BLACKROCK MUNIYIELD QUALITY FUND III, INC
Form N-CSRS
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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 811-06540

Name of Fund: BlackRock MuniYield Quality Fund III, Inc. (MYI)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock MuniYield Quality Fund III, Inc., 55 East 52nd Street, New York, NY 10055

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

Date of fiscal year end: 07/31/2012

Date of reporting period: 01/31/2012

Item 1 – Report to Stockholders

January 31, 2012

Semi-Annual Report (Unaudited)

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)

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Dear Shareholder

Early in 2011, global financial market action was dominated by political revolutions in the Middle East and North Africa, soaring prices of oil and other commodities, and natural disasters in Japan resulting in global supply chain disruptions. But corporate earnings were strong and the global economic recovery appeared to be on track. Investors demonstrated steadfast confidence as risk assets, including equities, commodities and high yield bonds, charged forward. Markets reversed sharply in May, however, when escalating political strife in Greece rekindled fears about sovereign debt problems spreading across Europe. Concurrently, global economic indicators signaled that the recovery had slowed. Confidence was further shaken by the prolonged debt ceiling debate in Washington, DC. On August 5th, Standard & Poor s downgraded the US government s credit rating and turmoil erupted in financial markets around the world. Extraordinary levels of volatility persisted in the months that followed as Greece teetered on the brink of default, debt problems escalated in Italy and Spain, and exposure to European sovereign bonds stressed banks globally. Financial markets whipsawed on hopes and fears. Macro news flow became a greater influence on trading decisions than the fundamentals of the securities traded, resulting in highly correlated asset prices. By the end of the third quarter, equity markets had fallen nearly 20% from their April peak while safe-haven assets such as US Treasuries and gold had rallied to historic highs.

October brought enough positive economic data to assuage fears of a global double-dip recession. Additionally, European leaders began to show progress toward stemming the region s debt crisis. Investors came back from the sidelines and risk assets rallied through the month. Eventually, a lack of definitive details about Europe s rescue plan raised doubts among investors and thwarted the rally at the end of October. The last two months of 2011 saw political instability in Greece, unsustainable yields on Italian bonds, and US policymakers in gridlock over budget issues. Global central bank actions and improving economic data invigorated investors, but confidence was easily tempered by sobering news flow. Sentiment improved in the New Year as investors saw bright spots in global economic data, particularly from the United States, China and Germany. International and emerging markets rebounded strongly through January. US stocks rallied on solid improvement in the domestic labor market and indications from the Federal Reserve that interest rates would remain low through 2014. Nonetheless, investors maintained caution as US corporate earnings began to weaken and a European recession appeared inevitable.

US equities and high yield bonds recovered their late-summer losses and posted positive returns for both the 6- and 12-month periods ended January 31, 2012. International markets, however, experienced some significant downturns in 2011 and remained in negative territory despite a strong rebound at the end of the period. Fixed income securities benefited from declining yields and delivered positive returns for the 6- and 12-month periods. US Treasury bonds outperformed other fixed income classes despite their quality rating downgrade, while municipal bonds also delivered superior results. Continued low short-term interest rates kept yields on money market securities near their all-time lows.

Many of the themes that caused uncertainty in 2011 remain unresolved. For investors, the risks are daunting. BlackRock remains committed to helping you keep your financial goals on track in this challenging environment.

Sincerely,

Rob Kapito
President, BlackRock Advisors, LLC

BlackRock remains committed to helping you keep your financial goals on track in this challenging environment.

Rob Kapito
President, BlackRock Advisors, LLC

Total Returns as of January 31, 2012

	6-month	12-month
US large cap equities (S&P 500® Index)	2.71%	4.22%
US small cap equities (Russell 2000® Index)	0.22	2.86
International equities (MSCI Europe, Australasia,	(10.42)	(9.59)

Far East Index)		
Emerging market equities (MSCI Emerging Markets Index)	(9.56)	(6.64)
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.02	0.09
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	10.81	18.49
US investment grade bonds (Barclays Capital US Aggregate Bond Index)	4.25	8.66
Tax-exempt municipal bonds (S&P Municipal Bond Index)	7.25	14.40
US high yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index)	1.84	5.81

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

Municipal Market Overview

For the 12-Month Period Ended January 31, 2012

One year ago, the municipal bond market was steadily recovering from a difficult fourth quarter of 2010 that brought severe losses amid a steepening US Treasury yield curve and a flood of inflated headlines about municipal finance troubles. Retail investors had lost confidence in municipals and retreated from the market. Political uncertainty surrounding the midterm elections and tax policies exacerbated the situation. These conditions combined with seasonal illiquidity weakened willful market participation from the trading community. December 2010 brought declining demand with no comparable reduction in supply as issuers rushed their deals to market before the Build America Bond program was retired. This supply-demand imbalance led to wider quality spreads and higher yields for municipal bonds heading into 2011.

