

BLACKROCK MUNIYIELD NEW YORK QUALITY FUND, INC.  
Form N-CSR  
October 01, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT**

**INVESTMENT COMPANIES**

Investment Company Act file number: 811-06500

Name of Fund: BlackRock MuniYield New York Quality Fund, Inc. (MYN)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock MuniYield

New York Quality Fund, Inc., 55 East 52<sup>nd</sup> Street, New York, NY 10055

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

Date of fiscal year end: 07/31/2015

Date of reporting period: 07/31/2015

Item 1 Report to Stockholders

ANNUAL REPORT

**BlackRock MuniHoldings Quality Fund II, Inc. (MUE)**

**BlackRock MuniYield California Quality Fund, Inc. (MCA)**

**BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM)**

**BlackRock MuniYield New York Quality Fund, Inc. (MYN)**

**BlackRock MuniYield Quality Fund III, Inc. (MYI)**

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

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## The Markets in Review

Dear Shareholder,

Diverging monetary policies and shifting economic outlooks between regions were the broader themes underlying market conditions during the 12-month period ended July 31, 2015. The period began with investors caught between the forces of low interest rates and an improving U.S. economy, high asset valuations, oil price instability and lingering geopolitical risks in Ukraine and the Middle East. As U.S. growth picked up considerably in the fourth quarter of 2014, the broader global economy showed signs of slowing. Investors favored the stability of U.S. assets despite uncertainty as to when the Federal Reserve (the Fed) would raise short-term interest rates. International markets continued to struggle even as the European Central Bank and the Bank of Japan eased monetary policy. Oil prices plummeted in late 2014 due to a global supply-and-demand imbalance, sparking a sell-off in energy-related assets and putting stress on emerging markets. Fixed income investors piled into U.S. Treasuries as their persistently low yields had become attractive as compared to the even lower yields on international sovereign debt.

Equity markets reversed in early 2015, with international markets outperforming the United States as global risks abated. Investors had held high expectations for the U.S. economy, but a harsh winter and west coast port strike brought disappointing first-quarter data and high valuations took their toll on U.S. stocks, while bond yields fell to extreme lows. (Bond prices rise as yields fall.) In contrast, economic reports in Europe and Asia easily beat investors' very low expectations, and accommodative policies from central banks in those regions helped international equities rebound. Oil prices stabilized, providing some relief for emerging market stocks, although a stronger U.S. dollar continued to be a headwind for the asset class.

U.S. economic data regained momentum in the second quarter, helping U.S. stocks resume an upward path, although meaningful strength in the labor market underscored the likelihood that the Fed would raise short-term rates before the end of 2015 and bond yields moved swiftly higher. The month of June brought a sharp, but temporary, sell-off across most asset classes as Greece's long-brewing debt troubles came to an impasse and investors feared the consequences should Greece leave the eurozone. Adding to global worries was a massive correction in Chinese equity prices despite policymakers' attempts to stabilize the market. As these concerns abated in the later part of July, developed markets rebounded with the help of solid corporate earnings. Emerging markets, however, continued to slide as Chinese equities remained highly volatile and growth estimates for many emerging economies were revised lower. Bond markets moved back into positive territory as softer estimates for global growth and the return of falling commodity prices caused yields to move lower.

At BlackRock, we believe investors need to think globally, extend their scope across a broad array of asset classes and be prepared to move freely as market conditions change over time. We encourage you to talk with your financial advisor and visit [blackrock.com](http://blackrock.com) for further insight about investing in today's markets.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

Rob Kapito

President, BlackRock Advisors, LLC

### Total Returns as of July 31, 2015

|   | 6-month | 12-month |
|---|---------|----------|
| U.S. large cap equities<br>(S&P 500® Index) | 6.55%   | 11.21%   |

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|  |        |         |
|--|--------|---------|
| U.S. small cap equities<br>(Russell 2000® Index)   | 6.98   | 12.03   |
| International equities<br>(MSCI Europe, Australasia,<br>Far East Index)                    | 7.19   | (0.28)  |
| Emerging market equities<br>(MSCI Emerging Markets<br>Index)                               | (4.76) | (13.38) |
| 3-month Treasury bills<br>(BofA Merrill Lynch<br>3-Month U.S. Treasury<br>Bill Index)      | 0.00   | 0.01    |
| U.S. Treasury securities<br>(BofA Merrill Lynch<br>10-Year U.S. Treasury Index)            | (3.64) | 5.32    |
| U.S. investment-grade bonds<br>(Barclays U.S.<br>Aggregate Bond Index)                     | (1.47) | 2.82    |
| Tax-exempt municipal<br>bonds (S&P Municipal<br>Bond Index)                                | (0.97) | 3.50    |
| U.S. high yield bonds<br>(Barclays U.S. Corporate<br>High Yield 2% Issuer<br>Capped Index) | 1.27   | 0.37    |

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

THIS PAGE NOT PART OF YOUR FUND REPORT

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## Municipal Market Overview

For the Reporting Period Ended July 31, 2015

### Municipal Market Conditions

Municipal bonds generated positive performance for the period, thanks to a favorable supply-and-demand environment and declining interest rates in the earlier half. (Bond prices rise as rates fall.) Interest rates moved lower in 2014 even as the U.S. Federal Reserve (the Fed) curtailed its open-market bond purchases. This, coupled with reassurance from the Fed that short-term rates would remain low for a considerable amount of time, resulted in strong demand for fixed income investments in 2014, with municipal bonds being one of the stronger performing sectors for the year. This trend continued into the beginning of 2015 until rate volatility ultimately increased in February as a result of uneven U.S. economic data and widening central bank divergence, i.e., rate cuts outside the United States while the Fed poised for normalizing U.S. rates. During the 12 months ended July 31, 2015, municipal bond funds garnered net inflows of approximately \$24 billion (based on data from the Investment Company Institute).

For the same 12-month period, total new issuance remained relatively strong from a historical perspective at \$406 billion (considerably higher than the \$306 billion issued in the prior 12-month period). A noteworthy portion of new supply during this period was attributable to refinancing activity (roughly 60%) as issuers took advantage of low interest rates and a flatter yield curve to reduce their borrowing costs.

|                                   |         |
|-----------------------------------|---------|
| S&P Municipal Bond Index          |         |
| Total Returns as of July 31, 2015 |         |
| 6 months:                         | (0.97)% |
| 12 months:                        | 3.50%   |

### A Closer Look at Yields

From July 31, 2014 to July 31, 2015, yields on AAA-rated 30-year municipal bonds declined by 18 basis points ( bps ) from 3.30% to 3.12%, while 10-year rates fell by 7 bps from 2.26% to 2.19% and 5-year rates increased 8 bps from 1.22% to 1.30% (as measured by Thomson Municipal Market Data). Overall, the municipal yield curve remained relatively steep over the 12-month period even as the spread between 2- and 30-year maturities flattened by 49 bps and the spread between 2- and 10-year maturities flattened by 38 bps.

During the same time period, U.S. Treasury rates fell by 38 bps on 30-year bonds, 35 bps on 10-year bonds and 21 bps in 5-years. Accordingly, tax-exempt municipal bonds underperformed Treasuries across the yield curve, most notably in the intermediate part of the curve as a result of increased supply and tempered demand. In absolute terms, positive performance of muni bonds was driven largely by a supply/demand imbalance within the municipal market as investors sought income and incremental yield in an environment where opportunities had become scarce. More broadly, municipal bonds benefited from the greater appeal of tax-exempt investing in light of the higher tax rates implemented in 2014. The asset class is known for its lower relative volatility and preservation of principal with an emphasis on income as tax rates rise.

### Financial Conditions of Municipal Issuers

The majority of municipal credits remain strong, despite well-publicized distress among a few issuers. The four largest states – California, New York, Texas and Florida – have exhibited markedly improved credit fundamentals during the slow national recovery. However, several states with the largest unfunded pension liabilities have seen their bond prices decline noticeably and remain vulnerable to additional price deterioration. On the local level, Chicago's credit quality downgrade is an outlier relative to other cities due to its larger pension liability and inadequate funding remedies. BlackRock maintains the view that municipal bond defaults will remain minimal and in the periphery while the overall market is fundamentally sound. We continue to advocate careful credit research and believe that a thoughtful approach to structure and security selection remain imperative amid uncertainty in a modestly improving economic environment.

Investing involves risk including loss of principal. Bond values fluctuate in price so the value of your investment can go down depending on market conditions. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable.

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## The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the distribution rate on, and net asset value ( NAV ) of, their common shares ( Common Shares ). However, these objectives cannot be achieved in all interest rate environments.

In general, the concept of leveraging is based on the premise that the financing cost of leverage, which is based on short-term interest rates, is normally lower than the income earned by a Fund on its longer-term portfolio investments purchased with the proceeds from leverage. To the extent that the total assets of the Funds (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Funds' shareholders benefit from the incremental net income. The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV.

