to secure rights that will help the Trusts mitigate their counterparty risk, TBA commitments may be entered into by the Trusts under Master Securities Forward Transaction Agreements (each, an MSFTA). An MSFTA typically contains, among other things, collateral posting terms and netting provisions in the event of default and/or termination event. The collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of the collateral currently pledged by a Trust and the counterparty. Cash collateral that has been pledged to cover the obligations of a Trust and cash collateral received from the counterparty, if any, is reported separately on the Statements of Assets and Liabilities as cash pledged as collateral for TBA commitments or cash received as collateral for TBA commitments, respectively. Non-cash collateral pledged by a Trust, if any, is noted in the Schedules of Investments. Typically, the Trusts are permitted to sell, repledge or use the collateral they receive; however, the counterparty is not. To the extent amounts due to the Trust are not fully collateralized, contractually or otherwise, the Trust bears the risk of loss from counterparty non-performance.

Mortgage Dollar Roll Transactions: The Trusts may sell TBA mortgage-backed securities and simultaneously contract to repurchase substantially similar (i.e., same type, coupon and maturity) securities on a specific future date at an agreed upon price. During the period between the sale and repurchase, the Trust will not be entitled to receive interest and principal payments on the securities sold. The Trusts accounts for mortgage dollar roll transactions as purchases and sales and realizes gains and losses on these transactions. These transactions may increase the Trusts' portfolio turnover rate. Mortgage dollar rolls involve the risk that the market value of the securities that the Trust is required to purchase may decline below the agreed upon repurchase price of those securities.

Reverse Repurchase Agreements: The Trusts may enter into reverse repurchase agreements with qualified third party broker-dealers. In a reverse repurchase agreement, the Trusts sell securities to a bank or broker-dealer and agrees to repurchase the same securities at a mutually agreed upon date and price. During the term of the reverse repurchase agreement, the Trusts continue to receive the principal and interest payments on the securities sold. Certain agreements have no stated maturity and can be terminated by either party at any time. Interest on the value of the reverse

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repurchase agreements issued and outstanding is based upon competitive market rates determined at the time of issuance. The Trusts 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 to be repurchased may decline below the repurchase price.

For financial reporting purposes, cash received in exchange for securities delivered plus accrued interest due to the counterparty is recorded as a liability in the Statements of Assets and Liabilities at face value including accrued interest. Due to the short term nature of the reverse repurchase agreements, face

Notes to Financial Statements (continued)

value approximates fair value. Interest payments made by the Trusts to the counterparties are recorded as a component of interest expense in the Statements of Operations. In periods of increased demand for the security, the Trusts may receive a fee for use of the security by the counterparty, which may result in interest income to the Trusts.

Reverse repurchase transactions are entered into by the Trusts under Master Repurchase Agreements (each, an MRA), which permit the Trusts, under certain circumstances, including an event of default (such as bankruptcy or insolvency), to offset payables and/or receivables under the MRA with collateral held and/or posted to the counterparty and create one single net payment due to or from the Trusts. With reverse repurchase transactions, typically the Trusts and the counterparties are permitted to sell, re-pledge, or use the collateral associated with the transaction. Bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of the MRA counterparty's bankruptcy or insolvency. Pursuant to the terms of the MRA, the Trusts receive or post securities as collateral with a market value in excess of the repurchase price to be paid or received by the Trusts upon the maturity of the transaction. Upon a bankruptcy or insolvency of the MRA counterparty, the Trusts are considered an unsecured creditor with respect to excess collateral and, as such, the return of excess collateral may be delayed.

The following table is a summary of the Trusts' open reverse repurchase agreements by counterparty which are subject to offset under an MRA on a net basis as of October 31, 2014:

Counterparty	Fair Value of Non-cash			
	Reverse Repurchase Agreements	Collateral Pledged Including Accrued Interest ¹	Cash Collateral Pledged	Net Amount
Barclays Capital, Inc.	\$ 86,576,487	\$ (86,576,487)		
BNP Paribas S.A.	147,681,816	(147,681,816)		
Credit Suisse Securities (USA) LLC	271,313,931	(271,313,931)		
Deutsche Bank Securities, Inc.	28,971,379	(28,971,379)		
HSBC Securities (USA), Inc.	11,969,499	(11,969,499)		
Merrill Lynch, Pierce, Fenner & Smith, Inc.	10,071,392	(10,071,392)		
RBC Capital Markets LLC	76,381,524	(76,381,524)		
UBS AG London	126,785,911	(126,785,911)		
Total	\$ 759,751,939	\$ (759,751,939)		

¹ Net collateral with a value of \$805,840,914 has been pledged in connection with open reverse repurchase agreements. Excess of net collateral pledged to the individual counterparty is not shown for financial reporting purposes.

Counterparty	Fair Value of Non-cash			
	Reverse Repurchase Agreements	Collateral Pledged Including Accrued Interest ²	Cash Collateral Pledged	Net Amount
Barclays Bank PLC	\$ 23,255,099	\$ (23,255,099)		
Barclays Capital, Inc.	230,991,608	(230,991,608)		
BNP Paribas Securities Corp.	83,776,708	(83,776,708)		
Credit Suisse Securities (USA) LLC	4,857,170	(4,857,170)		
Deutsche Bank Securities, Inc.	279,209,625	(279,209,625)		
JPMorgan Securities LLC	7,692,505	(7,692,505)		
RBC Capital Markets	2,595,606	(2,595,606)		
UBS Securities LLC	74,915,582	(74,915,582)		

Total	\$	707,293,903	\$	(707,293,903)
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² Net collateral with a value of \$765,290,016 has been pledged in connection with open reverse repurchase agreements. Excess of net collateral pledged to the individual counterparty is not shown for financial reporting purposes.

In the event the counterparty of securities under an MRA files for bankruptcy or becomes insolvent, the Trusts' use of the proceeds from the agreement may be restricted while the counterparty, or its trustee or receiver, determines whether or not to enforce the Trusts' obligation to repurchase the securities.

4. Derivative Financial Instruments:

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

Financial Futures Contracts: The Trusts purchase and/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 changes in the value of equity securities (equity risk). Financial futures contracts are agreements between the Trusts and a counterparty to buy or sell a specific quantity of an underlying instrument at a specified price and at a specified date. Depending on the terms of the particular contract, financial futures contracts are settled either through physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date.

Notes to Financial Statements (continued)

Upon entering into a financial futures contract, the Trusts are required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on a contract's size and risk profile. The initial margin deposit must then be maintained at an established level over the life of the contract. Securities deposited as initial margin are designated on the Schedules of Investments and cash deposited, if any, is recorded on the Statements of Assets and Liabilities as cash pledged for financial futures contracts. Pursuant to the contract, the Trusts agree to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin. Variation margin is recorded by the Trusts as unrealized appreciation or depreciation and, if applicable, as a receivable or payable for variation margin in the Statements of Assets and Liabilities.

When the contract is closed, the Trusts record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The use of financial futures contracts involves the risk of an imperfect correlation in the movements in the price of financial futures contracts, interest or foreign currency exchange rates and the underlying assets.

Forward Foreign Currency Exchange Contracts: The Trusts enter into forward foreign currency exchange contracts as an economic hedge against either specific transactions or portfolio instruments or to obtain exposure to, or hedge exposure away from, foreign currencies (foreign currency exchange rate risk). A forward 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. Forward foreign currency exchange contracts, when used by the Trusts, help to manage the overall exposure to the currencies in which some of the investments held by the Trusts are denominated. The contract is marked-to-market daily and the change in market value is recorded by the Trusts as an unrealized gain or loss. When the contract is closed, the Trusts 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 forward foreign currency exchange contracts involves the risk that the value of a forward foreign currency exchange contract changes unfavorably due to movements in the value of the referenced foreign currencies.

Options: The Trusts purchase and write call and put options to increase or decrease their exposure to underlying instruments including interest rate risk and/or, in the case of options written, to generate gains from options premiums. A call option gives the purchaser (holder) of the option the right (but not the obligation) to buy, and obligates the seller (writer) to sell (when the option is exercised) the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying instrument at the exercise or strike price at any time or at a specified time during the option period. When the Trusts purchase (write) an option, an amount equal to the premium paid (received) by the Trusts 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 Trusts enter into a closing transaction), the Trusts 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 Trusts write a call option, such option is covered, meaning that the Trusts hold the underlying instrument subject to being called by the option counterparty. When the Trusts write a put option, such option is covered by cash in an amount sufficient to cover the obligation.

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

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

Transactions in options written for the year ended October 31, 2014 were as follows:

BTZ	Calls			Puts		
	Contracts	Notional (000)	Premiums Received	Contracts	Notional (000)	Premiums Received
Outstanding options, beginning of year	416		\$ 103,235	3,500	\$ 422,600	\$ 7,143,141
Options written		\$ 73,600	3,513,480	10,646	73,600	5,930,707
Options exercised				(1,834)		(512,438)
Options expired				(7,450)		(871,345)

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Options closed	(416)	(73,600)	(3,616,715)	(1,466)	(89,600)	(4,235,095)
Outstanding options, end of year				3,396	\$ 406,600	\$ 7,454,970

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Notes to Financial Statements (continued)

BIT	Calls			Puts		
	Contracts	Notional (000)	Premiums Received	Contracts	Notional (000)	Premiums Received
Outstanding options, beginning of year						
Options written	25		\$ 2,149	1,031		\$ 203,530
Options exercised						
Options expired				(966)		(194,818)
Options closed	(25)		(2,149)	(25)		(2,774)
Outstanding options, end of year				40		\$ 5,938

Swaps: The Trusts enter into swap agreements in which the Trusts and a counterparty agree either to make periodic net payments on a specified notional amount or a net payment upon termination. Swap agreements are privately negotiated in the OTC market and may be entered into as a bilateral contract (OTC swaps) or centrally cleared (centrally cleared swaps). Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation).

For OTC swaps, any upfront premiums paid are recorded as assets and any upfront fees received are recorded as liabilities and are shown as swap premiums paid and swap premiums received, respectively, in the Statements of Assets and Liabilities and amortized over the term of the OTC swap. Payments received or made by the Trusts for OTC swaps are recorded in the Statements of Operations as realized gains or losses, respectively. When an OTC swap is terminated, the Trusts will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Trusts' basis in the contract, if any. Generally, the basis of the contract is the premium received or paid.