Demand is usually strong at the beginning of a new year, but retail investors continued to move away from municipal mutual funds in the first half of 2011. From the middle of November 2010, outflows persisted for 29 consecutive weeks, totaling $35.1 billion before the trend finally broke in June 2011. However, weak demand was counterbalanced by lower supply in 2011. According to Thomson Reuters, new issuance was down 32% in 2011 as compared to the prior year. While these technical factors were improving, municipalities were struggling to balance their budgets, although the late-2010 predictions for widespread municipal defaults did not materialize. Other concerns that resonated at the beginning of the year, such as rising interest rates, weakening credits and higher rates of inflation, abated as these scenarios also did not come to fruition.

On August 5th, 2011, Standard & Poor s (S&P) downgraded the US government s credit rating from AAA to AA+. While this led to the downgrade of approximately 11,000 municipal issues directly tied to the US debt rating, this represented a very small fraction of the municipal market and said nothing about the individual municipal credits themselves. In fact, demand for municipal bonds increased as severe volatility in US equities drove investors to more stable asset classes. The municipal market benefited from an exuberant Treasury market and continued muted new issuance. As supply remained constrained, demand from both traditional and non-traditional buyers was strong, pushing long-term municipal bond yields lower and sparking a curve-flattening trend that continued through year end. Ultimately, 2011 was one of the strongest performance years in municipal market history. The S&P Municipal Bond Index returned 10.62% in 2011, making municipal bonds a top-performing fixed income asset class for the year.

Supply and demand technicals continued to be favorable in January 2012. Overall, the municipal yield curve flattened during the period from January 31, 2011 to January 31, 2012. As measured by Thomson Municipal Market Data, yields declined by 161 basis points (bps) to 3.17% on AAA-rated 30-year municipal bonds and by 163 bps to 1.68% on 10-year bonds, while yields on 5-year issues fell 117 bps to 0.68%. While the entire municipal curve flattened over the 12-month time period, the spread between 2- and 30-year maturities tightened by 120 bps, and in the 2- to 10-year range, the spread tightened by 124 bps.

The fundamental picture for municipalities continues to improve. Austerity has been the general theme across the country, while a small number of states continue to rely on a kick-the-can approach to close their budget shortfalls, with aggressive revenue projections and accounting gimmicks. The market s technical factors are also improving as demand outpaces supply in what is historically a light issuance period. It has been over a year since the first highly publicized interview about the fiscal problems plaguing state and local governments. Thus far, the prophecy of widespread defaults across the municipal market has not materialized. In 2011, there were fewer municipal defaults than seen in 2010. Throughout 2011 monetary defaults in the S&P Municipal Bond Index totaled roughly $805 million, representing less than 0.48% of the index. BlackRock maintains the view that municipal bond defaults will remain in the periphery and the overall market is fundamentally sound. We continue to recognize that careful credit research and security selection remain imperative amid uncertainty in this economic environment.

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

Fund Summary as of January 31, 2012 **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.

Performance

For the six months ended January 31, 2012, the Fund returned 22.02% based on market price and 15.78% based on net asset value (NAV). For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 21.10% based on market price and 13.67% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a discount to NAV to a premium by period-end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. As the yield curve flattened during the period (longer-term interest rates fell more than shorter rates), rising bond prices in the long end of the municipal curve contributed positively to the Fund s performance. The Fund s longer-dated holdings in the health, transportation and education sectors experienced the best price appreciation.

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

Fund Information

Symbol on New York Stock Exchange (NYSE)	MUE
Initial Offering Date	February 26, 1999
Yield on Closing Market Price as of January 31, 2012 ($14.72)[1]	5.99%
Tax Equivalent Yield[2]	9.22%
Current Monthly Distribution per Common Share[3]	$0.0735
Current Annualized Distribution per Common Share[3]	$0.8820
Economic Leverage as of January 31, 2012[4]	38%

1 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.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The distribution rate is not constant and is subject to change.

4 Represents Variable Rate Muni Term Preferred Shares (VMTP Shares) and tender option bond trusts (TOBs) as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VMTP Shares and TOBs, 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 10.