To illustrate these concepts, assume a Fund's Common Shares capitalization is \$100 million and they utilize leverage for an additional \$30 million, creating a total value of \$130 million available for investment in longer-term income securities. If prevailing short-term interest rates are 3% and longer-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Funds' financing costs on the \$30 million of proceeds obtained from leverage are based on the lower short-term interest rates. At the same time, the securities purchased by the Funds with the proceeds from leverage earn income based on longer-term interest rates. In this case, the Funds' financing cost of leverage is significantly lower than the income earned on the Funds' longer-term investments acquired from leverage proceeds, and therefore the holders of Common Shares ( Common Shareholders ) are the beneficiaries of the incremental net income.

However, in order to benefit Common Shareholders, the return on assets purchased with leverage proceeds must exceed the ongoing costs associated with the leverage. If interest and other costs of leverage exceed the Funds' return on assets purchased with leverage proceeds, income to shareholders is lower than if the Funds had not used leverage. Furthermore, the value of the Funds' portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the value of the Funds' obligations under its leverage arrangement generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Funds' NAVs positively or negatively. Changes in the future direction of interest rates are very difficult to predict accurately, and there is no assurance that a Fund's intended leveraging strategy will be successful.

Leverage also generally causes greater changes in the Funds' NAVs, market prices and dividend rates than comparable portfolios without leverage. In a declining market, leverage is likely to cause a greater decline in the net asset value and market price of a Fund's Common Shares than if the Funds were not leveraged. In addition, the Funds may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause the Funds to incur losses. The use of leverage may limit a Fund's ability to invest in certain types of securities or use certain types of hedging strategies. The Funds incur expenses in connection with the use of leverage, all of which are borne by Common Shareholders and may reduce income to the Common Shares. Moreover, to the extent the calculation of the Funds' investment advisory fees includes assets purchased with the proceeds of leverage, the investment advisory fees payable to the Funds' investment advisor will be higher than if the Funds did not use leverage.

To obtain leverage, each Fund has issued Variable Rate Demand Preferred Shares ( VRDP Shares ), Variable Rate Muni Term Preferred Shares ( VMTP Shares ) (collectively, Preferred Shares ) and/or leveraged its assets through the use of tender option bond trusts ( TOB Trusts ) as described in the Notes to Financial Statements.

Under the Investment Company Act of 1940, as amended (the 1940 Act ), each Fund is permitted to issue debt up to 33 1/3% of its total managed assets or equity securities (e.g., Preferred Shares) up to 50% of its total managed assets. A Fund may voluntarily elect to limit its leverage to less than the maximum amount permitted under the 1940 Act. In addition, a Fund may also be subject to certain asset coverage, leverage or portfolio composition requirements imposed by the Preferred Shares' governing instruments or by agencies rating the Preferred Shares, which may be more stringent than those imposed by the 1940 Act.

If a Fund segregates or designates on its books and records cash or liquid assets having a value not less than the value of the Funds' obligations under the TOB Trust (including accrued interest), a TOB Trust is not considered a senior security and is not subject to the foregoing limitations and requirements under the 1940 Act.

## Derivative Financial Instruments

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The Funds may invest in various derivative financial instruments. Derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to manage market, equity, credit, interest rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic leverage. Derivative financial instruments also involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The Funds' ability to use a derivative financial instrument successfully depends on the investment advisor's ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may limit the amount of appreciation a Fund can realize on an investment and/or may result in lower distributions paid to shareholders. The Funds' investments in these instruments are discussed in detail in the Notes to Financial Statements.

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## Fund Summary as of July 31, 2015

BlackRock MuniHoldings Quality Fund II,  
Inc.

## Fund Overview

BlackRock MuniHoldings Quality Fund II, Inc. s (MUE) (the Fund ) investment objective is to provide shareholders with current income exempt from federal income taxes. The Fund seeks to achieve its investment objective by investing primarily in long-term, investment grade municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). Under normal market conditions, the Fund invests at least 80% of its assets in municipal obligations with remaining maturities of one year or more at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

## Fund Information

|  |                   |
|--|-------------------|
| Symbol on New York Stock Exchange ( NYSE )                               | MUE               |
| Initial Offering Date  | February 26, 1999 |
| Yield on Closing Market Price as of July 31, 2015 (\$13.13) <sup>1</sup> | 6.21%             |
| Tax Equivalent Yield <sup>2</sup>  | 10.97%            |
| Current Monthly Distribution per Common Share <sup>3</sup>               | \$0.0680          |
| Current Annualized Distribution per Common Share <sup>3</sup>            | \$0.8160          |
| Economic Leverage as of July 31, 2015 <sup>4</sup>                       | 36%               |

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

<sup>2</sup> Tax equivalent yield assumes the maximum marginal federal tax rate of 43.4%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

<sup>3</sup> The distribution rate is not constant and is subject to change.

<sup>4</sup> Represents VMTP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VMTP Shares and TOB Trusts, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 5.

## Performance

Returns for the 12 months ended July 31, 2015 were as follows:

|  | Returns Based On |                  |
|--|------------------|------------------|
|  | Market Price     | NAV <sup>7</sup> |
| MUE <sup>5</sup>   | 7.96%            | 6.84%            |
| Lipper General & Insured Municipal Debt Funds (Leveraged) <sup>6</sup> | 6.90%            | 6.95%            |

<sup>5</sup> All returns reflect reinvestment of dividends and/or distributions.

<sup>6</sup> Average return.

<sup>7</sup> The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV.

The following discussion relates to the Fund's absolute performance based on NAV:

Municipal bonds generally delivered gains during the 12-month period, with yields declining as prices rose. Long-term bonds outperformed short-term debt, due to a flattening of the yield curve. In this environment, the Fund's duration positioning contributed positively to performance. The Fund's longer dated holdings in the transportation, utilities, health and school district sectors experienced the best price performance on an absolute basis. Income in the form of coupon payments made up a meaningful portion of the Fund's total return for the period. In addition, the Fund's minimal cash balance and use of leverage allowed it to increase its income.

The Fund's use of U.S. Treasury futures contracts to manage interest rate risk had a slightly negative impact on performance given that bond yields declined during the reporting period.

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

## Market Price and Net Asset Value Per Share Summary

|                 | 7/31/15  | 7/31/14  | Change | High     | Low      |
|-----------------|----------|----------|--------|----------|----------|
| Market Price    | \$ 13.13 | \$ 12.94 | 1.47%  | \$ 14.30 | \$ 12.67 |
| Net Asset Value | \$ 14.48 | \$ 14.42 | 0.42%  | \$ 15.17 | \$ 14.29 |

## Market Price and Net Asset Value History For the Past Five Years

## Overview of the Fund's Total Investments\*

## Sector Allocation

|  | 7/31/15 | 7/31/14 |
|--|---------|---------|
| Transportation                               | 37%     | 37%     |
| County/City/Special District/School District | 25      | 23      |
| Utilities                                    | 14      | 17      |
| Health                                       | 11      | 12      |
| State  | 7       | 6       |
| Education                                    | 2       | 2       |
| Corporate                                    | 2       |         |
| Housing                                      | 1       | 1       |
| Tobacco                                      | 1       | 2       |

For Fund compliance purposes, the Fund's sector classifications refer to one or more of the sector 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 sector sub-classifications for reporting ease.

Credit Quality Allocation<sup>1</sup>

|         | 7/31/15 | 7/31/14 |
|---------|---------|---------|
| AAA/Aaa | 6%      | 6%      |
| AA/Aa   | 65      | 67      |
| A       | 26      | 25      |
| BBB/Baa | 3       | 2       |
| N/R     | 2       |         |

<sup>1</sup> For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either Standard & Poor's (S&P) or Moody's Investors Service (Moody's) if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

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<sup>2</sup> Represents less than 1% of Fund's total investments.

## Call/Maturity Schedule<sup>3</sup>

Calendar Year Ended December 31,

|      |    |
|------|----|
| 2015 | 1% |
| 2016 | 1  |
| 2017 | 1  |
| 2018 | 25 |
| 2019 | 15 |

<sup>3</sup> Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

\* Excludes short-term securities.

ANNUAL REPORT

JULY 31, 2015

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## Fund Summary as of July 31, 2015

BlackRock MuniYield California Quality Fund, Inc.

**Fund Overview**

BlackRock MuniYield California Quality Fund, Inc.'s (MCA) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal and California income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax) and California income taxes. Under normal market conditions, the Fund invests primarily in long-term municipal obligations that are investment grade quality at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

**Fund Information**

|  |                  |
|--|------------------|
| Symbol on NYSE   | MCA              |
| Initial Offering Date  | October 30, 1992 |
| Yield on Closing Market Price as of July 31, 2015 (\$14.71) <sup>1</sup> | 5.96%            |
| Tax Equivalent Yield <sup>2</sup>  | 12.15%           |
| Current Monthly Distribution per Common Share <sup>3</sup>               | \$0.0730         |
| Current Annualized Distribution per Common Share <sup>3</sup>            | \$0.8760         |
| Economic Leverage as of July 31, 2015 <sup>4</sup>                       | 38%              |

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

<sup>2</sup> Tax equivalent yield assumes the maximum marginal federal and state tax rate of 50.93%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

<sup>3</sup> The distribution rate is not constant and is subject to change.