In a centrally cleared swap, immediately following execution of the swap agreement, the swap agreement is novated to a central counterparty (the CCP) and the Trusts' counterparty on the swap agreement becomes the CCP. The Trusts are required to interface with the CCP through a broker. Upon entering into a centrally cleared swap, the Trusts are required to deposit initial margin with the broker in the form of cash or securities in an amount that varies depending on the size and risk profile of the particular swap. Securities deposited as initial margin are designated on the Schedules of Investments and cash deposited is recorded on the Statements of Assets and Liabilities as cash pledged for centrally cleared swaps. The daily change in valuation of centrally cleared swaps is recorded as a receivable or payable for variation margin in the Statements of Assets and Liabilities. Payments received from (paid to) the counterparty, including at termination, are recorded as realized gain (loss) in the Statements of Operations.

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 Trusts 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 Trusts 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 protection buyer pays fixed periodic payments to the seller in consideration for a guarantee from the protection seller to make a specific payment should a negative credit event take place with respect to the referenced entity (e.g., bankruptcy, failure to pay, obligation accelerators, repudiation, moratorium or restructuring). Credit default swaps on traded indexes are agreements in which the buyer pays fixed periodic payments to the seller in consideration for a guarantee from the seller to make a specific payment should a write-down, principal or interest shortfall or default of all or individual underlying securities included in the index occur. As a buyer, if an underlying credit event occurs, the Trusts will either (i) receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising the index, or (ii) 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 the index. As a seller (writer), if an underlying credit event occurs, the Trusts will either pay the buyer an amount equal to the notional amount of the swap and take delivery of the referenced security or underlying securities comprising the index or pay a net settlement of cash equal to the notional amount of the swap less the recovery value of

the security or underlying securities comprising the index.

Interest rate swaps The Trusts enter into interest rate swaps to gain or reduce exposure to interest rates or to manage duration, the yield curve or interest rate risk by economically hedging the value of the fixed rate bonds, which may decrease when interest rates rise (interest rate risk). Interest rate swaps are agreements in which one party pays a stream of interest payments, either fixed or floating, for another party's stream of interest payments, either fixed or floating, on the same notional amount for a specified period of time.

Notes to Financial Statements (continued)

The following is a summary of the Trusts' derivative financial instruments categorized by risk exposure:

Statements of Assets and Liabilities Location		Fair Values of Derivative Financial Instruments as of October 31, 2014					
		BTZ		BGT Value		BIT	
		Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Interest rate contracts	Net unrealized appreciation/depreciation ¹ ; Unrealized appreciation/depreciation on OTC swaps; Swap premiums received; Investments at value unaffiliated ² ; Options written at value	\$ 4,787,839	\$ (7,828,916)			\$ 8,479	\$ (783,336)
Foreign currency exchange contracts	Unrealized appreciation/depreciation on forward foreign currency exchange contracts			\$ 224,861	\$ (33,770)	171,580	(140,607)
Credit contracts	Unrealized appreciation/depreciation on OTC swaps; Swap premiums paid/received	1,638,874	(2,380,057)			1,270,110	(788,827)
Total		\$ 6,426,713	\$ (10,208,973)	\$ 224,861	\$ (33,770)	\$ 1,450,169	\$ (1,712,770)

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

² Includes options purchased at value as reported in the Schedules of Investments.

The Effect of Derivative Financial Instruments in the Statements of Operations
Year Ended October 31, 2014

	Net Realized Gain (Loss) From			Net Change in Unrealized Appreciation/Depreciation on		
	BTZ	BGT	BIT	BTZ	BGT	BIT
Interest rate contracts:						
Financial futures contracts	\$(3,034,410)		\$ (3,487,491)	\$ 1,924,960		\$ (32,016)
Swaps	(8,655,901)		4,091	(1,681,583)		(83,228)
Options ³	(1,798,024)		(165,625)	440,336		(9,312)
Foreign currency exchange contracts:						
Foreign currency transactions/ translations	64,446	\$ 241,903	141,311	(19,412)	\$ (330,366)	(702,611)
Credit contracts:						
Swaps	(2,012,158)	(1,401,406)	452,960	175,052	457,695	(35,883)
Equity contracts:						
Options ³	(4,158,824)			1,325,641		
Total	\$(19,594,871)	\$ (1,159,503)	\$ (3,054,754)	\$ 2,164,994	\$ 127,329	\$ (863,050)

³ 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, 2014, the average quarterly balances of outstanding derivative financial instruments were as follows:

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	BTZ	BGT	BIT
Financial futures contracts:			
Average number of contracts purchased	1,980		436 ¹
Average number of contracts sold	1,671		443
Average notional value of contracts purchased	\$ 270,670,098		\$ 105,780,814 ¹
Average notional value of contracts sold	\$ 253,516,594		\$ 58,812,596
Forward foreign currency exchange contracts:			
Average number of contracts U.S. dollars purchased	1	4	5
Average number of contracts U.S. dollars sold	1 ¹	2	3
Average USD amounts purchased	\$ 962,994	\$ 45,006,474	\$ 52,637,359
Average USD amounts sold	\$ 947,494 ¹	\$ 2,915,416	\$ 1,126,309
Options:			
Average number of option contracts purchased	3,607	26	16
Average number of option contracts written	962		16
Average notional value of option contracts purchased	\$ 28,842,500	\$ 24,514	\$ 40,625
Average notional value of option contracts written	\$ 20,685,000		\$ 40,625
Average number of swaption contracts purchased	6		
Average number of swaption contracts written	1		
Average notional value of swaption contracts purchased	\$ 415,100,000		
Average notional value of swaption contracts written	\$ 410,600,000		
Credit default swaps:			
Average number of contracts buy protection	20	1	2
Average number of contracts sell protection	16	11	2
Average notional value buy protection	\$ 119,124,523	\$ 687,500	\$ 11,794,625
Average notional value sell protection	\$ 69,519,175	\$ 3,082,584	\$ 10,899,750

Notes to Financial Statements (continued)

	BTZ	BGT	BIT
Interest rate swaps:			
Average number of contracts pays fixed rate	9		1
Average number of contracts receives fixed rate	1		2
Average notional value pays fixed rate	\$ 263,136,250		\$ 87,500
Average notional value receives fixed rate	\$ 11,350,000		\$ 5,253,000

¹ Average amounts for the period are shown due to limited outstanding derivative financial instruments as of each quarter.

Counterparty Credit Risk: A derivative contract may suffer a mark-to-market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract.

A Trust's risk of loss from counterparty credit risk on OTC derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by such Trust. For OTC options purchased, each Trust bears the risk of loss of the amount of the premiums paid plus the positive change in market values net of any collateral held by such Trust should the counterparty fail to perform under the contracts. Options written by the Trusts do not typically give rise to counterparty credit risk, as options written generally obligate the Trusts, and not the counterparty, to perform.

With exchange-traded purchased options, futures and centrally cleared swaps, there is less counterparty credit risk to the Trusts since the exchange or clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, credit risk is limited to failure of the clearinghouse. While offset rights may exist under applicable law, a Trust does not have a contractual right of offset against a clearing broker or clearinghouse in the event of a default (including the bankruptcy or insolvency) of the clearing broker or clearinghouse. Additionally, credit risk exists in exchange-traded futures and centrally cleared swaps with respect to initial and variation margin that is held in a clearing broker's customer accounts. While clearing brokers are required to segregate customer margin from their own assets, in the event that a clearing broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the clearing broker for all its clients, typically the shortfall would be allocated on a pro rata basis across all the clearing broker's customers, potentially resulting in losses to the Trusts.

In order to better define their contractual rights and to secure rights that will help the Trusts mitigate their counterparty risk, the Trusts may enter into an International Swaps and Derivatives Association, Inc. Master Agreement (ISDA Master Agreement) or similar agreement with their counterparties. An ISDA Master Agreement is a bilateral agreement between each Trust and a counterparty that governs certain OTC derivatives and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event.

Under an ISDA Master Agreement, each Trust may, under certain circumstances, offset with the counterparty certain derivative financial instruments payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default including the bankruptcy or insolvency of the counterparty. Bankruptcy or insolvency laws of a particular jurisdiction may restrict or prohibit the right of offset in bankruptcy, insolvency or other events. In addition, certain ISDA Master Agreements allow counterparties to terminate derivative contracts prior to maturity in the event the Trusts' net assets decline by a stated percentage or the Trusts fail to meet the terms of its ISDA Master Agreements. The result would cause the Trusts to accelerate payment of any net liability owed to the counterparty.

Collateral Requirements: For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark-to-market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by the Trust and the counterparty.

Cash collateral that has been pledged to cover obligations of the Trusts and cash collateral received from the counterparty, if any, is reported separately on the Statements of Assets and Liabilities as cash pledged as collateral and cash received as collateral, respectively. Non-cash collateral pledged by the Trusts, if any, is noted in the Schedules of Investments. Generally, the amount of collateral due from or to a party has to exceed a minimum transfer amount threshold (typically either \$250,000 or \$500,000) before a transfer is required, which is determined at the close of business of the Trusts. Any additional required collateral is delivered to/pledged by the Trusts on the next business day. Typically, the Trusts and counterparties are not permitted to sell, re-pledge or use the collateral they receive. To the extent amounts due to the Trusts from their counterparties are not fully collateralized, the Trusts bear the risk of loss from counterparty non-performance. Likewise, to the extent the Trust has delivered collateral to a counterparty and stands ready to perform under the terms of their agreement with such counterparty, the Trusts bear the risk of loss from a counterparty in the amount of the value of the collateral in the event the counterparty fails to return such collateral.

For financial reporting purposes, the Trusts do not offset derivative assets and derivative liabilities that are subject to netting arrangements, if any, in the Statements of Assets and Liabilities.