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

	1/31/12	**7/31/11**	**Change**	**High**	**Low**
Market Price	$14.72	$12.46	18.14%	$14.79	$11.45
Net Asset Value	$14.65	$13.07	12.09%	$14.65	$13.07

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

Sector Allocations

	1/31/12	7/31/11
County/City/Special District/School District	31%	26%
Transportation	25	19
Utilities	20	23
Health	9	9
State	9	9
Education	2	2
Housing	2	2
Corporate	1	9
Tobacco	1	1

Credit Quality Allocations[5]

	1/31/12	7/31/11
AAA/Aaa	11%	16%
AA/Aa	69	62
A	19	18
BBB/Baa	[6]	3
BB/Ba	[6]	1
B	1	

[5] Using the higher of Standard & Poor s (S&P s) or Moody s Investors Service (Moody s) ratings.

[6] Amount rounds to less than 1%.

Fund Summary as of January 31, 2012 **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.

Performance

For the six months ended January 31, 2012, the Fund returned 21.86% based on market price and 15.68% based on NAV. For the same period, the closed-end Lipper California Municipal Debt Funds category posted an average return of 21.02% based on market price and 14.53% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund s slightly long duration (sensitivity to interest rate movements) had a positive impact on performance as interest rates generally declined amid the investor flight-to-quality in the US Treasury market. Increased exposure to inverse floating rate instruments (tender option bonds) while the municipal yield curve was historically steep boosted the Fund s income accrual. The Fund s holdings of higher quality essential service revenue bonds contributed positively, as did holdings of select general obligation bonds and school district credits with stronger underlying fundamentals. Additionally, purchases of zero-coupon bonds deemed undervalued added to the Fund s total return.

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Fund Information

Symbol on NYSE	MCA
Initial Offering Date	October 30, 1992
Yield on Closing Market Price as of January 31, 2012 ($15.36)[1]	5.74%
Tax Equivalent Yield[2]	8.83%
Current Monthly Distribution per Common Share[3]	$0.0735
Current Annualized Distribution per Common Share[3]	$0.8820
Economic Leverage as of January 31, 2012[4]	39%

1 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.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The Monthly Distribution per Common Share, declared on March 1, 2012, was increased to $0.0760 per share. The Yield on Closing Market Price, Current Monthly Distribution per Common Share and Current Annualized Distribution per Common Share do not reflect the new distribution rate. The new distribution rate is not constant and is subject to change in the future.

4 Represents Variable Rate Demand Preferred Shares (VRDP Shares) and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, 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 10.

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

	1/31/12	7/31/11	Change	High	Low
Market Price	$ 15.36	$ 13.00	18.15%	$ 15.40	$ 12.60
Net Asset Value	$ 16.05	$ 14.31	12.16%	$ 16.05	$ 14.31

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

Sector Allocations

	1/31/12	7/31/11
County/City/Special District/School District	47%	45%
Utilities	25	28
Education	10	10
Transportation	8	8
Health	7	4
State	3	1
Corporate	5	4
Housing	5	

5 Amount rounds to less than 1%.

Credit Quality Allocations[6]

	1/31/12	7/31/11
AAA/Aaa	10%	11%
AA/Aa	79	79
A	10	10
BBB/Baa	1	

6 Using the higher of S&P s or Moody s ratings.

Fund Summary as of January 31, 2012 **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.

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

Performance

For the six months ended January 31, 2012, the Fund returned 27.51% based on market price and 13.36% based on NAV. For the same period, the closed-end Lipper Michigan Municipal Debt Funds category posted an average return of 19.01% based on market price and 12.19% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a discount to NAV to a premium by period-end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. During the period, the Fund benefited from the declining interest rate environment (bond prices rise as interest rates fall), the flattening of the yield curve (long interest rates fell more than short and intermediate rates) and tightening of credit spreads. The Fund s exposure to zero-coupon bonds and the health sector had a positive impact on performance as these holdings derived the greatest benefit from the decline in interest rates and spread tightening during the period.

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Fund Information

Symbol on NYSE	MYM
Initial Offering Date	February 28, 1992
Yield on Closing Market Price as of January 31, 2012 ($15.16)[1]	5.66%
Tax Equivalent Yield[2]	8.71%
Current Monthly Distribution per Common Share[3]	$0.0715
Current Annualized Distribution per Common Share[3]	$0.8580
Economic Leverage as of January 31, 2012[4]	35%

1 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.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The distribution rate is not constant and is subject to change.

4 Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, 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 10.