<sup>4</sup> Represents VRDP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOB Trusts, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 5.

**Performance**

Returns for the 12 months ended July 31, 2015 were as follows:

|   | Returns Based On |                  |
|---|------------------|------------------|
|   | Market Price     | NAV <sup>7</sup> |
| MCA <sup>5</sup>                                    | 8.47%            | 5.76%            |
| Lipper California Municipal Debt Funds <sup>6</sup> | 7.67%            | 6.36%            |

<sup>5</sup> All returns reflect reinvestment of dividends and/or distributions.

<sup>6</sup> Average return.

<sup>7</sup> The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV.

The following discussion relates to the Fund's absolute performance based on NAV:

The California municipal bond market delivered a gain during the 12-month period, as the combination of falling U.S. Treasury yields, the state's improving economy and rising revenues for state and local governments provided firm support for the market. These factors enabled longer-term bonds to outperform their short-term counterparts, and the Fund was positioned for this trend via its exposure to the long end of the yield curve. The Fund also maintained a fully invested posture with a low level of cash reserves, which allowed it to capitalize fully on the market's robust performance.

The Fund's positions in AA-rated credits within the school district, transportation and health sectors outperformed as California's improving credit profile enabled their valuations to rise. Positions in the utilities sector also aided performance. The Fund was further helped by having a zero weighting in Puerto Rico, where a deterioration of credit fundamentals led to a sharp downturn in prices.

Leverage on the Fund's assets, which was achieved through the use of tender option bonds, amplified the positive effect of falling rates on performance.

The Fund's use of U.S. Treasury futures contracts to manage interest rate risk had a slightly negative impact on performance given that bond yields declined during the reporting period.

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



## BlackRock MuniYield California Quality Fund, Inc.

## Market Price and Net Asset Value Per Share Summary

|                 | 7/31/15  | 7/31/14  | Change  | High     | Low      |
|-----------------|----------|----------|---------|----------|----------|
| Market Price    | \$ 14.71 | \$ 14.37 | 2.37%   | \$ 15.94 | \$ 14.27 |
| Net Asset Value | \$ 16.11 | \$ 16.14 | (0.19)% | \$ 16.62 | \$ 15.91 |

## Market Price and Net Asset Value History For the Past Five Years

## Overview of the Fund's Total Investments\*

## Sector Allocation

|  | 7/31/15 | 7/31/14 |
|--|---------|---------|
| County/City/Special District/School District | 39%     | 41%     |
| Utilities                                    | 25      | 23      |
| Transportation                               | 10      | 10      |
| Education                                    | 12      | 9       |
| Health                                       | 9       | 10      |
| State  | 5       | 7       |

For Fund compliance purposes, the Fund's sector classifications refer to one or more of the sector 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 sector sub-classifications for reporting ease.

Credit Quality Allocation<sup>1</sup>

|         | 7/31/15 | 7/31/14 |
|---------|---------|---------|
| AAA/Aaa | 12%     | 10%     |
| AA/Aa   | 77      | 79      |
| A       | 11      | 11      |

<sup>1</sup> For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P or Moody's if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

Call/Maturity Schedule<sup>2</sup>

Calendar Year Ended December 31,

|      |    |
|------|----|
| 2015 | 4% |
| 2016 | 5  |
| 2017 | 14 |
| 2018 | 9  |

<sup>2</sup> Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

\* Excludes short-term securities.

## Fund Summary as of July 31, 2015

BlackRock MuniYield Michigan Quality Fund II, Inc.

**Fund Overview**

BlackRock MuniYield Michigan Quality Fund II, Inc. s (MYM) (the Fund ) investment objective is to provide shareholders with as high a level of current income exempt from federal and Michigan income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax) and Michigan income taxes. Under normal market conditions, the Fund invests primarily in long-term municipal obligations that are investment grade quality at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

On April 30, 2015, the Board of the Fund and BlackRock MuniYield Michigan Quality Fund, Inc. ( MIY ) approved the reorganization of the Fund with and into MIY, with MIY continuing as the surviving fund after the reorganization. At a special shareholder meeting on August 6, 2015, the requisite shareholders of MIY approved the reorganization of the Fund with and into MIY, which was effective on September 14, 2015.

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

**Fund Information**

|  |                   |
|--|-------------------|
| Symbol on NYSE   | MYM               |
| Initial Offering Date  | February 28, 1992 |
| Yield on Closing Market Price as of July 31, 2015 (\$12.56) <sup>1</sup> | 6.02%             |
| Tax Equivalent Yield <sup>2</sup>  | 11.11%            |
| Current Monthly Distribution per Common Share <sup>3</sup>               | \$0.0630          |
| Current Annualized Distribution per Common Share <sup>3</sup>            | \$0.7560          |
| Economic Leverage as of July 31, 2015 <sup>4</sup>                       | 37%               |

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

<sup>2</sup> Tax equivalent yield assumes the maximum marginal federal and state tax rate of 45.81%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

<sup>3</sup> The distribution rate is not constant and is subject to change.

<sup>4</sup> Represents VRDP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOB Trusts, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 5.

**Performance**

Returns for the 12 months ended July 31, 2015 were as follows:

|   | Returns Based On |                  |
|---|------------------|------------------|
|   | Market Price     | NAV <sup>7</sup> |
| MYM <sup>5</sup>                                      | 6.32%            | 7.97%            |
| Lipper Other States Municipal Debt Funds <sup>6</sup> | 4.85%            | 6.04%            |

<sup>5</sup> All returns reflect reinvestment of dividends and/or distributions.

<sup>6</sup> Average return.

<sup>7</sup> The Fund's discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV.

The following discussion relates to the Fund's absolute performance based on NAV:

Municipal bonds generally delivered gains during the 12-month period, with yields declining as prices rose. Long-term bonds outperformed short-term debt, due to a flattening of the yield curve for the full 12 months. Performance differed significantly during the two halves of the annual period, however. In the first half (August 2014 through January 2015), the market rallied significantly and the municipal yield curve flattened aggressively. During this time, long-term rates fell much more than intermediate rates, while two-year rates rose. In contrast, the second half brought weaker price performance and a steepening of the yield curve.

Income in the form of coupon payments made a significant contribution to the Fund's total return for the period. The Fund's exposure to longer-term debt also aided returns. The Fund's duration positioning further contributed to performance, as municipal bond yields decreased during the period. (Duration measures sensitivity to interest rate movements). Positions in the utilities and education sectors were an additional positive factor in performance. The Fund also benefited from the use of leverage, which enabled it to increase its income and capitalize on the market's positive price performance.

There were no detractors from performance on an absolute basis as all areas of the Fund's investment universe appreciated during the period. The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

## BlackRock MuniYield Michigan Quality Fund II, Inc.

## Market Price and Net Asset Value Per Share Summary

|                 | 7/31/15  | 7/31/14  | Change | High     | Low      |
|-----------------|----------|----------|--------|----------|----------|
| Market Price    | \$ 12.56 | \$ 12.56 | 0.00%  | \$ 13.50 | \$ 12.28 |
| Net Asset Value | \$ 14.48 | \$ 14.26 | 1.54%  | \$ 15.13 | \$ 14.26 |

## Market Price and Net Asset Value History For the Past Five Years

## Overview of the Fund's Total Investments\*

## Sector Allocation

|  | 7/31/15 | 7/31/14 |
|--|---------|---------|
| Health                                       | 23%     | 20%     |
| Education                                    | 21      | 18      |
| County/City/Special District/School District | 19      | 19      |
| State  | 13      | 11      |
| Utilities                                    | 10      | 16      |
| Transportation                               | 8       | 9       |
| Housing                                      | 4       | 5       |
| Corporate                                    | 2       | 2       |

For Fund compliance purposes, the Fund's sector classifications refer to one or more of the sector 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 sector sub-classifications for reporting ease.

Credit Quality Allocation<sup>1</sup>

|         | 7/31/15 | 7/31/14 |
|---------|---------|---------|
| AAA/Aaa | 1%      | 2%      |
| AA/Aa   | 75      | 78      |
| A       | 21      | 20      |
| BBB/Baa | 2       |         |
| N/R     | 1       | 2       |

<sup>1</sup> For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P or Moody's if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

<sup>2</sup> The investment advisor evaluates the credit quality of not-rated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors and individual investments. Using this approach, the investment advisor has deemed certain of these unrated securities as investment grade quality. As of July 31, 2014 the market value of unrated securities deemed by the investment advisor to be investment grade represents less than 1% of the Fund's total investments.