Notes to Financial Statements (continued)

As of October 31, 2014, the Trusts' derivative assets and liabilities (by type) are as follows:

	BTZ		BGT		BIT	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivative Financial Instruments:						
Financial futures contracts	\$ 273,562	\$ 400,503			\$ 208,795	
Forward foreign currency exchange contracts			\$ 224,861	\$ 33,770	171,580	\$ 140,607
Options ¹	3,369,343	2,444,259			3,750	250
Swaps - Centrally cleared	376,026				5,443	78,574
Swaps - OTC	1,638,874	2,380,057			1,274,607	632,463
Total derivative assets and liabilities in the Statements of Assets and Liabilities	5,657,805	5,224,819	224,861	33,770	1,664,175	851,894
Derivatives not subject to an master netting agreement of similar agreement (MNA)	(1,445,525)	(931,128)			(217,988)	(78,824)
Total derivative assets and liabilities subject to an MNA	\$ 4,212,280	\$ 4,293,691	\$ 224,861	\$ 33,770	\$ 1,446,187	\$ 773,070

¹ Includes options purchased at value which is included in Investments at value - unaffiliated in the Statements of Assets and Liabilities and reported in the Schedules of Investments.

² Includes unrealized appreciation/depreciation on OTC swaps and swap premiums paid/received in the Statements of Assets and Liabilities. The following tables present the Trusts' derivative assets and liabilities by counterparty net of amounts available for offset under an MNA and net of the related collateral received and pledged by the Trusts as of October 31, 2014:

Counterparty	Derivative Assets Subject to an MNA by Counterparty	Derivatives Available for Offset ¹	Non-cash Collateral		Net Amount of Derivative Assets ³
			Received	Cash Collateral Received ²	
Barclays Bank PLC	\$ 33,168	\$ (33,168)			
BNP Paribas S.A.	24,967				\$ 24,967
Citibank N.A.	200	(96)		\$ (104)	
Credit Suisse International	393,844	(393,844)			
Deutsche Bank AG	411,090	(411,090)			
Goldman Sachs Bank USA	336,792	(336,792)			
Goldman Sachs International	207,274	(207,274)			
JPMorgan Chase Bank N.A.	2,672,575	(2,008,994)		(640,000)	23,581
Morgan Stanley Capital Services LLC	441	(291)			150
Royal Bank of Scotland PLC	88,521	(88,521)			
UBS AG	43,408	(28,507)			14,901
Total	\$ 4,212,280	\$ (3,508,577)		\$ (640,104)	\$ 63,599

Counterparty	Derivative Liabilities Subject to an MNA by Counterparty	Derivatives Available for	Non-cash Collateral		Net Amount of Derivative
			Pledged	Cash Collateral Pledged ⁴	

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		Offset¹		Liabilities⁵
Barclays Bank PLC	\$ 41,218	\$ (33,168)		\$ 8,050
Citibank N.A.	96	(96)		
Credit Suisse International	593,380	(393,844)		199,536
Deutsche Bank AG	857,685	(411,090)	\$ (446,595)	
Goldman Sachs Bank USA	375,367	(336,792)		38,575
Goldman Sachs International	229,302	(207,274)		22,028
JPMorgan Chase Bank N.A.	2,008,994	(2,008,994)		
Morgan Stanley Capital Services LLC	291	(291)		
Royal Bank of Scotland PLC	158,851	(88,521)		70,330
UBS AG	28,507	(28,507)		
Total	\$ 4,293,691	\$ (3,508,577)	\$ (446,595)	\$ 338,519

BGT		Derivatives		Cash	Net
Counterparty	Derivative Liabilities	Available	Non-cash Collateral	Collateral	Amount of
	Subject to an MNA	for	Pledged	Pledged⁴	Derivative
	by Counterparty	Offset¹			Liabilities⁵
Barclays Bank PLC	\$ 14,064	\$ (14,064)			
JPMorgan Chase Bank N.A.	210,797				\$ 210,797
Total	\$ 224,861	\$ (14,064)			\$ 210,797

Notes to Financial Statements (continued)

Counterparty	Derivative Liabilities Subject to an MNA by Counterparty	Derivatives Available for Offset ¹	Non-cash Collateral Pledged	Cash Collateral Pledged ⁴	Net
					Amount of Derivative Liabilities ⁵
Barclays Bank PLC	\$ 26,999	\$ 14,064			\$ 12,935
Deutsche Bank AG	6,771				6,771
Total	\$ 33,770	\$ 14,064			\$ 19,706

Counterparty	Derivative Assets Subject to an MNA by Counterparty	Derivatives Available for Offset ¹	Non-cash Collateral Received	Cash Collateral Received ²	Net
					Amount of Derivative Assets ³
Bank of America N.A.	\$ 1,438,561	\$ (682,910)		\$ (660,000)	\$ 95,651
Citibank N.A.	4,729	(71)			4,658
Credit Suisse International	2,897	(2,897)			
Total	\$ 1,446,187	\$ (685,878)		\$ (660,000)	\$ 100,309

Counterparty	Derivative Liabilities Subject to an MNA by Counterparty	Derivatives Available for Offset ¹	Non-cash Collateral Received	Cash Collateral Received	Net
					Amount of Derivative Liabilities ⁵
Bank of America N.A.	\$ 682,910	\$ (682,910)			
Citibank N.A.	71	(71)			
Credit Suisse International	9,790	(2,897)			\$ 6,893
Deutsche Bank AG	80,299				80,299
Total	\$ 773,070	\$ (685,878)			\$ 87,192

¹ The amount of derivatives available for offset is limited to the amount of the assets and/or liabilities that are subject to an MNA.

² Excess of the collateral received from the individual counterparty is not shown for financial reporting purposes.

³ Net amount represents the net amount receivable from the counterparty in the event of default.

⁴ Excess of the collateral pledged to the individual counterparty is not shown for financial reporting purposes.

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⁵ Net amount represents the net amount payable due to the counterparty in the event of default.

5. Investment Advisory Agreement and Other Transactions with Affiliates:

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

Each Trust entered into an Investment Advisory Agreement with BlackRock Advisors, LLC (the Manager), the Trusts 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 Trust s portfolio and provides the necessary personnel, facilities, equipment and certain other services to the operations of each Trust. For such services, each Trust pays the Manager a monthly fee based on a percentage of BTZ s and BGT s average weekly (average daily for BIT s) net assets (including any assets attributable to borrowings) at the following annual rates:

BTZ	0.62%
BGT	0.75%
BIT	0.80%

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

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

Prior to July 1, 2014, BlackRock Financial Management, Inc. (BFM), an affiliate of the Manager, served as a sub-advisor for each Trust and BlackRock Investment Management, LLC (BIM), an affiliate of the Manager, served as a sub-advisor for BTZ and BIT pursuant to sub-advisory agreements with the Manager. Each of BFM and BIM received for its services a monthly fee from the Manager at an annual rate equal to a percentage of the investment advisory fees paid by the Trust to the Manager. Effective July 1, 2014, the sub-advisory agreements between the Manager and BIM and BFM, with respect to each Trust, expired.

Notes to Financial Statements (continued)

The Manager entered into a sub-advisory agreement with BlackRock (Singapore) Limited (BRS), an affiliate of the Manager, to serve as sub-advisor for BIT. The Manager pays BRS, for services it provides, a monthly fee that is a percentage of the investment advisory fees paid by BIT to the Manager.

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

The Trusts may purchase securities from, or sell securities to, an affiliated fund provided the affiliation is due solely to having a common investment advisor, common officers, or common trustees. For the year ended October 31, 2014, the purchase and sale transactions with an affiliated fund in compliance with Rule 17a-7 under the 1940 Act were as follows:

	BTZ
Purchases	\$ 5,803,192
Sales	\$ 274,216

6. Purchases and Sales:

For the year ended October 31, 2014, purchases and sales of investments, including paydowns and excluding short-term securities and U.S. government securities were as follows:

	BTZ	BGT	BIT
Purchases	\$ 561,778,144	\$ 318,653,624	\$ 487,283,819
Sales	\$ 605,107,788	\$ 326,254,196	\$ 380,279,060

For the year ended October 31, 2014, purchases and sales of U.S. government securities were as follows:

	BTZ
Purchases	\$ 128,405,696
Sales	\$ 109,934,788

7. Income Tax Information:

It is the Trusts' 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 their taxable income to their shareholders. Therefore, no federal income tax provision is required, except with respect to any taxes related to the Taxable Subsidiary.

Each Trust files U.S. federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on BTZ's and BGT's U.S. federal tax returns remains open for each of the four years ended October 31, 2014. The statute of limitations on BIT's U.S. federal tax returns remains open for the period ended October 31, 2013 and the year ended October 31, 2014. The statutes of limitations on the Trusts' state and local tax returns may remain open for an additional year depending upon the jurisdiction.

Management has analyzed tax laws and regulations and their application to the Trusts' facts and circumstances and does not believe that there are any uncertain tax positions that require recognition of a tax liability.

U.S. GAAP requires 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. As of October 31, 2014, the following permanent differences attributable to foreign currency transactions, the accounting for swap agreements, distributions in excess of taxable income, the classification of investments, income recognized from pass-through entities and the expiration of capital loss carryforwards were reclassified to the following accounts:

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	BTZ	BGT	BIT
Paid-in capital	\$ (14,225,327)		
Undistributed net investment income	\$ (3,273,011)	\$ 2,651,356	\$ (7,493,315)
Accumulated net realized gain (loss)	\$ 17,498,338	\$ (2,651,356)	\$ 7,493,315

The tax character of distributions paid during the fiscal years ended October 31, 2014 and October 31, 2013 were as follows:

		BTZ	BGT	BIT
Ordinary income	10/31/14	\$ 104,413,172	\$ 19,919,709	\$ 53,805,642
	10/31/13	99,536,463	24,716,431	26,851,648
Tax return of capital	10/31/13			4,534,977
Total	10/31/14	\$ 104,413,172	\$ 19,919,709	\$ 53,805,642
	10/31/13	\$ 99,536,463	\$ 24,716,431	\$ 31,386,625

Notes to Financial Statements (continued)

As of October 31, 2014, the tax components of accumulated net earnings (losses) were as follows:

	BTZ	BGT	BIT
Undistributed ordinary income		\$ 2,500,339	\$ 6,609,557
Undistributed long-term capital gains			1,913,717
Capital loss carryforwards	\$ (378,663,519)	(76,451,577)	
Net unrealized gains (losses) ¹	147,069,574	(10,446,118)	27,054,986
Total	\$ (231,593,945)	\$ (84,397,356)	\$ 35,578,260

¹ The difference between book-basis and tax-basis net unrealized gains (losses) was attributable primarily to the tax deferral of losses on wash sales, amortization and accretion methods of premiums and discounts on fixed income securities, the accrual of income on securities in default, the realization for tax purposes of unrealized gains on investments in passive foreign investment companies, the realization for tax purposes of unrealized gains/losses on certain futures and foreign currency contracts, the timing and recognition of partnership income, the accounting for swap agreements, the classification of investments, the deferral of compensation to directors and investments in wholly owned subsidiaries.