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

	1/31/12	7/31/11	Change	High	Low

Market Price	$ 15.16	$ 12.28	23.45%	$15.16	$12.17
Net Asset Value	$ 14.85	$ 13.53	9.76%	$14.85	$13.53

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

Sector Allocations

	1/31/12	7/31/11
County/City/Special District/School District	24%	23%
Health	17	14
State	16	11
Utilities	15	17
Education	12	9
Transportation	8	11
Housing	4	4
Corporate	4	11

Credit Quality Allocations[5]

	1/31/12	7/31/11
AAA/Aaa	2%	2%
AA/Aa	74	69
A	20	24
BBB/Baa	2	3
Not Rated[6]	2	2

5 Using the higher of S&P s or Moody s ratings.

6 The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of January 31, 2012 and July 31, 2011, the market value of these securities was $2,665,600, representing 1%, and $5,295,911, representing 2%, respectively, of the Fund s long-term investments.

Fund Summary as of January 31, 2012 **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.

Performance

For the six months ended January 31, 2012, the Fund returned 18.96% based on market price and 13.13% based on NAV. For the same period, the closed-end Lipper New York Municipal Debt Funds category posted an average return 17.53% based on market price and 11.32% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. As the yield curve flattened during the period (longer-term interest rates fell more than shorter rates), rising bond prices in the long end of the municipal curve contributed positively to the Fund s performance. Additionally, the Fund benefited from its long duration bias (greater sensitivity to interest rate movements) as overall interest rates declined. The Fund s heavy exposures to transportation and education, which were among the better performing sectors for the period, had a positive impact on performance.

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

Fund Information

Symbol on NYSE	MYN
Initial Offering Date	February 28, 1992
Yield on Closing Market Price as of January 31, 2012 ($14.53)[1]	5.86%
Tax Equivalent Yield[2]	9.02%
Current Monthly Distribution per Common Share[3]	$0.071
Current Annualized Distribution per Common Share[3]	$0.852
Economic Leverage as of January 31, 2012[4]	38%

1 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.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The distribution rate is not constant and is subject to change.

4 Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, 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 10.

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

	1/31/12	7/31/11	Change	High	Low
Market Price	$ 14.53	$ 12.60	15.32%	$ 14.59	$ 12.10
Net Asset Value	$ 14.74	$ 13.44	9.67%	$ 14.74	$ 13.44

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

Sector Allocations

	1/31/12	7/31/11
County/City/Special District/School District	29%	28%
Transportation	27	29
Education	12	11
Utilities	9	8
State	9	11
Health	8	5
Housing	3	3
Corporate	2	4
Tobacco	1	1

Credit Quality Allocations[5]

	1/31/12	7/31/11
AAA/Aaa	13%	12%
AA/Aa	54	54
A	23	21
BBB/Baa	9	10
BB/Ba	1	2
Not Rated		1[6]

5 Using the higher of S&P s or Moody s ratings.

6 The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of July 31, 2011, the market value of these securities was $3,909,236, representing 1% of the Fund s long-term investments.

Fund Summary as of January 31, 2012 **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.

Performance

For the six months ended January 31, 2012, the Fund returned 26.48% based on market price and 16.31% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 21.10% based on market price and 13.67% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a discount to NAV to a premium by period-end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. During the period, the Fund benefited from the declining interest rate environment (bond prices rise as interest rates fall), the flattening of the yield curve (long interest rates fell more than short and intermediate rates) and tightening of credit spreads. The Fund s exposure to zero-coupon bonds and the health sector had a positive impact on performance as these holdings derived the greatest benefit from the decline in interest rates and spread tightening during the period.

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Fund Information

Symbol on NYSE	MYI
Initial Offering Date	March 27, 1992
Yield on Closing Market Price as of January 31, 2012 ($14.91)[1]	5.79%
Tax Equivalent Yield[2]	8.91%
Current Monthly Distribution per Common Share[3]	$0.072
Current Annualized Distribution per Common Share[3]	$0.864
Economic Leverage as of January 31, 2012[4]	37%

1 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.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The distribution rate is not constant and is subject to change.

4 Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, 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 10.

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

	1/31/12	7/31/11	Change	High	Low
Market Price	$ 14.91	$ 12.17	22.51%	$ 14.93	$ 11.86
Net Asset Value	$ 14.86	$ 13.19	12.66%	$ 14.86	$ 13.19

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

Sector Allocations

	1/31/12	7/31/11
Transportation	27%	27%
County/City/Special District/School District	21	24
Utilities	18	17
State	11	10
Education	9	9
Health	8	7
Housing	5	5
Corporate	1	1

Credit Quality Allocations[5]

	1/31/12	7/31/11
AAA/Aaa	10%	7%
AA/Aa	66	65
A	21	21
BBB/Baa	3	3
Not Rated		4[6]

5 Using the higher of S&P s or Moody s ratings.

6 The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of July 31, 2011, the market value of these securities was $20,992,023, representing 1% of the Fund s long-term investments.