**Call/Maturity Schedule<sup>3</sup>**

Calendar Year Ended December 31,

|      |    |
|------|----|
| 2015 | 5% |
| 2016 | 4  |
| 2017 | 8  |
| 2018 | 13 |
| 2019 | 6  |

<sup>3</sup> Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

\* Excludes short-term securities.

## Fund Summary as of July 31, 2015

BlackRock MuniYield New York Quality Fund, Inc.

**Fund Overview**

BlackRock MuniYield New York Quality Fund, Inc. s (MYN) (the Fund ) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes and New York State and New York City personal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax) and New York State and New York City personal income taxes. Under normal market conditions, the Fund invests primarily in long-term municipal obligations that are investment grade quality at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

**Fund Information**

|  |                   |
|--|-------------------|
| Symbol on NYSE   | MYN               |
| Initial Offering Date  | February 28, 1992 |
| Yield on Closing Market Price as of July 31, 2015 (\$13.13) <sup>1</sup> | 5.67%             |
| Tax Equivalent Yield <sup>2</sup>  | 11.48%            |
| Current Monthly Distribution per Common Share <sup>3</sup>               | \$0.0620          |
| Current Annualized Distribution per Common Share <sup>3</sup>            | \$0.7440          |
| Economic Leverage as of July 31, 2015 <sup>4</sup>                       | 38%               |

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

<sup>2</sup> Tax equivalent yield assumes the maximum marginal federal and state tax rate of 50.59%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

<sup>3</sup> The distribution rate is not constant and is subject to change.

<sup>4</sup> Represents VRDP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOB Trusts, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 5.

**Performance**

Returns for the 12 months ended July 31, 2015 were as follows:

|   | Returns Based On |                  |
|---|------------------|------------------|
|   | Market Price     | NAV <sup>7</sup> |
| MYN <sup>5</sup>                                  | 9.52%            | 6.54%            |
| Lipper New York Municipal Debt Funds <sup>6</sup> | 8.00%            | 6.41%            |

<sup>5</sup> All returns reflect reinvestment of dividends and/or distributions.

<sup>6</sup> Average return.

<sup>7</sup> The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV.

The following discussion relates to the Fund's absolute performance based on NAV:

Municipal bonds generally delivered gains during the 12-month period, with yields declining as prices rose. Longer-term bonds, which were aided by the backdrop of relatively slow economic growth and low inflation, outpaced shorter-term issues, which were pressured by the prospects of an interest rate hike by the U.S. Federal Reserve later in 2015.

In this environment, the Fund's investments in longer duration and longer dated bonds generally provided the best returns. (Duration is a measure of interest rate sensitivity). Positions in the tax-backed (state and local), transportation and utilities sectors were positive contributors to performance. The Fund's investments in zero-coupon bonds, which generated strong price performance, also aided returns. The Fund's exposure to higher-yielding, lower-rated bonds in the investment grade category aided performance, as this market segment outperformed during the period. Income in the form of coupon payments made up a meaningful portion of the Fund's total return for the period. The Fund's leverage allowed it to increase its income.

The Fund's use of U.S. Treasury futures contracts to manage interest rate risk had a slightly negative impact on performance given that bond yields declined during the reporting period.

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



## BlackRock MuniYield New York Quality Fund, Inc.

## Market Price and Net Asset Value Per Share Summary

|                 | 7/31/15 | 7/31/14 | Change | High    | Low     |
|-----------------|---------|---------|--------|---------|---------|
| Market Price    | \$13.13 | \$12.71 | 3.30%  | \$13.86 | \$12.68 |
| Net Asset Value | \$14.16 | \$14.09 | 0.50%  | \$14.71 | \$13.92 |

## Market Price and Net Asset Value History For the Past Five Years

## Overview of the Fund's Total Investments\*

## Sector Allocation

|  | 7/31/15 | 7/31/14 |
|--|---------|---------|
| County/City/Special District/School District | 21%     | 27%     |
| Transportation                               | 20      | 24      |
| Education                                    | 18      | 17      |
| State  | 15      | 11      |
| Utilities                                    | 14      | 10      |
| Health                                       | 6       | 6       |
| Housing                                      | 3       | 3       |
| Corporate                                    | 2       | 2       |
| Tobacco                                      | 1       |         |

For Fund compliance purposes, the Fund's sector classifications refer to one or more of the sector 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 sector sub-classifications for reporting ease.

Credit Quality Allocation<sup>1</sup>

|                  | 7/31/15 | 7/31/14 |
|------------------|---------|---------|
| AAA/Aaa          | 15%     | 16%     |
| AA/Aa            | 59      | 60      |
| A                | 20      | 21      |
| BBB/Baa          | 3       | 2       |
| BB/Ba            | 1       | 1       |
| N/R <sup>2</sup> | 2       |         |

<sup>1</sup> For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P or Moody's if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

<sup>2</sup> The investment advisor evaluates the credit quality of not-rated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors and individual investments. Using this approach, the investment advisor has deemed certain of these unrated securities as investment grade quality. As of July 31, 2015 and July 31, 2014, the market value of unrated securities deemed by the investment advisor to be investment grade each represents 1% and less than 1%, respectively, of the Fund's total investments.

**Call/Maturity Schedule<sup>3</sup>**

Calendar Year Ended December 31,

|      |    |
|------|----|
| 2015 | 6% |
| 2016 | 4  |
| 2017 | 10 |
| 2018 | 7  |
| 2019 | 7  |

<sup>3</sup> Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

\* Excludes short-term securities.

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## Fund Summary as of July 31, 2015

BlackRock MuniYield Quality Fund III, Inc.

## Fund Overview

BlackRock MuniYield Quality Fund III, Inc.'s (MYI) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). Under normal market conditions, the Fund invests primarily in long-term municipal obligations that are investment grade quality at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

## Fund Information

|  |                |
|--|----------------|
| Symbol on NYSE   | MYI            |
| Initial Offering Date  | March 27, 1992 |
| Yield on Closing Market Price as of July 31, 2015 (\$14.04) <sup>1</sup> | 6.32%          |
| Tax Equivalent Yield <sup>2</sup>  | 11.17%         |
| Current Monthly Distribution per Common Share <sup>3</sup>               | \$0.0740       |
| Current Annualized Distribution per Common Share <sup>3</sup>            | \$0.8880       |
| Economic Leverage as of July 31, 2015 <sup>4</sup>                       | 37%            |

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

<sup>2</sup> Tax equivalent yield assumes the maximum marginal federal tax rate of 43.4%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

<sup>3</sup> The distribution rate is not constant and is subject to change.

<sup>4</sup> Represents VRDP Shares and TOB Trusts as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOB Trusts, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 5.

## Performance

Returns for the 12 months ended July 31, 2015 were as follows:

|  | Returns Based On |                  |
|--|------------------|------------------|
|  | Market Price     | NAV <sup>7</sup> |
| MYI <sup>5</sup>   | 11.06%           | 6.12%            |
| Lipper General & Insured Municipal Debt Funds (Leveraged) <sup>6</sup> | 6.90%            | 6.95%            |

<sup>5</sup> All returns reflect reinvestment of dividends and/or distributions.

<sup>6</sup> Average return.

<sup>7</sup> The Fund's discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV.

The following discussion relates to the Fund's absolute performance based on NAV:

Municipal bonds generally delivered gains during the 12-month period, with yields declining as prices rose. Long-term bonds outperformed short-term debt, due to a flattening of the yield curve for the full 12 months. Performance differed significantly during the two halves of the annual period, however. In the first half (August 2014 through January 2015), the market rallied significantly and the municipal yield curve flattened aggressively. During this time, long-term rates fell much more than intermediate rates, while two-year rates rose. In contrast, the second half brought weaker price performance and a steepening of the yield curve.

Income in the form of coupon payments made a significant contribution to the Fund's total return for the period. The Fund's exposure to longer-term debt also aided returns. The Fund's duration positioning further contributed to performance, as yields on municipal bonds decreased during the period. (Duration measures sensitivity to interest rate movements). Positions in the utilities and transportation sectors were an additional positive factor in performance. The Fund also benefited from the use of leverage, which enabled it to increase its income and capitalize on the market's positive price performance.

The Fund's absolute performance was negatively affected by its positions in Chicago general obligation and related securities, as well as New Jersey state-appropriated credits. The yield spreads on these securities rose significantly, as prices fell, due to concerns about pensions and credit rating downgrades. The Fund's use of U.S. Treasury futures contracts to manage interest rate risk also had a slightly negative impact on performance given that bond yields declined during the reporting period.