As of October 31, 2014, the Trusts had capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates as follows:

Expires October 31,	BTZ	BGT
2015	\$ 56,798,160	
2016	121,634,930	\$ 14,130,109
2017	158,120,431	45,385,443
2018	31,756,723	16,526,601
2019	10,353,275	409,424
Total	\$ 378,663,519	\$ 76,451,577

During the year ended October 31, 2014, the Trusts listed below utilized the following amounts of their respective capital loss carryforward:

	BTZ	BGT	BIT
	\$ 10,703,001	\$ 6,118,169	\$ 2,838,978

As of October 31, 2014, gross unrealized appreciation and depreciation based on cost for federal income tax purposes were as follows:

	BTZ	BGT	BIT
Tax cost	\$ 2,262,264,452	\$ 505,118,248	\$ 1,394,696,094
Gross unrealized appreciation	\$ 164,378,947	\$ 2,815,569	\$ 39,190,833
Gross unrealized depreciation	(17,372,188)	(11,587,285)	(13,056,437)
Net unrealized appreciation (depreciation).	\$ 147,006,759	\$ (8,771,716)	\$ 26,134,396

8. Borrowings:

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BGT is party to a senior committed secured, 360-day rolling line of credit facility and a separate security agreement (the "SSB Agreement") with State Street Bank and Trust Company ("SSB"). SSB may elect to terminate its commitment upon 360-days written notice to BGT. As of October 31, 2014, BGT has not received any notice to terminate. BGT has granted a security interest in substantially all of their assets to SSB.

The SSB Agreement allows for the following maximum commitment amounts of \$172,000,000.

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

In addition, BGT pays a facility fee and utilization fee (based on the daily unused portion of the commitments). The commitment fees are waived if BGT meets certain conditions. The fees associated with each of the agreements are included in the Statements of Operations as borrowing costs, if any. Advances to BGT as of October 31, 2014 are shown in the Statements of Assets and Liabilities as bank borrowings payable. Based on the short-term nature of the borrowings under the line of credit and the variable interest rate, the carrying amount of the borrowings approximates fair value.

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, 2014, the daily weighted average interest rates for BGT with loans under the revolving credit agreements, was 0.91%.

For the year ended October 31, 2014, the daily weighted average interest rates from reverse repurchase agreements, were as follows:

	Daily Weighted Average Interest Rate
BTZ	0.34%
BIT	0.67%

Notes to Financial Statements (concluded)

9. Principal Risks:

In the normal course of business, the Trusts 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 Trusts may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Trusts; 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 Trusts may be exposed to counterparty credit risk, or the risk that an entity with which the Trusts have unsettled or open transactions may fail to or be unable to perform on its commitments. The Trusts 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 Trusts to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Trusts exposure to market, issuer and counterparty credit risks with respect to these financial assets is generally approximated by their value recorded in the Statements of Assets and Liabilities, less any collateral held by the Trusts.

The Trusts invest a significant portion of their assets in fixed-income securities and/or use derivatives tied to the fixed-income markets. See the Schedules of Investments for these securities and/or derivatives. Changes in market interest rates or economic conditions may affect the value and/or liquidity of such investments. Interest rate risk is the risk that prices of bonds and other fixed-income securities will increase as interest rates fall and decrease as interest rates rise. The Trusts may be subject to a greater risk of rising interest rates due to the current period of historically low rates.

As of October 31, 2014, BIT invested a significant portion of its assets in securities in the financials sector. Changes in economic conditions affecting such sector would have a greater impact on the Trust and could affect the value, income and/or liquidity of positions in such securities.

10. Capital Share Transactions:

The Trusts are each authorized to issue an unlimited number of \$0.001 par value shares, which may be issued as either Common Shares or Preferred Shares.

Common Shares

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

	Year Ended October 31, 2014	Year Ended October 31, 2013
BGT		25,384
Shares issued and outstanding increased 56,260,013 from the reorganization for the year ended October 31, 2013 for BTZ.		

For BIT, at October 31, 2014, 6,964 shares were owned by affiliates.

Shares issued and outstanding for the period February 27, 2013 to October 31, 2013, increased by 36,006,964 from the initial public offering and 2,414,660 from the underwriters exercising the overallotment option for BIT.

11. Subsequent Events:

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

Each Trust paid a net investment income dividend in the following amounts per share on November 28, 2014 to shareholders of record on November 14, 2014:

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	Common Dividend Per Share
BTZ	\$ 0.0805
BGT	\$ 0.0653
BIT	\$ 0.1167

The Trusts declared a net investment income dividend on December 1, 2014 payable to Common Shareholders of record on December 12, 2014 for the same amounts noted above.

Additionally, the Trusts declared a distribution in the following amounts per share on December 19, 2014 payable to shareholders of record on December 31, 2014 as follows:

	Common Dividend Per Share
BTZ	\$ 0.0805
BGT ¹	\$ 0.0993
BIT ²	\$ 0.2007

¹ Includes special distribution of \$0.0340.

² Includes special distribution of \$0.0840.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of BlackRock Credit Allocation Income Trust, BlackRock Floating Rate Income Trust and BlackRock Multi-Sector Income Trust:

We have audited the accompanying statement of assets and liabilities of BlackRock Credit Allocation Income Trust, including the schedule of investments, as of October 31, 2014, 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 five years in the period then ended. We have also audited the accompanying consolidated statement of assets and liabilities of BlackRock Floating Rate Income Trust, including the consolidated schedule of investments, as of October 31, 2014, and the related consolidated statements of operations and cash flows for the year then ended, the consolidated 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 (consolidated financial highlights for each of the three years ended October 31, 2014). We

have also audited the accompanying statement of assets and liabilities of BlackRock Multi-Sector Income Trust (collectively with the aforementioned funds above, the Trusts), including the schedule of investments, as of October 31, 2014, and the related statements of operations and cash flows for the year then ended, and the statements of changes in net assets and the financial highlights for the year then ended and the period February 27, 2013 (commencement of operations) to October 31, 2013. 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 securities owned as of October 31, 2014, by correspondence with the custodians, 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, such financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of BlackRock Credit Allocation Income Trust as of October 31, 2014, 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 five years in the period then ended, the consolidated financial position of BlackRock Floating Rate Income Trust as of October 31, 2014, the results of its consolidated operations and its consolidated cash flows for the year then ended, the changes in its consolidated 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 (consolidated financial highlights for each of the three years ended October 31, 2014), and the financial position of BlackRock Multi-Sector Income Trust as of October 31, 2014, the results of its operations and its cash flows for the year then ended, and the changes in net assets and financial highlights for the year then ended and the period February 27, 2013 (commencement of operations) to October 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Boston, Massachusetts

December 23, 2014

Important Tax Information (Unaudited)

The following information is provided with respect to the ordinary income distributions paid by the Trusts during the fiscal year ended October 31, 2014:

Payable Dates BTZ BGT BIT

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Qualified Dividend Income for Individuals ¹	November 2013 - January 2014	6.11%	13.98%	
	February 2014 - October 2014	7.53%	7.17%	
Dividends Qualifying for the Dividend Received Deduction for Corporations ¹	November 2013 - January 2014	3.90%	8.01%	
	February 2014 - October 2014	5.84%	5.25%	
Interest-Related Dividends for Non-US Residents ²	November 2013 - January 2014	82.59%	76.18%	73.14%
	February 2014 - October 2014	75.27%	65.94%	54.49%

¹ The Trusts hereby designate the percentage indicated or the maximum amount allowable by law.

² Represents the portion of the taxable ordinary income dividends eligible for exemption from U.S. withholding tax for nonresident aliens and foreign corporations.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreement

The Board of Trustees (each, a Board, collectively, the Boards, and the members of which are referred to as Board Members) of BlackRock Credit Allocation Income Trust (BTZ), BlackRock Floating Rate Income Trust (BGT) and BlackRock Multi-Sector Income Trust (BIT, and together with BGT and BTZ, each a Fund, and, collectively, the Funds) met in person on May 9, 2014 (the May Meeting) and June 5-6, 2014 (the June Meeting) to consider the approval of each Fund's investment advisory agreement (each, an Advisory Agreement, and, collectively, the Advisory Agreements) with BlackRock Advisors, LLC (the Manager), each Fund's investment advisor. At the June Meeting, it was noted that, (i) with respect to BGT, BTZ and BIT, the sub-advisory agreement among the Manager, BlackRock Financial Management, Inc. and each Fund would expire or terminate, as applicable, effective July 1, 2014 and (ii) with respect to BTZ and BIT, the sub-advisory agreement among the Manager, BlackRock Investment Management, LLC and each Fund would expire or terminate, as applicable, effective July 1, 2014. It was also noted that the non-renewal or termination of each Fund's foregoing sub-advisory agreement(s) would not result in any change in the nature or quality of services provided to such Fund, or in the portfolio management team that serves such Fund. The Board of BIT also considered the approval of the sub-advisory agreement (the BSL Sub-Advisory Agreement) among the Manager, BlackRock (Singapore) Limited (the BSL Sub-Advisor), and BIT. The Manager and the BSL Sub-Advisor are referred to herein as BlackRock. The Advisory Agreements and the BSL Sub-Advisory Agreement are referred to herein as the Agreements.

Activities and Composition of the Board

Each Board consists of eleven individuals, nine of whom are not interested persons of such Fund 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 the Funds 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 six standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee, an Executive Committee, and a Leverage Committee, each of which is chaired by an Independent Board Member and composed of Independent Board Members (except for the Executive Committee and the Leverage Committee, each of which also has one interested Board Member).