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

## BlackRock MuniYield Quality Fund III, Inc.

## Market Price and Net Asset Value Per Share Summary

|                 | 7/31/15  | 7/31/14  | Change  | High     | Low      |
|-----------------|----------|----------|---------|----------|----------|
| Market Price    | \$ 14.04 | \$ 13.46 | 4.31%   | \$ 14.90 | \$ 13.45 |
| Net Asset Value | \$ 14.79 | \$ 14.84 | (0.34)% | \$ 15.58 | \$ 14.61 |

## Market Price and Net Asset Value History For the Past Five Years

## Overview of the Fund's Total Investments\*

## Sector Allocation

|  | 7/31/15 | 7/31/14 |
|--|---------|---------|
| Transportation                               | 24%     | 25%     |
| County/City/Special District/School District | 18      | 20      |
| State  | 17      | 16      |
| Utilities                                    | 16      | 19      |
| Health                                       | 11      | 9       |
| Education                                    | 9       | 8       |
| Corporate                                    | 2       | 1       |
| Housing                                      | 2       | 2       |
| Tobacco                                      | 1       |         |

For Fund compliance purposes, the Fund's sector classifications refer to one or more of the sector 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 sector sub-classifications for reporting ease.

Credit Quality Allocation<sup>1</sup>

|         | 7/31/15 | 7/31/14 |
|---------|---------|---------|
| AAA/Aaa | 9%      | 12%     |
| AA/Aa   | 65      | 65      |
| A       | 20      | 21      |
| BBB/Baa | 6       | 2       |

<sup>1</sup> For financial reporting purposes, credit quality ratings shown above reflect the highest rating assigned by either S&P or Moody's if ratings differ. These rating agencies are independent, nationally recognized statistical rating organizations and are widely used. Investment grade ratings are credit ratings of BBB/Baa or higher. Below investment grade ratings are credit ratings of BB/Ba or lower. Investments designated N/R are not rated by either rating agency. Unrated investments do not necessarily indicate low credit quality. Credit quality ratings are subject to change.

Call/Maturity Schedule<sup>2</sup>

Calendar Year Ended December 31,

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|      |    |
|------|----|
| 2015 | 1% |
| 2016 | 4  |
| 2017 | 15 |
| 2018 | 21 |
| 2019 | 13 |

<sup>2</sup> Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

\* Excludes short-term securities.

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## Schedule of Investments July 31, 2015

## BlackRock MuniHoldings Quality Fund II, Inc. (MUE)

(Percentages shown are based on Net Assets)

|   | Par        |              |
|---|------------|--------------|
|   | (000)      | Value        |
| <b>Municipal Bonds</b>  |            |              |
| <b>Alabama 2.1%</b>   |            |              |
| City of Birmingham Alabama Special Care Facilities Financing Authority, RB, Children s Hospital (AGC), 6.00%, 6/01/39                     | \$ 5,225   | \$ 5,975,728 |
| City of Selma Alabama IDB, RB, Gulf Opportunity Zone, International Paper Co. Project, Series A, 5.38%, 12/01/35                          | 940        | 1,052,546    |
|   |            | 7,028,274    |
| <b>California 27.3%</b>   |            |              |
| California Educational Facilities Authority, RB, University of Southern California, Series A, 5.25%, 10/01/38                             | 5,050      | 5,642,163    |
| California Health Facilities Financing Authority, RB, Sutter Health, Series B, 6.00%, 8/15/42   | 2,865      | 3,396,572    |
| City & County of San Francisco California Airports Commission, ARB, Special Facility Lease, SFO Fuel, Series A, AMT (AGM), 6.10%, 1/01/20 | 1,070      | 1,075,104    |
| City & County of San Francisco California Airports Commission, Refunding ARB, 2nd Series A, AMT: 5.50%, 5/01/28                           | 1,800      | 2,112,210    |
| 5.25%, 5/01/33  | 1,410      | 1,590,424    |
| City & County of San Francisco California Airports Commission, Refunding RB, Series A, AMT, 5.00%, 5/01/44                                | 1,860      | 2,011,776    |
| City of San Jose California, Refunding ARB, Series A-1, AMT, 5.50%, 3/01/30   | 4,045      | 4,545,730    |
| City of Sunnyvale California, Refunding RB, 5.25%, 4/01/40  | 2,800      | 3,161,116    |
| County of Sacramento California, ARB, Senior Series A (AGC), 5.50%, 7/01/41   | 3,500      | 3,890,110    |
| County of Ventura California Community College District, GO, Election of 2002, Series C, 5.50%, 8/01/18 (a)                               | 3,175      | 3,605,657    |
| Emery Unified School District, GO, Election of 2010, Series A (AGM), 5.50%, 8/01/35   | 1,875      | 2,232,544    |
| Kern Community College District, GO, Safety, Repair & Improvement, Election of 2002, Series C, 5.50%, 11/01/33                            | 2,445      | 2,878,890    |
| Los Angeles Community College District California, GO:  |            |              |
| Election of 2001, Series A (NPFGC), 5.00%, 8/01/17 (a)  | 5,000      | 5,438,600    |
| Election of 2008, Series C, 5.25%, 8/01/39  | 2,000      | 2,328,780    |
| Oceanside Unified School District, GO, Series A (AGC), 5.25%, 8/01/33   | 1,675      | 1,839,133    |
| Redondo Beach Unified School District, GO, Election of 2008, Series E, 5.50%, 8/01/34   | 2,670      | 3,117,412    |
| Riverside County Public Financing Authority, RB, Capital Facilities Project, 5.25%, 11/01/40  | 4,500      | 5,114,925    |
| Sequoia Union High School District, GO, Refunding, Election of 2004, Series B (AGM), 5.50%, 7/01/16 (a)                                   | 5,190      | 5,437,822    |
|   | <b>Par</b> |              |
|   | (000)      | Value        |
| <b>Municipal Bonds</b>  |            |              |
| <b>California (concluded)</b>   |            |              |
| State of California, GO, Various Purpose, 5.00%, 4/01/43  | \$ 4,500   | \$ 5,027,175 |
| State of California Public Works Board, LRB, Various Capital Projects, Series I: 5.50%, 11/01/30  | 5,000      | 5,984,000    |
| 5.50%, 11/01/31   | 3,130      | 3,725,701    |
| 5.50%, 11/01/33   | 3,000      | 3,566,340    |
| State of California Public Works Board, RB, Department of Corrections & Rehabilitation, Series F, 5.25%, 9/01/33                          | 1,260      | 1,467,031    |
| Township of Washington California Health Care District, GO, Election of 2004, Series B, 5.50%, 8/01/40                                    | 940        | 1,101,492    |
| University of California, Refunding RB, The Regents of Medical Center, Series J, 5.25%, 5/15/38   | 7,580      | 8,665,911    |
|   |            | 88,956,618   |
| <b>Colorado 2.1%</b>  |            |              |
| City & County of Denver Colorado Airport System, ARB, Series A, AMT: 5.50%, 11/15/28  | 1,500      | 1,738,275    |
| 5.50%, 11/15/30   | 565        | 649,609      |
| 5.50%, 11/15/31   | 675        | 771,889      |
| Colorado Health Facilities Authority, RB, Hospital, NCMC, Inc. Project, Series B (AGM), 6.00%, 5/15/26                                    | 3,300      | 3,696,099    |

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|   |       |           |
|---|-------|-----------|
|   |       | 6,855,872 |
| <b>Florida 20.4%</b>  |       |           |
| City of Jacksonville Florida, Refunding RB, Series A, 5.25%, 10/01/33   | 405   | 468,966   |
| City of St. Petersburg Florida Public Utility Revenue, Refunding RB (NPFGC), 5.00%, 10/01/15 (a)                              | 3,000 | 3,024,270 |
| County of Broward Florida Airport System, ARB, Series A, AMT, 5.13%, 10/01/38   | 5,665 | 6,183,347 |
| County of Hillsborough Florida Aviation Authority, Refunding ARB, Tampa International Airport, Series A, AMT, 5.50%, 10/01/29 | 2,995 | 3,421,698 |
| County of Lee Florida, Refunding ARB, Series A, AMT, 5.38%, 10/01/32  | 2,500 | 2,770,350 |
| County of Miami-Dade Florida, RB, Seaport:<br>Series A, 5.38%, 10/01/33   | 1,765 | 1,989,543 |
| Series A, 5.50%, 10/01/42   | 3,000 | 3,434,310 |
| Series B, AMT, 6.25%, 10/01/38  | 800   | 976,672   |
| Series B, AMT, 6.00%, 10/01/42  | 1,060 | 1,241,832 |
| County of Miami-Dade Florida, Refunding RB, Water & Sewer System, Series B, 5.25%, 10/01/29                                   | 3,130 | 3,636,622 |
| County of Miami-Dade Florida Aviation, Refunding ARB, AMT, Series A:<br>Miami International Airport (AGM), 5.25%, 10/01/41    | 4,610 | 5,015,911 |

**Portfolio Abbreviations**

|              |   |             |                                      |                |   |
|--------------|---|-------------|--------------------------------------|----------------|---|
| <b>AGC</b>   | Assured Guarantee Corp.                   | <b>EDC</b>  | Economic Development Corp.           | <b>ISD</b>     | Independent School District             |
| <b>AGM</b>   | Assured Guaranty Municipal Corp.          | <b>ERB</b>  | Education Revenue Bonds              | <b>LRB</b>     | Lease Revenue Bonds                     |
| <b>AMBAC</b> | American Municipal Bond Assurance Corp.   | <b>FHA</b>  | Federal Housing Administration       | <b>M/F</b>     | Multi-Family                            |
| <b>AMT</b>   | Alternative Minimum Tax (subject to)      | <b>GAB</b>  | Grant Anticipation Bonds             | <b>NPFGC</b>   | National Public Finance Guarantee Corp. |
| <b>ARB</b>   | Airport Revenue Bonds                     | <b>GARB</b> | General Airport Revenue Bonds        | <b>PILOT</b>   | Payment in Lieu of Taxes                |
| <b>BARB</b>  | Building Aid Revenue Bonds                | <b>GO</b>   | General Obligation Bonds             | <b>PSF-GTD</b> | Permanent School Fund Guaranteed        |
| <b>BHAC</b>  | Berkshire Hathaway Assurance Corp.        | <b>HDA</b>  | Housing Development Authority        | <b>Q-SBLF</b>  | Qualified School Bond Loan Fund         |
| <b>BOCES</b> | Board of Cooperative Educational Services | <b>HFA</b>  | Housing Finance Agency               | <b>RB</b>      | Revenue Bonds                           |
| <b>CAB</b>   | Capital Appreciation Bonds                | <b>IDA</b>  | Industrial Development Authority     | <b>S/F</b>     | Single-Family                           |
| <b>COP</b>   | Certificates of Participation             | <b>IDB</b>  | Industrial Development Board         | <b>SONYMA</b>  | State of New York Mortgage Agency       |
| <b>EDA</b>   | Economic Development Authority            | <b>IDRB</b> | Industrial Development Revenue Bonds | <b>Syncora</b> | Syncora Guarantee                       |

See Notes to Financial Statements.



## Schedule of Investments (continued)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)

(Percentages shown are based on Net Assets)

|   | Par          |              |
|---|--------------|--------------|
|   | (000)        | Value        |
| <b>Municipal Bonds</b>  |              |              |
| <b>Florida (concluded)</b>  |              |              |
| County of Miami-Dade Florida Aviation, Refunding ARB, AMT, Series A (concluded):                                  |              |              |
| Miami International Airport (AGM), 5.50%, 10/01/41  | \$ 4,180     | \$ 4,633,781 |
| 5.00%, 10/01/31   | 5,155        | 5,731,535    |
| 5.00%, 10/01/32   | 5,000        | 5,511,350    |
| County of Orange Florida School Board, COP, Series A (AGC), 5.50%, 8/01/34  | 7,600        | 8,474,836    |
| Reedy Creek Improvement District, GO, Series A, 5.25%, 6/01/32  | 1,805        | 2,064,884    |
| Tohopekaliga Water Authority, Refunding RB, Series A, 5.25%, 10/01/36   | 6,965        | 7,963,224    |
|   |              | 66,543,131   |
| <b>Hawaii 0.7%</b>  |              |              |
| State of Hawaii, Department of Transportation, COP, AMT:  |              |              |
| 5.25%, 8/01/25  | 740          | 863,232      |
| 5.25%, 8/01/26  | 1,205        | 1,393,715    |
|   |              | 2,256,947    |
| <b>Illinois 17.0%</b>   |              |              |
| City of Chicago Illinois, GARB, O Hare International Airport, 3rd Lien:   |              |              |
| Series A, 5.75%, 1/01/39  | 2,000        | 2,293,060    |
| Series C, 6.50%, 1/01/41  | 9,085        | 10,915,082   |
| City of Chicago Illinois Midway International Airport, Refunding GARB, 2nd Lien, Series A:                        |              |              |
| 5.00%, 1/01/41  | 1,140        | 1,199,109    |
| AMT, 5.50%, 1/01/28   | 1,000        | 1,128,230    |
| AMT, 5.50%, 1/01/29   | 1,500        | 1,684,020    |
| AMT, 5.38%, 1/01/33   | 2,000        | 2,183,640    |
| City of Chicago Illinois Transit Authority, RB:   |              |              |
| Federal Transit Administration, Section 5309, Series A (AGC), 6.00%, 6/01/26                                      | 3,400        | 3,793,210    |
| Sales Tax Receipts, 5.25%, 12/01/36   | 2,940        | 3,125,044    |
| Sales Tax Receipts, 5.25%, 12/01/40   | 1,500        | 1,578,180    |
| Sales Tax Receipts, 5.00%, 12/01/44   | 2,355        | 2,462,058    |
| City of Chicago Illinois Wastewater Transmission, RB, 2nd Lien, 5.00%, 1/01/42                                    | 2,985        | 3,062,252    |
| County of Cook Illinois Community College District No. 508, GO, City College of Chicago:                          |              |              |
| 5.25%, 12/01/30   | 1,270        | 1,442,161    |
| 5.50%, 12/01/38   | 1,980        | 2,259,378    |
| 5.25%, 12/01/43   | 5,500        | 6,106,265    |
| Railsplitter Tobacco Settlement Authority, RB:  |              |              |
| 5.50%, 6/01/23  | 2,350        | 2,714,414    |
| 6.00%, 6/01/28  | 670          | 788,530      |
| State of Illinois, GO:  |              |              |
| 5.25%, 2/01/31  | 1,495        | 1,559,524    |
| 5.25%, 2/01/32  | 2,320        | 2,410,225    |
| 5.50%, 7/01/33  | 1,000        | 1,075,590    |
| 5.50%, 7/01/38  | 700          | 741,853      |
| State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/28   | 2,500        | 2,778,150    |
|   |              | 55,299,975   |
| <b>Indiana 1.0%</b>   |              |              |
| Indiana Finance Authority, RB, Private Activity Bond, Ohio River Bridges, Series A, AMT, 5.00%, 7/01/40           |              |              |
|   | 460          | 481,082      |
| Indianapolis Local Public Improvement Bond Bank, Refunding RB, Waterworks Project, Series A (AGC), 5.50%, 1/01/38 |              |              |
|   | 2,370        | 2,669,355    |
|   |              | 3,150,437    |
|   | <b>Par</b>   |              |
|   | <b>(000)</b> | <b>Value</b> |
| <b>Municipal Bonds</b>  |              |              |
| <b>Louisiana 1.4%</b>   |              |              |

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|   |          |              |
|---|----------|--------------|
| Lake Charles Harbor & Terminal District, RB, Series B, AMT, 5.50%, 1/01/29  | \$ 2,225 | \$ 2,503,748 |
| Tobacco Settlement Financing Corp., Refunding RB, Asset-Backed, Series A, 5.50%, 5/15/29  | 2,020    | 2,218,041    |
|   |          | 4,721,789    |
| <b>Massachusetts 0.5%</b>   |          |              |
| Massachusetts HFA, Refunding RB, Series C, AMT, 5.35%, 12/01/42   | 1,500    | 1,550,565    |
| <b>Michigan 2.3%</b>  |          |              |
| Hudsonville Public Schools, GO, School Building & Site (Q-SBLF), 5.25%, 5/01/41   | 3,420    | 3,736,521    |
| Royal Oak Hospital Finance Authority Michigan, Refunding RB, William Beaumont Hospital, Series V, 8.25%, 9/01/18 (a)                      | 3,115    | 3,801,795    |
|   |          | 7,538,316    |
| <b>Minnesota 0.7%</b>   |          |              |
| City of Minneapolis Minnesota, Refunding RB, Fairview Health Services, Series B (AGC), 6.50%, 11/15/38                                    | 1,975    | 2,258,926    |
| <b>Mississippi 1.3%</b>   |          |              |
| Mississippi Development Bank, RB, Jackson Water & Sewer System Project (AGM), 6.88%, 12/01/40   | 2,405    | 3,072,700    |
| Mississippi State University Educational Building Corp., Refunding RB, Mississippi State University Improvement Project, 5.25%, 8/01/38   | 1,000    | 1,136,130    |
|   |          | 4,208,830    |
| <b>Nebraska 1.0%</b>  |          |              |
| Omaha Public Power District, Refunding RB, Series A, 5.25%, 2/01/46   | 3,000    | 3,423,630    |
| <b>Nevada 2.8%</b>  |          |              |
| County of Clark Nevada, ARB, Las Vegas-McCarran International Airport, Series A (AGM), 5.25%, 7/01/39                                     | 3,210    | 3,595,425    |
| County of Clark Nevada, GO, Limited Tax, 5.00%, 6/01/38   | 5,000    | 5,440,800    |
|   |          | 9,036,225    |
| <b>New Jersey 5.2%</b>  |          |              |
| New Jersey EDA, RB, The Goethals Bridge Replacement Project, AMT: 5.38%, 1/01/43  | 1,940    | 2,077,973    |
| (AGM), 5.00%, 1/01/31   | 1,355    | 1,491,137    |
| New Jersey Health Care Facilities Financing Authority, RB, Virtua Health, Series A (AGC), 5.50%, 7/01/38                                  | 3,400    | 3,755,504    |
| New Jersey Transportation Trust Fund Authority, RB, Transportation System: Series A, 5.50%, 6/15/41                                       | 3,030    | 3,193,529    |
| Series A (AGC), 5.63%, 12/15/28   | 2,930    | 3,340,171    |
| Series AA, 5.50%, 6/15/39   | 3,040    | 3,258,211    |
|   |          | 17,116,525   |
| <b>New York 7.8%</b>  |          |              |
| City of New York New York Municipal Water Finance Authority, Refunding RB, 2nd General Resolution, Series EE: Fiscal 2009, 5.25%, 6/15/40 | 6,930    | 7,833,672    |
| Water & Sewer System, 5.38%, 6/15/43  | 2,220    | 2,595,669    |
| Hudson Yards Infrastructure Corp., RB, Senior, Fiscal 2012, 5.75%, 2/15/47  | 940      | 1,070,359    |
| Metropolitan Transportation Authority, RB: Series A, 5.25%, 11/15/38  | 8,500    | 9,762,080    |
| Series A-1, 5.25%, 11/15/39   | 1,550    | 1,765,140    |
| Port Authority of New York & New Jersey, Refunding ARB, Consolidated, 166th Series, 5.25%, 7/15/36  | 2,000    | 2,253,840    |
|   |          | 25,280,760   |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)