The Agreements

Pursuant to the 1940 Act, each Board is required to consider the continuation of its Advisory Agreement, and with respect to BIT, its BSL Sub-Advisory Agreement, on an annual basis. The Boards have four quarterly meetings per year, each extending over two days, and a fifth one-day meeting to consider specific information surrounding the consideration of renewing the Agreements. In connection with this process, the Boards assessed, among other things, the nature, scope and quality of the services provided to the Funds by BlackRock, its personnel and its affiliates, including, as applicable, investment management, administrative, and shareholder services; oversight of fund service providers; marketing services; risk oversight; compliance and assistance in meeting applicable legal and regulatory requirements.

The Boards, acting directly and through their respective committees, consider at each of their meetings, and from time to time as appropriate, 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-year, three-year, five-year and/or since inception 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 their peers and/or benchmark, as applicable; (b) fees, including advisory, administration, if applicable, and other amounts paid to BlackRock and its affiliates by the Funds for services such as call center; (c) Fund operating expenses and how BlackRock allocates expenses to the Funds; (d) the resources devoted to, risk oversight of, and compliance reports relating to, implementation of the Funds' investment objective, policies and restrictions, and meeting new regulatory requirements; (e) the Funds' compliance with their Code of Ethics and other 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 and risk and compliance oversight mechanisms; (h) BlackRock's implementation of the proxy voting policies approved by the Boards; (i) execution quality of portfolio transactions; (j) BlackRock's implementation of the Funds' valuation and liquidity procedures; (k) an analysis of management fees for products with similar investment objectives across the open-end fund, closed-end fund and institutional account product channels, as applicable; (l) BlackRock's compensation methodology for its investment professionals and the incentives it creates; and (m) periodic updates on BlackRock's business.

The Boards have engaged in an ongoing strategic review with BlackRock of opportunities to consolidate funds and of BlackRock's commitment to investment performance. BlackRock also furnished information to the Boards in response to specific questions. These questions covered issues such as: BlackRock's profitability; investment performance; subadvisory and advisory relationships with other clients (including mutual funds sponsored by third parties); investment professional investment in funds they manage; and management fee levels and breakpoints. The Boards further discussed with BlackRock: BlackRock's management structure; portfolio turnover; BlackRock's portfolio manager compensation and performance accountability; marketing support for the Funds; services provided to the Funds by BlackRock affiliates; and BlackRock's

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oversight of relationships with third party service providers.

The Board of each of BTZ and BGT considered BlackRock's efforts during the past year with regard to refinancing outstanding AMPS, as well as ongoing time and resources devoted to other forms of preferred shares and alternative leverage. As of the date of this report, each of BTZ and BGT has redeemed 100% of its outstanding AMPS.

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Disclosure of Investment Advisory Agreements and Sub-Advisory Agreement (continued)

Board Considerations in Approving the Agreements

The Approval Process: Prior to the May Meeting, the Boards requested and received materials specifically relating to the Agreements. The Boards are continuously engaged in a process with their independent legal counsel and BlackRock to review the nature and scope of the information provided to better assist their deliberations. The materials provided in connection with the May Meeting included (a) information independently compiled and prepared by Lipper, Inc. (Lipper) on Fund fees and expenses as compared with a peer group of funds as determined by Lipper (Expense Peers) and the investment performance of the Funds as compared with a peer group of funds as determined by Lipper and, with respect to BTZ and BGT, a customized peer group selected by BlackRock; (b) information on the profits realized by BlackRock and its affiliates pursuant to the Agreements and a discussion of fall-out benefits to BlackRock and its affiliates; (c) a general analysis provided by BlackRock concerning investment management fees charged to other clients, such as institutional clients and open-end funds, under similar investment mandates, as applicable; (d) review of non-management fees; (e) the existence, impact and sharing of potential economies of scale; (f) a summary of aggregate amounts paid by each Fund to BlackRock and (g) if applicable, a comparison of management fees to similar BlackRock closed-end funds, as classified by Lipper.

At the May Meeting, the Boards reviewed materials relating to their consideration of the Agreements. As a result of the discussions that occurred during the May Meeting, and as a culmination of the Boards' year-long deliberative process, the Boards presented BlackRock with questions and requests for additional information. BlackRock responded to these requests with additional written information in advance of the June Meeting.

At the June Meeting, each Board, including the Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and its Fund for a one-year term ending June 30, 2015. The Board of BIT, including the Independent Board Members, also unanimously approved the continuation of the BSL Sub-Advisory Agreement among the Manager, the BSL Sub-Adviser and BIT for a one-year term ending June 30, 2015. 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 the Funds 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 the Funds; (d) the Funds' costs to investors compared to the costs of Expense Peers and performance compared to the relevant performance comparison as previously discussed; (e) economies of scale; (f) fall-out benefits to BlackRock and its affiliates as a result of its relationship with the Funds; and (g) other factors deemed relevant by the Board Members.

The Boards also considered other matters they deemed important to the approval process, such as payments made to BlackRock or its affiliates relating to securities lending, services related to the valuation and pricing of Fund portfolio holdings, direct and indirect benefits to BlackRock and its affiliates from their relationship with the Funds 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 determinative, 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 the Funds. Throughout the year, each Board compared its Fund's performance to the performance of a comparable group of closed-end funds and/or the performance of a relevant benchmark, as applicable. The Boards met with BlackRock's senior management personnel responsible for investment activities, including the senior investment officers. Each Board also reviewed the materials provided by its Fund's portfolio management team discussing the Fund's performance and the Fund's investment objective, strategies and outlook.

Each Board considered, among other factors, with respect to BlackRock: the number, education and experience of investment personnel generally and its Fund's portfolio management team; investments by portfolio managers in the funds they manage; portfolio trading capabilities; use of technology; commitment to compliance; credit analysis capabilities; risk analysis and oversight capabilities; and the approach to training and retaining portfolio managers and other research, advisory and management personnel. Each Board engaged in a review of BlackRock's compensation structure with respect to its Fund's portfolio management team and BlackRock's ability to attract and retain high-quality talent and create performance incentives.

In addition to advisory services, the Boards considered the quality of the administrative and other non-investment advisory services provided to the Funds. BlackRock and its affiliates provide the Funds with certain services (in addition to any such services provided to the Funds by third parties) and officers and other personnel as are necessary for the operations of the Funds. In particular, BlackRock and its affiliates provide the Funds with the following administrative services including, among others: (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 the Funds; (iii) oversight of daily accounting and pricing; (iv) preparing

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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; (viii) furnishing analytical and other support to assist the Board in its consideration of strategic issues such as the merger or consolidation of certain closed-end funds; and (ix) performing other administrative functions necessary for the operation of the Funds, such as tax reporting, fulfilling regulatory filing requirements and call center services. The Boards reviewed the structure and duties of BlackRock's fund administration, shareholder services, legal and compliance departments and considered BlackRock's policies and procedures for assuring compliance with applicable laws and regulations.

¹ Funds are ranked by Lipper in quartiles, ranging from first to fourth, where first is the most desirable quartile position and fourth is the least desirable.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreement (continued)

B. The Investment Performance of the Funds and BlackRock: Each Board, including the Independent Board Members, also reviewed and considered the performance history of its Fund. In preparation for the May Meeting, the Boards worked with their independent legal counsel,

BlackRock and Lipper to develop a template for, and 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 its review, each Board received and reviewed information regarding the investment performance, based on net asset value (NAV), of its Fund as compared to other funds in that Fund's applicable Lipper category and, with respect to BTZ and BGT, the customized peer group selected by BlackRock. The Boards were provided with a description of the methodology used by Lipper to select peer funds and periodically meets with Lipper representatives to review its methodology. Each Board and its Performance Oversight Committee regularly review, and meet with Fund management to discuss, the performance of its Fund throughout the year.

The Board of BTZ noted that for each of the one-, three- and five-year periods reported, BTZ ranked in the first quartile against its Customized Lipper Peer Group. BlackRock believes that the Customized Lipper Peer Group is an appropriate performance metric for BTZ.

The Board of BGT noted that for the one-, three- and five-year periods reported, BGT ranked in the third, third and fourth quartiles, respectively, against its Customized Lipper Peer Group. BlackRock believes that the Customized Lipper Peer Group is an appropriate performance metric for BGT. The Board of BGT and BlackRock reviewed and discussed the reasons for BGT's underperformance during these periods. BGT's Board was informed that, among other things, the two factors with the greatest impact on performance relative to peers during these periods were BGT's leverage utilization and higher quality investment style. BGT obtains leverage through a contractual bank line, which limits its ability to obtain leverage beyond 33% of Fund assets. This generally causes BGT to lag during favorable market periods. The investment style of BGT tends to be of higher quality in terms of the average borrower, the structure, terms and conditions of the loans, and the liquidity of the deals the investment team invests in. Over time, Fund management believes this will lead to better risk-adjusted returns, but in strong risk periods when markets and/or lower-quality loan instruments are rising, it can exaggerate the degree of underperformance.

The Board of BGT and BlackRock also discussed BlackRock's strategy for improving BGT's performance and BlackRock's commitment to providing the resources necessary to assist the Fund's portfolio managers in seeking to improve BGT's performance.

The Board of BIT noted that for the since-inception period reported, BIT ranked in the first quartile against its Lipper Performance Universe.

C. Consideration of the Advisory/Management Fees and the Cost of the Services and Profits to be Realized by BlackRock and its Affiliates from their Relationship with the Funds: Each Board, including the Independent Board Members, reviewed its Fund's contractual management fee rate compared with the other funds in its Lipper category. The contractual management fee rate represents a combination of the advisory fee and any administrative fees, before taking into account any reimbursements or fee waivers. Each Board also compared its Fund's total expense ratio, as well as its actual management fee rate, to those of other funds in its Lipper category. The total expense ratio represents a fund's total net operating expenses, excluding any investment related expenses. The total expense ratio gives effect to any expense reimbursements or fee waivers that benefit a fund, and the actual management fee rate gives effect to any management fee reimbursements or waivers that benefit a fund. The Boards considered the services provided and the fees charged by BlackRock and its affiliates to other types of clients with similar investment mandates, as applicable, including institutional accounts.

The Boards received and reviewed statements relating to BlackRock's financial condition. Each Board was also provided with a profitability analysis that detailed the revenues earned and the expenses incurred by BlackRock for services provided to its Fund. Each Board reviewed BlackRock's profitability with respect to its Fund and other funds the Board currently oversees for the year ended December 31, 2013 compared to available aggregate profitability data provided for the prior two years. The Boards reviewed BlackRock's profitability with respect to certain 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, precision of expense allocations and business mix. As a result, calculating and comparing profitability at individual fund levels is difficult.