(Percentages shown are based on Net Assets)

|   | Par          |              |
|---|--------------|--------------|
|   | (000)        | Value        |
| <b>Municipal Bonds</b>  |              |              |
| <b>Ohio 0.9%</b>  |              |              |
| State of Ohio Turnpike Commission, RB, Junior Lien, Infrastructure Projects, Series A-1, 5.25%, 2/15/31             | \$ 2,500     | \$ 2,869,700 |
| <b>Pennsylvania 3.2%</b>  |              |              |
| Pennsylvania Economic Development Financing Authority, RB, The Pennsylvania Rapid Bridge Replacement Project, AMT:  |              |              |
| 5.00%, 12/31/34   | 2,000        | 2,142,500    |
| 5.00%, 12/31/38   | 1,880        | 2,000,376    |
| 5.00%, 6/30/42  | 2,000        | 2,094,220    |
| Township of Bristol Pennsylvania School District, GO:   |              |              |
| 5.25%, 6/01/37  | 2,500        | 2,837,675    |
| 5.25%, 6/01/43  | 1,100        | 1,238,864    |
|   |              | 10,313,635   |
| <b>South Carolina 4.1%</b>  |              |              |
| County of Charleston South Carolina, RB, Special Source, 5.25%, 12/01/38  | 3,760        | 4,325,692    |
| County of Charleston South Carolina Airport District, ARB, Series A, AMT:   |              |              |
| 6.00%, 7/01/38  | 2,940        | 3,395,906    |
| 5.50%, 7/01/41  | 2,500        | 2,788,125    |
| State of South Carolina Public Service Authority, Refunding RB, Series A:   |              |              |
| 5.50%, 1/01/19 (a)  | 200          | 229,936      |
| 5.50%, 1/01/38  | 2,300        | 2,577,495    |
|   |              | 13,317,154   |
| <b>Texas 18.9%</b>  |              |              |
| City of Beaumont Texas, GO, Certificates of Obligation, 5.25%, 3/01/37  | 2,345        | 2,664,670    |
| City of Houston Texas Utility System, Refunding RB, Combined 1st Lien, Series A (AGC), 6.00%, 11/15/35              |              |              |
|   | 6,700        | 7,877,860    |
| County of Tarrant Texas Cultural Education Facilities Finance Corp., Refunding RB, Christus Health, Series A (AGC): |              |              |
| 6.50%, 1/01/19 (a)  | 620          | 728,760      |
| 6.50%, 7/01/37  | 2,380        | 2,699,872    |
| Dallas Area Rapid Transit, Refunding RB, Senior Lien, 5.25%, 12/01/38   |              |              |
|   | 4,555        | 5,054,957    |
| Dallas-Fort Worth International Airport, ARB, Joint Improvement, AMT:   |              |              |
| Series A, 5.00%, 11/01/38   | 1,615        | 1,715,049    |
| Series H, 5.00%, 11/01/37   | 1,810        | 1,930,763    |
| Lower Colorado River Authority, Refunding RB, 5.50%, 5/15/33  | 2,155        | 2,507,105    |
| North Texas Tollway Authority, RB, Special Projects, Series A, 5.50%, 9/01/41                                       | 7,000        | 8,247,960    |
| North Texas Tollway Authority, Refunding RB, 1st Tier System:   |              |              |
| Series A (NPFGC), 5.63%, 1/01/33  | 10,975       | 11,955,068   |
| Series A (NPFGC), 5.75%, 1/01/40  | 11,575       | 12,694,650   |
| Series B (NPFGC), 5.75%, 1/01/40  | 1,000        | 1,096,730    |
| Series K-2 (AGC), 6.00%, 1/01/38  | 1,000        | 1,135,350    |
| Red River Education Financing Corp., RB, Texas Christian University Project, 5.25%, 3/15/38                         | 1,070        | 1,217,286    |
|   |              | 61,526,080   |
| <b>Virginia 1.1%</b>  |              |              |
| City of Lexington Virginia IDA, RB, Washington & Lee University, 5.00%, 1/01/43                                     | 945          | 1,038,338    |
| Virginia Public School Authority, RB, Fluvanna County School Financing, 6.50%, 12/01/18 (a)                         | 2,195        | 2,595,192    |
|   |              | 3,633,530    |
|   | <b>Par</b>   |              |
|   | <b>(000)</b> | <b>Value</b> |
| <b>Municipal Bonds</b>  |              |              |
| <b>Washington 1.5%</b>  |              |              |
| City of Seattle Washington Municipal Light & Power, Refunding RB, Series A, 5.25%, 2/01/36                          | \$ 2,400     | \$ 2,709,552 |
| State of Washington, GO, Various Purposes, Series B, 5.25%, 2/01/36   | 1,865        | 2,160,472    |

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|  |               |                    |
|--|---------------|--------------------|
|  |               | 4,870,024          |
| <b>Total Municipal Bonds</b>   | <b>123.3%</b> | <b>401,756,943</b> |
| <b>Municipal Bonds Transferred to</b>  |               |                    |
| <b>Tender Option Bond Trusts (b)</b>   |               |                    |
| <b>Colorado 3.1%</b>   |               |                    |
| Colorado Health Facilities Authority, RB, Catholic Health, Series C-3 (AGM), 5.10%, 10/01/41   | 9,410         | 9,928,961          |
| <b>District of Columbia 0.6%</b>   |               |                    |
| District of Columbia Water & Sewer Authority, Refunding RB, Senior Lien, Series A, 6.00%, 10/01/18 (a)(c)  | 1,699         | 1,963,340          |
| <b>Florida 4.5%</b>  |               |                    |
| County of Lee Florida Housing Finance Authority, RB, S/F Housing, Multi-County Program, Series A-2, AMT (Ginnie Mae), 6.00%, 9/01/40               | 583           | 590,692            |
| County of Miami-Dade Florida, GO, Building Better Communities Program, Series B-1, 6.00%, 7/01/38  | 12,500        | 14,158,750         |
|  |               | 14,749,442         |
| <b>Illinois 3.6%</b>   |               |                    |
| City of Chicago Illinois, ARB, O Hare International Airport, Series A (AGM), 5.00%, 1/01/38  | 5,000         | 5,315,500          |
| City of Chicago Illinois, Refunding RB, Waterworks, 2nd Lien (AGM), 5.25%, 11/01/33  | 3,967         | 4,262,581          |
| State of Illinois Toll Highway Authority, RB, Senior Series A, 5.00%, 1/01/40  | 1,980         | 2,194,077          |
|  |               | 11,772,158         |
| <b>Kentucky 0.8%</b>   |               |                    |
| Kentucky State Property & Building Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/27  | 2,304         | 2,592,989          |
| <b>Nevada 6.4%</b>   |               |                    |
| County of Clark Nevada Water Reclamation District, GO:   |               |                    |
| Limited Tax, 6.00%, 7/01/18 (a)  | 10,000        | 11,452,300         |
| Series B, 5.50%, 7/01/29   | 8,247         | 9,449,833          |
|  |               | 20,902,133         |
| <b>New Jersey 1.7%</b>   |               |                    |
| New Jersey Housing & Mortgage Finance Agency, RB, S/F Housing, Series CC, 5.25%, 10/01/29  | 3,861         | 4,072,420          |
| New Jersey Transportation Trust Fund Authority, RB, Transportation System, Series B, 5.25%, 6/15/36 (c)  | 1,500         | 1,573,531          |
|  |               | 5,645,951          |
| <b>New York 7.0%</b>   |               |                    |
| City of New York New York Municipal Water Finance Authority, Refunding RB, Water & Sewer System, 2nd General Resolution, Series FF, 5.00%, 6/15/45 | 5,958         | 6,545,418          |
| City of New York New York Transitional Finance Authority, BARB, Fiscal 2009, Series S-3, 5.25%, 1/15/39  | 2,300         | 2,557,364          |
| New York Liberty Development Corp., RB, 1 World Trade Center Port Authority Consolidated Bonds, 5.25%, 12/15/43                                    | 7,515         | 8,629,700          |

See Notes to Financial Statements.