The Boards noted that, in general, individual fund or product line profitability of other advisors is not publicly available. The Boards reviewed BlackRock's overall operating margin, in general, compared to that of certain other publicly-traded asset management firms. The Boards considered the differences between BlackRock and these other firms, including the contribution of technology at BlackRock, BlackRock's expense management, and the relative product mix.

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In addition, each Board considered the cost of the services provided to its Fund by BlackRock, and BlackRock's and its affiliates' profits relating to the management of its Fund and the other funds advised by BlackRock and its affiliates. As part of its analysis, each Board reviewed BlackRock's methodology in allocating its costs to the management of its Fund. Each Board 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 for its Fund and to continue to provide the high quality of services that is expected by the Board. The Boards further considered factors including but not limited to BlackRock's commitment of time, assumption of risk and liability profile in servicing the Funds in contrast to what is required of BlackRock with respect to other products with similar investment objectives across the open-end fund, ETF, closed-end fund and institutional account product channels, as applicable.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreement (concluded)

The Board of BTZ noted that BTZ's contractual management fee rate ranked in the fourth quartile, and that the actual management fee rate and total expense ratio ranked in the fourth and third quartiles, respectively, relative to the Expense Peers. The Board of BTZ determined that BTZ's total expense ratio was appropriate in light of the median total expense ratio paid by BTZ's Expense Peers.

The Board of BGT noted that BGT's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to BGT's Expense Peers.

The Board of BIT noted that BIT's contractual management fee rate ranked in the third quartile, and that the actual management fee rate and total expense ratio each ranked in the fourth quartile, relative to BIT's Expense Peers.

D. Economies of Scale: Each Board, including the Independent Board Members, considered the extent to which economies of scale might be realized as the assets of its Fund increase. Each Board also considered the extent to which its Fund benefits from such economies and whether there should be changes in the advisory fee rate or breakpoint structure in order to enable the 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 the Fund.

Based on the Boards' review and consideration of the issue, the Boards concluded that most closed-end funds do not have fund level breakpoints because closed-end funds generally do not experience substantial growth after the initial public offering. They are typically priced at scale at a fund's inception.

E. Other Factors Deemed Relevant by the Board Members: Each Board, including the Independent Board Members, also took into account other ancillary or fall-out benefits that BlackRock or its affiliates may derive from their respective relationships with its Fund, both tangible and intangible, such as BlackRock's ability to leverage its investment professionals who manage other portfolios and risk management personnel, an increase in BlackRock's profile in the investment advisory community, and the engagement of BlackRock's affiliates as service providers to the Fund, including securities lending and cash management 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 registered fund transactions to assist in managing all or a number of its other client accounts. The Boards further noted that it had considered the investment by BlackRock's funds in exchange traded funds (i.e., 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.

Each Board noted the competitive nature of the closed-end fund marketplace, and that shareholders are able to sell their Fund shares in the secondary market if they believe that their Fund's fees and expenses are too high or if they are dissatisfied with the performance of their Fund.

The Boards also considered the various notable initiatives and projects BlackRock performed in connection with its closed-end fund product line. These initiatives included completion of the refinancing of auction rate preferred securities; developing equity shelf programs; efforts to eliminate product overlap with fund mergers; ongoing services to manage leverage that has become increasingly complex; share repurchases and other support initiatives for certain BlackRock funds; and continued communications efforts with shareholders, fund analysts and financial advisers. With respect to the latter, the Independent Board Members noted BlackRock's continued commitment to supporting the secondary market for the common shares of its closed-end funds through a comprehensive secondary market communication program designed to raise investor and analyst awareness and understanding of closed-end funds. BlackRock's support services included, among other things: continuing communications concerning the refinancing efforts related to auction rate preferred securities; sponsoring and participating in conferences; communicating with closed-end fund analysts covering the BlackRock funds throughout the year; providing marketing and product updates for the closed-end funds; and maintaining and enhancing its closed-end fund website.

Conclusion

Each Board, including the Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and its Fund for a one-year term ending June 30, 2015. The Board of BIT, including the Independent Board Members, also unanimously approved the continuation of the BSL Sub-Advisory Agreement among the Manager, the BSL Sub-Adviser and BIT for a one-year term ending June 30, 2015. Based upon its evaluation of all of the aforementioned factors in their totality, each Board, including the Independent Board Members, were satisfied that the terms of the Agreements were fair and reasonable and in the best interest of its Fund and its shareholders. In arriving at its decision to approve the Agreements for its Fund, the Board did not identify any single factor or group of factors as

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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 the Funds 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. As a result, the Board Members' conclusions may be based in part on their consideration of these arrangements in prior years.

Automatic Dividend Reinvestment Plan

Pursuant to each Trust'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 "Reinvestment 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 name or other nominee name, then to the nominee) by the Reinvestment Plan Agent, which serves as agent for the shareholders in administering the Reinvestment Plan.

After the Trusts declare a dividend or determine to make a capital gain distribution, the Reinvestment 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 Trusts (newly issued shares) or (ii) by purchase of outstanding shares on the open market or on the Trust'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 Reinvestment Plan Agent will invest the dividend amount in newly issued shares acquired 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 dividend payment date, the dollar amount of the dividend will be divided by 95% of the market price on the dividend payment date. If, on the dividend payment date, the NAV is greater than the market price per share plus estimated brokerage commissions (such condition often referred to as a market discount), the Reinvestment Plan Agent will invest the dividend amount in shares acquired on behalf of the participants in open-market purchases. If the Reinvestment 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 Reinvestment Plan Agent will invest any un-invested portion in newly issued shares. Investments in newly issued shares made in this manner would be made pursuant to the same process described above and the date of issue for such newly issued shares will substitute for the dividend payment date.

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 Reinvestment Plan Agent prior to the dividend record date. Additionally, the Reinvestment Plan Agent seeks to process notices received after the record date but prior to the payable date and such notices often will become effective by the payable date.

Where late notices are not processed by the applicable payable date, such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution.

The Reinvestment Plan Agent's fees for the handling of the reinvestment of distributions will be paid by each Trust. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Reinvestment Plan Agent's open market purchases in connection with the reinvestment of distributions. The automatic reinvestment of all distributions will not relieve participants of any federal income tax that may be payable on such dividends or distributions.

Each Trust reserves the right to amend or terminate the Reinvestment Plan. There is no direct service charge to participants in the Reinvestment Plan. However, each Trust reserves the right to amend the Reinvestment Plan to include a service charge payable by the participants. Participants that request a sale of shares are subject to a \$2.50 sales fee and a \$0.15 per share fee. Per share fees include any applicable brokerage commissions the Reinvestment Plan Agent is required to pay. All correspondence concerning the Reinvestment Plan should be directed to Computershare Trust Company, N.A. through the internet at <http://www.computershare.com/blackrock>, or in writing to Computershare, P.O. Box 30170, College Station TX 77842-3170, Telephone: (800) 699-1236. Overnight correspondence should be directed to the Reinvestment Plan Agent at Computershare, 211 Quality Circle, Suite 210, College Station, TX 77845.

Officers and Trustees

Name, Address ¹ and Year of Birth	Position(s) Held with Trusts	Length of Time Served as a Trustee ³	Principal Occupation(s) During Past Five Years	Number of BlackRock- Advised Registered Investment Companies (RICs) Consisting of	Public
				Investment Portfolios (Portfolios) Overseen	Directorships
Independent Trustees²					
Richard E. Cavanagh 1946	Chairman of the Board and Trustee	Since 2007	Trustee, Aircraft Finance Trust from 1999 to 2009; Director, The Guardian Life Insurance Company of America since 1998; Director, Arch Chemical (chemical and allied products) from 1999 to 2011; 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; Faculty Member/Adjunct Lecturer, Harvard University since 2007; President and Chief Executive Officer, The Conference Board, Inc. (global business research organization) from 1995 to 2007.	79 RICs consisting of 79 Portfolios	None
Karen P. Robards 1950	Vice Chairperson of the Board, Chairperson of the Audit Committee and Trustee	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; Investment Banker at Morgan Stanley from 1976 to 1987.	79 RICs consisting of 79 Portfolios	AtriCure, Inc. (medical devices); Greenhill & Co. Inc.
Michael J. Castellano 1946	Trustee and Member of the Audit Committee	Since 2011	Chief Financial Officer of Lazard Group LLC from 2001 to 2011; Chief Financial Officer of Lazard Ltd from 2004 to 2011; Director, Support Our Aging Religious (non-profit) since 2009; Director, National Advisory Board of Church Management at Villanova University since 2010. Trustee, Domestic Church Media Foundation since 2012.	79 RICs consisting of 79 Portfolios	None
Frank J. Fabozzi⁴ 1948	Trustee and Member of the Audit Committee	Since 2007	Editor of and Consultant for The Journal of Portfolio Management since 2006; Professor of Finance, EDHEC Business School since 2011; Professor in the Practice of Finance and Becton Fellow, Yale University School of Management from 2006 to 2011; Adjunct Professor of Finance and Becton Fellow, Yale University from 1994 to 2006.	112 RICs consisting of 232 Portfolios	None
Kathleen F. Feldstein 1941	Trustee	Since 2007	President of Economics Studies, Inc. (private economic consulting 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.	79 RICs consisting of 79 Portfolios	The McClatchy Company (publishing)
James T. Flynn 1939	Trustee and Member of the Audit Committee	Since 2007	Chief Financial Officer of JPMorgan & Co., Inc. from 1990 to 1995.	79 RICs consisting of 79 Portfolios	None
Jerrold B. Harris 1942	Trustee	Since 2007	Trustee, Ursinus College since 2000; Director, Ducks Unlimited, Inc. (conservations) since 2013; Director, Troemner LLC (scientific equipment) since 2000; Director of Delta Waterfowl Foundation from 2010 to 2012; President and Chief Executive Officer, VWR Scientific Products Corporation from 1990 to 1999.	79 RICs consisting of 79 Portfolios	BlackRock Kelso Capital Corp. (business development company)
R. Glenn Hubbard	Trustee	Since		79 RICs consisting of	

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1958	2007	Dean, Columbia Business School since 2004; Faculty member, Columbia Business School since 1988.	79 Portfolios	ADP (data and information services); Metropolitan Life Insurance Company (insurance)
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Officers and Trustees (continued)

Name, Address ¹ and Year of Birth Independent Trustees ² (concluded)	Position(s)	Length	Principal Occupation(s) During Past Five Years	Number of BlackRock- Advised Registered Investment Companies (RICs) Consisting of	Public Directorships
	Held with Trusts	of Time Served as a Trustee ³		Investment Portfolios (Portfolios) Overseen	
W. Carl Kester 1951	Trustee and Member of the Audit Committee	Since 2007	George Fisher Baker Jr. Professor of Business Administration, Harvard Business School since 2008; Deputy Dean for Academic Affairs from 2006 to 2010; Chairman of the Finance Unit, 2005 to 2006; Senior Associate Dean and Chairman of the MBA Program from 1999 to 2005; Member of the faculty of Harvard Business School since 1981.	79 RICs consisting of 79 Portfolios	None

¹ The address of each Trustee is c/o BlackRock, Inc., Park Avenue Plaza, 55 East 52nd Street, New York, NY 10055.

² Independent Trustees serve until their resignation, removal or death, or until December 31 of the year in which they turn 74. The maximum age limitation may be waived as to any Trustees by action of a majority of the Trustees upon finding good cause thereof. In 2013, the Board of Trustees unanimously approved further extending the mandatory retirement age for James T. Flynn by one additional year which the Board believed would be in the best interest of shareholders. Mr. Flynn can serve until December 31 of the year in which he turns 75. Mr. Flynn turns 75 in 2014.

³ Date shown is the earliest date a person has served for the Trusts 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 certain Trustees as joining the Trusts board in 2007, those Trustees first became members of the boards of other legacy MLIM or legacy BlackRock funds as follows: Richard E. Cavanagh, 1994; Frank J. 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.

⁴ Dr. Fabozzi is also a board member of the BlackRock Equity-Liquidity Complex.

Interested Trustees ⁵					
Paul L. Audet 1953	Trustee	Since 2011	Senior Managing Director of BlackRock and Head of U.S. Mutual Funds since 2011; Head of BlackRock's Real Estate business from 2008 to 2011; Member of BlackRock's Global Operating and Corporate Risk Management Committees since 2008; Head of BlackRock's Global Cash Management business from 2005 to 2010; Acting Chief Financial Officer of BlackRock from 2007 to 2008; Chief Financial Officer from 1998 to 2005.	141 RICs consisting of 329 Portfolios	None
Henry Gabbay 1947	Trustee	Since 2007	Consultant, BlackRock from 2007 to 2008; Managing Director, BlackRock from 1989 to 2007; Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; President of BlackRock Funds and BlackRock Allocation Target Shares from 2005 to 2007; Treasurer of certain closed-end funds in the BlackRock fund complex from 1989 to 2006.	141 RICs consisting of 329 Portfolios.	None

⁵ Mr. Audet is an interested person, as defined in the 1940 Act, of the Trusts based on his position with BlackRock and its affiliates as well as his ownership of BlackRock securities. Mr. Gabbay is an interested person of the Trusts based on his former positions with BlackRock and its affiliates as well as his ownership of BlackRock and The PNC Financial Services Group, Inc. securities. Mr. Audet and Mr. Gabbay are also Directors of two complexes of BlackRock registered open-end funds, the BlackRock Equity-Liquidity Complex and the BlackRock Equity-Bond Complex. Interested Trustees of the BlackRock Closed-End Complex serve until their resignation, removal or death, or until December 31 of the year in which they turn 72. The maximum age limitation may be waived as to any Trustee by action of a majority of the Trustees upon finding good cause thereof.

Officers and Trustees (concluded)

Name, Address ¹ and Year of Birth	Position(s) Held with Trusts	Length of Time Served	Principal Occupation(s) During Past Five Years
Officers²			
John M. Perlowski	President and Chief Executive Officer	Since 2011	Managing Director of BlackRock since 2009; Global Head of BlackRock Fund Services since 2009; Managing Director and Chief Operating Officer of the Global Product Group at Goldman Sachs Asset Management, L.P. from 2003 to 2009; Treasurer of Goldman Sachs Mutual Funds from 2003 to 2009 and Senior Vice President thereof from 2007 to 2009; Director of Goldman Sachs Offshore Funds from 2002 to 2009; Director of Family Resource Network (charitable foundation) since 2009.
1964 Robert W. Crothers	Vice President	Since 2012	Director of BlackRock since 2011; Vice President of BlackRock from 2008 to 2010.
1981 Neal Andrews	Chief Financial Officer	Since 2007	Managing Director of BlackRock since 2006; Senior Vice President and Line of Business Head of Fund Accounting and Administration at PNC Global Investment Servicing (U.S.) Inc. from 1992 to 2006.
1966 Jay Fife	Treasurer	Since 2007	Managing Director of BlackRock since 2007; Director of BlackRock in 2006; Assistant Treasurer of the MLIM and Fund Asset Management, L.P. advised funds from 2005 to 2006; Director of MLIM Fund Services Group from 2001 to 2006.
1970 Charles Park	Chief Compliance Officer and Anti-Money Laundering Officer	Since 2014	Chief Compliance Officer of BlackRock Advisors, LLC and the BlackRock-advised Funds in the Equity-Bond Complex, the Equity-Liquidity Complex and the Closed-End Complex since 2014; Principal of and Chief Compliance Officer for iShares [®] Delaware Trust Sponsor LLC since 2012 and BlackRock Fund Advisors (BFA) since 2006; Chief Compliance Officer for the BFA-advised iShares exchange traded funds since 2006; Chief Compliance Officer for BlackRock Asset Management International Inc. since 2012.
1967 Janey Ahn	Secretary	Since 2012	Director of BlackRock since 2009; Vice President of BlackRock from 2008 to 2009; Assistant Secretary of the Funds from 2008 to 2012.

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¹ The address of each Officer is c/o BlackRock, Inc., Park Avenue Plaza, 55 East 52nd Street, New York, NY 10055.

² Officers of the Trusts serve at the pleasure of the Board.

Effective June 13, 2014, Randy Robertson became co-portfolio manager of BIT. The other portfolio managers of BIT are Thomas Musmanno and Akiva Dickstein.

Effective September 5, 2014, Brendan Kyne resigned as a Vice President of the Trusts.

Investment Advisor	Custodian and Accounting Agent	Independent Registered Public Accounting Firm	Address of the Trusts
BlackRock Advisors, LLC	State Street Bank and Trust Company	Deloitte & Touche LLP	100 Bellevue Parkway

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Wilmington, DE 19809

Boston, MA 02110

Boston, MA 02116

Wilmington, DE 19809

Sub-Advisor

Transfer Agent

Legal Counsel

BlackRock (Singapore) Limited³ Common Shares

Skadden, Arps, Slate, Meagher & Flom LLP

079912 Singapore

Computershare Trust
Company, N.A.

New York, NY 10036

Canton, MA 02021

³ For BIT.

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ANNUAL REPORT

OCTOBER 31, 2014

Additional Information

Proxy Results

The Annual Meeting of Shareholders was held on July 30, 2014 for shareholders of record on June 3, 2014, to elect trustee nominees for each Trust. There were no broker non-votes with regard to any of the Trusts.

Approved the Class I Trustees as follows:

	Paul L. Audet			Michael J. Castellano			R. Glenn Hubbard		
	Votes			Votes			Votes		
	Votes For	Withheld	Abstain	Votes For	Withheld	Abstain	Votes For	Withheld	Abstain
BTZ	96,827,738	2,547,443	0	96,845,331	2,529,850	0	96,649,962	2,725,219	0
BGT	17,677,722	420,602	0	17,694,558	403,766	0	17,696,367	401,957	0
BIT	33,441,638	315,703	0	33,463,353	293,988	0	33,457,403	299,938	0
	W. Carl Kester								
	Votes								
	Votes For	Withheld	Abstain						
BTZ	96,711,047	2,664,134	0						
BGT	17,696,728	401,596	0						
BIT	33,432,806	324,535	0						

For the Trusts listed above, Trustees whose term of office continued after the Annual Meeting of Shareholders because they were not up for election are Richard E. Cavanagh, Frank J. Fabozzi, Kathleen F. Feldstein, James T. Flynn, Henry Gabbay, Jerrold B. Harris and Karen P. Robards.

Trust Certification

Each Trust is listed for trading on the NYSE and have filed with the NYSE their annual chief executive officer certification regarding compliance with the NYSE's listing standards. The Trusts filed with the SEC the certification of their chief executive officer and chief financial officer required by section 302 of the Sarbanes-Oxley Act.

Dividend Policy

Each Trust'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 distributions, the distributions paid by the Trusts for any particular month may be more or less than the amount of net investment income earned by the Trusts during such month. The portion of distributions that exceeds a Trust's current and accumulated earnings and profits, which are measured on a tax basis, will constitute a nontaxable return of capital. Distributions in excess of a Trust's taxable income and net capital gains, but not in excess of a Trust's earnings and profits, will be taxable to shareholders as ordinary income and will not constitute a nontaxable return of capital. The Trusts' 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.

Additional Information (continued)

General Information

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

During the period there were no material changes in the Trusts' investment objectives or policies or to the Trusts' charters or by-laws that would delay or prevent a change of control of the Trusts that were not approved by the shareholders or in the principal risk factors associated with investment in the Trusts. Other than as discussed on page 80, there have been no changes in the persons who are primarily responsible for the day-to-day management of the Trusts' portfolios.

Quarterly performance, semi-annual and annual reports, current net asset value and other information regarding the Trusts 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 Trusts and does not, and is not intended to, incorporate BlackRock's website in this report.

Electronic Delivery

Shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual shareholder by enrolling in the electronic delivery program. Electronic copies of shareholder reports are available on BlackRock's website.

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

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

Householding

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

Availability of Quarterly Schedule of Investments

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

Availability of Proxy Voting Policies and Procedures

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

Availability of Proxy Voting Record

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

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Availability of Trust Updates

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

Additional Information (concluded)

Section 19(a) Notice

These amounts and sources of distributions reported are only estimates provided to you pursuant to regulatory requirements and are not being provided for tax reporting purposes. The actual amounts and sources for tax reporting purposes will depend upon the Trust's investment experience during the year and may be subject to changes based on the tax regulations. The Trust will provide a Form 1099-DIV each calendar year that will tell you how to report these distributions for federal income tax purposes.