## Schedule of Investments (continued)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)

(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value          |
|---|--------------|----------------|
| <b>Municipal Bonds Transferred to Tender Option Bond Trusts (b)</b>   |              |                |
| <b>New York (concluded)</b>   |              |                |
| New York Liberty Development Corp., Refunding RB, 4 World Trade Center Project, 5.75%, 11/15/51 (c)                                   | \$ 4,400     | \$ 5,072,232   |
|   |              | 22,804,714     |
| <b>Texas 1.5%</b>   |              |                |
| County of Tarrant Texas Cultural Education Facilities Finance Corp., RB, Baylor Health Care System Project, Series A, 5.00%, 11/15/38 | 4,296        | 4,692,794      |
| <b>Utah 0.8%</b>  |              |                |
| City of Riverton Utah, RB, IHC Health Services, Inc., 5.00%, 8/15/41  | 2,503        | 2,725,387      |
| <b>Total Municipal Bonds Transferred to Tender Option Bond Trusts 30.0%</b>   |              | 97,777,869     |
| <b>Total Long-Term Investments (Cost \$455,499,220) 153.3%</b>  |              | 499,534,812    |
| <b>Short-Term Securities</b>  |              |                |
| FBI Institutional Tax-Exempt Fund, 0.01% (d)(e)   | 5,506,208    | \$ 5,506,208   |
| <b>Total Short-Term Securities (Cost \$5,506,208) 1.7%</b>  |              | 5,506,208      |
| <b>Total Investments (Cost \$461,005,428) 155.0%</b>  |              | 505,041,020    |
| <b>Other Assets Less Liabilities 1.1%</b>   |              | 3,679,993      |
| <b>Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable (15.9)%</b>                                      |              | (51,809,877)   |
| <b>VMTP Shares, at Liquidation Value (40.2)%</b>  |              | (131,000,000)  |
| <b>Net Assets Applicable to Common Shares 100.0%</b>  |              | \$ 325,911,136 |

## Notes to Schedule of Investments

- (a) U.S. Government securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date indicated, typically at a premium to par.
- (b) Represent bonds transferred to a TOB Trust in exchange of cash and residual certificates received by the Fund. These bonds serve as collateral in a secured borrowing. See Note 4 of the Notes to Financial Statements for details of municipal bonds transferred to TOB Trusts.
- (c) All or a portion of security is subject to a recourse agreement, which may require the Fund to pay the liquidity provider in the event there is a shortfall between the TOB Trust certificates and proceeds received from the sale of the security contributed to the TOB Trust or in the event of a default on the security. In the case of a shortfall or default, the aggregate maximum potential amount the Fund could ultimately be required to pay under the agreements, which expire from October 1, 2016 to November 15, 2019, is \$4,822,876.
- (d) During the year ended July 31, 2015, investments in issuers considered to be an affiliate of the Fund for purposes of Section 2(a)(3) of the 1940 Act were as follows:

| Affiliate                         | Shares Held<br>at July 31,<br>2014 | Net<br>Activity | Shares Held<br>at July 31,<br>2015 | Income   |
|-----------------------------------|------------------------------------|-----------------|------------------------------------|----------|
| FBI Institutional Tax-Exempt Fund | 4,174,381                          | 1,331,827       | 5,506,208                          | \$ 1,843 |

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

## Derivative Financial Instruments Outstanding as of July 31, 2015

### Financial Futures Contracts

| Contracts      | Issue                      | Exchange               | Expiration     | Notional Value | Unrealized Depreciation |
|----------------|----------------------------|------------------------|----------------|----------------|-------------------------|
| Short<br>(228) | 10-Year U.S. Treasury Note | Chicago Board of Trade | September 2015 | \$ 29,055,750  | \$ (35,956)             |

### Derivative Financial Instruments Categorized by Risk Exposure

The following is a summary of the Fund's derivative financial instruments categorized by risk exposure. For information about the Fund's investment risks regarding derivative financial instruments, refer to the Notes to Financial Statements.

As of July 31, 2015, the fair values of derivative financial instruments were as follows:

| Statement of Assets and Liabilities     | Location                                 | Commodity Contracts | Credit Contracts | Equity Contracts | Foreign Currency Exchange Contracts | Interest Rate Contracts | Total     |
|---|--|---------------------|------------------|------------------|-------------------------------------|-------------------------|-----------|
| <b>Derivative Financial Instruments</b> | <b>Liabilities</b>                       |                     |                  |                  |                                     |                         |           |
| Financial futures contracts             | Net unrealized depreciation <sup>1</sup> |                     |                  |                  |                                     | \$ 35,956               | \$ 35,956 |

<sup>1</sup> Includes cumulative appreciation (depreciation) on financial futures contract, as reported in the Schedule of Investments. Only current day's variation margin is reported within the Statements of Assets and Liabilities.

See Notes to Financial Statements.

## Schedule of Investments (concluded)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)

For the year ended July 31, 2015, the effect of derivative financial instruments in the Statements of Operations was as follows:

|                                       | Foreign   |           |           |           |                |                |
|---------------------------------------|-----------|-----------|-----------|-----------|----------------|----------------|
|                                       |           |           | Currency  |           | Interest       |                |
|                                       | Commodity | Credit    | Equity    | Exchange  | Rate           |                |
|                                       | Contracts | Contracts | Contracts | Contracts | Contracts      | Total          |
| <b>Net Realized Gain (Loss) from:</b> |           |           |           |           |                |                |
| Financial futures contracts           |           |           |           |           | \$ (1,137,324) | \$ (1,137,324) |

|   | Foreign   |           |           |           |              |              |
|---|-----------|-----------|-----------|-----------|--------------|--------------|
|   |           |           | Currency  |           | Interest     |              |
|   | Commodity | Credit    | Equity    | Exchange  | Rate         |              |
|   | Contracts | Contracts | Contracts | Contracts | Contracts    | Total        |
| <b>Net Change in Unrealized Appreciation (Depreciation) on:</b> |           |           |           |           |              |              |
| Financial futures contracts                                     |           |           |           |           | \$ (125,896) | \$ (125,896) |

For the year ended July 31, 2015, the average quarterly balances of outstanding derivative financial instruments were as follows:

|   |               |
|---|---------------|
| Financial futures contracts:              |               |
| Average notional value of contracts short | \$ 40,451,469 |

**Fair Value Hierarchy as of July 31, 2015**

Various inputs are used in determining the fair value of investments and derivative financial instruments. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, refer to Note 3 of the Notes to Financial Statements.

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy:

|                                    | Level 1      | Level 2        | Level 3 | Total          |
|------------------------------------|--------------|----------------|---------|----------------|
| <b>Assets:</b>                     |              |                |         |                |
| Investments:                       |              |                |         |                |
| Long-Term Investments <sup>1</sup> |              | \$ 499,534,812 |         | \$ 499,534,812 |
| Short-Term Securities              | \$ 5,506,208 |                |         | 5,506,208      |
| <b>Total</b>                       | \$ 5,506,208 | \$ 499,534,812 |         | \$ 505,041,020 |

<sup>1</sup> See above Schedule of Investments for values in each state or political subdivision.

|   | Level 1     | Level 2 | Level 3 | Total       |
|---|-------------|---------|---------|-------------|
| <b>Derivative Financial Instruments<sup>2</sup></b> |             |         |         |             |
| <b>Liabilities:</b>                                 |             |         |         |             |
| Interest rate contracts                             | \$ (35,956) |         |         | \$ (35,956) |

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<sup>2</sup> Derivative financial instruments are financial futures contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.

The Fund may hold assets and/or liabilities in which the fair value approximates the carrying amount for financial statement purposes. As of July 31, 2015, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

|  | Level 1    | Level 2 | Level 3 | Total      |
|--|------------|---------|---------|------------|
| <b>Assets:</b>                               |            |         |         |            |
| Cash pledged for financial futures contracts | \$ 307,800 |         |         | \$ 307,800 |
| <b>Liabilities:</b>                          |            |         |         |            |
| TOB Trust Certificates                       |            |         |         |            |