October 31, 2014

	Total Cumulative Distributions for the Fiscal Year-to-Date			% Breakdown of the Total Cumulative Distributions for the Fiscal Year-to-Date				
	Net Investment Income	Net Realized Capital Gains	Return of Capital	Total Per Common Share	Net Investment Income	Net Realized Capital Gains	Return of Capital	Total Per Common Share
BGT ¹	\$ 0.828120		\$ 0.013680	\$ 0.841800	98%	0%	2%	100%

¹ The Trust 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 the Trust is returned to the shareholder. A return of capital does not necessarily reflect the Trust's investment performance and should not be confused with yield or income. When distributions exceed total return performance, the difference will incrementally reduce the Trust's net asset value per share.

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.

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 Trusts have leveraged 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.

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- 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, principal accounting officer or controller, or persons performing similar functions. During the period covered by this report, the code of ethics was amended to update certain information and to make other non-material changes. During the period covered by this report, there have been no waivers granted under the code of ethics. A copy of the code of ethics is available without charge at www.blackrock.com.
- Item 3 Audit Committee Financial Expert The registrant's board of directors (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:

Michael Castellano
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 of a person 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.

Item 4 Principal Accountant Fees and Services

The following table presents fees billed by Deloitte & Touche LLP (D&T) in each of the last two fiscal years for the services rendered to the Fund:

<u>Entity Name</u>	<u>(a) Audit Fees</u>		<u>(b) Audit-Related Fees¹</u>		<u>(c) Tax Fees²</u>		<u>(d) All Other Fees³</u>	
	<u>Current Fiscal Year End</u>	<u>Previous Fiscal Year End</u>	<u>Current Fiscal Year End</u>	<u>Previous Fiscal Year End</u>	<u>Current Fiscal Year End</u>	<u>Previous Fiscal Year End</u>	<u>Current Fiscal Year End</u>	<u>Previous Fiscal Year End</u>
BlackRock Credit Allocation Income Trust	\$46,019	\$41,013	\$0	\$0	\$21,600	\$21,600	\$0	\$0

The following table presents fees billed by D&T that were required to be approved by the registrant's audit committee (the Committee) for services that relate directly to the operations or financial reporting of the Fund and that are rendered on behalf of BlackRock Advisors, LLC (Investment Adviser or BlackRock) and entities controlling, controlled by, or under common control with BlackRock (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser) that provide ongoing services to the Fund (Fund Service Providers):

	<u>Current Fiscal Year End</u>	<u>Previous Fiscal Year End</u>
(b) Audit-Related Fees¹	\$0	\$0
(c) Tax Fees²	\$0	\$0
(d) All Other Fees³	\$2,555,000	\$2,865,000

¹ The nature of the services includes 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 includes tax compliance, tax advice and tax planning.

³ Aggregate fees borne by BlackRock in connection with the review of compliance procedures and attestation thereto performed by D&T with respect to all of the registered closed-end funds and some of the registered open-end funds advised by BlackRock.

(e)(1) Audit Committee Pre-Approval Policies and Procedures:

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 Investment Adviser and Fund 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 operations 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 Committee pursuant to the de minimis exception in paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

(f) Not Applicable

(g) The aggregate non-audit fees paid to the accountant for services rendered by the accountant to the registrant, the Investment Adviser and the Fund Service Providers were:

	Current Fiscal Year	Previous Fiscal Year
Entity Name	End	End
BlackRock Credit Allocation	\$21,600	\$21,600
Income Trust		

Additionally, SSAE 16 Review (Formerly, SAS No. 70) fees for the current and previous fiscal years of \$2,555,000 and \$2,865,000, respectively, were billed by D&T to the Investment Adviser.

(h) The Committee has considered and determined that the provision of non-audit services that were rendered to the Investment Adviser, and the Fund Service Providers 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.

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)):

- Michael Castellano
- 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's portfolio securities to the 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 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, 2014.

(a)(1) The Fund is managed by a team of investment professionals comprised of Jeff Cucunato, Managing Director at BlackRock, Mitchell S. Garfin, Managing Director at BlackRock and Stephan Bassas, Director at BlackRock. Messrs. Cucunato, Bassas and Garfin are the Fund's portfolio managers and are responsible for the day-to-day management of the Fund's portfolio and the selection of its investments. Messrs. Cucunato, Bassas and Garfin have been members of the Fund's portfolio management team since 2011.

Portfolio Manager

Jeffrey Cucunato

Biography

Managing Director of BlackRock since 2005.

Mitchell S. Garfin

Managing Director of BlackRock since 2009;
 Director of BlackRock from 2005 to 2008.

Stephan Bassas

Director of BlackRock since 2006.

(a)(2) As of October 31, 2014:

(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		
	Other	Other Pooled		Other	Performance-Based Other Pooled	
	Registered Investment Companies	Investment Vehicles	Other Accounts	Registered Investment Companies	Investment Vehicles	Other Accounts
Jeffrey Cucunato	3 \$1.66 Billion	17 \$11.45 Billion	70 \$33.85 Billion	0 \$0	0 \$0	2 \$881.0 Million
Mitchell Garfin	10 \$18.81 Billion	9 \$10.21 Billion	20 \$8.03 Billion	0 \$0	0 \$0	4 \$566.2 Million
Stephan Bassas	2 \$415.6 Million	17 \$11.24 Billion	72 \$36.73 Billion	0 \$0	0 \$0	2 \$881.0 Million

(iv) Portfolio Manager Potential Material Conflicts of Interest

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, Inc., its affiliates and significant shareholders and any officer, director, shareholder or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Fund. BlackRock, Inc., or any of its affiliates or significant shareholders, or any officer, director, shareholder, 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, Inc.'s (or its affiliates' or significant shareholders') officers, directors or employees are directors or officers, or companies as to which BlackRock, Inc. 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. Certain portfolio managers also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for a fund. It should also be noted that Messrs. Bassas, Cucunato and Garfin may be managing hedge fund and/or long only accounts, or may be part of a team managing hedge fund and/or long only accounts, subject to incentive fees. Messrs. Bassas, Cucunato and Garfin may therefore be entitled to receive a portion of any incentive fees earned on such accounts.

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, Inc. has adopted policies that are intended to ensure 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, as appropriate.

(a)(3) As of October 31, 2014:

Portfolio Manager Compensation Overview

The discussion below describes the portfolio managers' compensation as of October 31, 2014.

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.

Base compensation. Generally, portfolio managers receive base compensation based on their position with the firm.

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 performance and contribution to the overall performance of these portfolios and BlackRock. In most cases, these benchmarks are the same as the benchmark or benchmarks against which the performance of the Funds or other accounts managed by the portfolio managers are measured. Among other things, BlackRock's Chief Investment Officers make a subjective determination with respect to each portfolio manager's compensation based on the performance of the funds and other accounts managed by each portfolio manager relative to the various benchmarks. Performance of fixed income funds is measured on a pre-tax and/or after-tax basis over various time periods including 1-, 3- and 5- year periods, as applicable. With respect to these portfolio managers, such benchmarks for the Fund and other accounts are:

Portfolio Manager	Benchmark
Jeffrey Cucunato	Barclays US Credit Index
Stephen Bassas Mitchell Garfin	A combination of market-based indices (e.g., The Barclays U.S. Corporate High Yield 2% Issuer Cap Index), certain customized indices and certain fund industry peer groups.

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. For some portfolio managers, discretionary incentive compensation is also distributed in deferred cash awards that notionally track the returns of select BlackRock investment products they manage and that vest ratably over a number of years. The BlackRock, Inc. restricted stock units, upon vesting, will be settled in BlackRock, Inc. common stock. Typically, the cash portion of the discretionary incentive compensation, when combined with base salary, represents more than 60% of total compensation for the portfolio managers. Paying a portion of discretionary incentive compensation in BlackRock, Inc. 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. Providing a portion of discretionary incentive compensation in deferred cash awards that notionally track the BlackRock investment products they manage provides direct alignment with investment product results.

Long-Term Incentive Plan Awards 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. Cucunato has unvested long-term incentive awards.

Deferred Compensation Program A portion of the compensation paid to eligible United States-based BlackRock employees may be voluntarily deferred at their election for defined periods of time into an account that tracks the performance of certain of the firm's investment products. Any portfolio manager who is either a managing director or director at BlackRock with compensation above a specified threshold is eligible to participate in the deferred compensation program.

Other Compensation Benefits. In addition to base salary 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, Inc. 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 8% of eligible pay contributed to the plan capped at \$5,000 per year, and a company retirement contribution equal to 3-5% of eligible compensation up to the Internal Revenue Service limit (\$260,000 for 2014). The RSP offers a range of investment options, including registered investment companies and collective investment funds managed by the firm. BlackRock, Inc. contributions follow the investment direction set by participants for their own contributions or, absent participant investment direction, are invested into a target date fund that corresponds to, or is closest to, the year in which the participant attains age 65. The ESPP allows for investment in BlackRock, Inc. 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 of common stock or a dollar value of \$25,000 based on its fair market value on the purchase date. All of the eligible portfolio managers are eligible to participate in these plans.

(a)(4) *Beneficial Ownership of Securities* As of October 31, 2014.

Portfolio Manager	Dollar Range of Equity Securities of the Fund Beneficially Owned
Jeffrey Cucunato	\$100,001 - \$500,000
Mitchell Garfin	None
Stephan Bassas	\$10,001 - \$50,000

(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 There have been no material changes to these procedures.

Item 11 Controls and Procedures

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

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

Item 12 Exhibits attached hereto

(a)(1) Code of Ethics See Item 2

(a)(2) Certifications Attached hereto

(a)(3) Not Applicable

(b) Certifications Attached hereto

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

BlackRock Credit Allocation Income Trust

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Credit Allocation Income Trust

Date: January 2, 2015

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

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Credit Allocation Income Trust

Date: January 2, 2015

By: /s/ Neal J. Andrews
Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock Credit Allocation Income Trust

Date: January 2, 2015