The Benefits and Risks of Leveraging

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

To obtain leverage, the Funds issue Variable Rate Demand Preferred Shares (VRDP Shares) or Variable Rate Muni Term Preferred Shares (VMTP Shares) and previously issued and had outstanding Auction Market Preferred Shares (AMPS) (VRDP Shares, VMTP Shares, and as applicable AMPS, are collectively referred to as Preferred Shares). Preferred Shares pay dividends at prevailing short-term interest rates, and the Funds invest the proceeds in long-term municipal bonds. In general, the concept of leveraging is based on the premise that the financing cost of assets to be obtained from leverage, which will be based on short-term interest rates, will normally be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the total assets of each Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Fund s shareholders will benefit from the incremental net income.

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

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

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 redemption value of the Funds Preferred Shares does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Funds NAVs positively or negatively in addition to the impact on Fund performance from leverage from Preferred Shares discussed above.

The Funds may also leverage their assets through the use of tender option bond trusts (TOBs), as described in Note 1 of the Notes to Financial Statements. TOB investments generally will provide the Funds with economic benefits in periods of declining short-term interest rates, but expose the Funds to risks during periods of rising short-term interest rates similar to those associated with Preferred Shares issued by the Funds, as described above. Additionally, fluctuations in the market value of municipal bonds deposited into the TOB trust may adversely affect each Fund s NAV per share.

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

Under the Investment Company Act of 1940, as amended (the 1940 Act), the Funds are permitted to issue senior securities in the form of equity securities (e.g., Preferred Shares) up to 50% of their total managed assets. In addition, each Fund voluntarily limits its economic leverage to 45% of its total managed assets. As of January 31, 2012, the Funds had economic leverage from Preferred Shares and/or TOBs as a percentage of their total managed assets as follows:

	Percent of Economic Leverage
MUE	38%

MCA	39%
MYM	35%
MYN	38%
MYI	37%

Derivative Financial Instruments

The Funds may invest in various derivative financial instruments, including financial futures contracts as specified in Note 2 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market and/or interest rate risks. Derivative financial instruments 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 require a Fund to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation a Fund can realize on an investment, may result in lower dividends paid to shareholders or may cause a Fund to hold an investment that it might otherwise sell. The Funds investments in these instruments are discussed in detail in the Notes to Financial Statements.

Schedule of Investments January 31, 2012 (Unaudited)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)
(Percentages shown are based on Net Assets)

Municipal Bonds		Par (000)		Value
Alabama 3.1%				
Birmingham Special Care Facilities Financing Authority, RB, Children s Hospital (AGC), 6.00%, 6/01/39	$	5,225	$	5,992,552
County of Jefferson Alabama, RB, Series A, 5.50%, 1/01/22		3,580		3,279,889
Selma Industrial Development Board, RB, International Paper Co. Project, Series A, 5.38%, 12/01/35		940		982,657
				10,255,098
California 16.0%				
California Educational Facilities Authority, RB, University of Southern California, Series A, 5.25%, 10/01/38		5,050		5,679,785
California Health Facilities Financing Authority, RB:				
Scripps Health, Series A, 5.00%, 11/15/40 (a)		415		445,880
Sutter Health, Series B, 6.00%, 8/15/42		2,865		3,300,594
City of San Jose California Airport, RB, Series A-1, AMT, 5.50%, 3/01/30		4,045		4,397,158
City of Sunnyvale California, Refunding RB, 5.25%, 4/01/40		2,800		3,172,960
County of Sacramento California, RB, Senior Series A (AGC), 5.50%, 7/01/41		3,500		3,808,875
Emery Unified School District, GO, Election of 2010, Series A (AGM), 5.50%, 8/01/35		1,875		2,111,269
Los Angeles Community College District California, GO:				
Election of 2001, Series A (NPFGC), 5.00%, 8/01/32		5,000		5,469,050
Election of 2008, Series C, 5.25%, 8/01/39		2,500		2,864,750
Oceanside Unified School District California, GO, Series A (AGC), 5.25%, 8/01/33		3,175		3,534,537
Port of Oakland, Refunding RB, Series M, AMT (NPFGC), 5.38%, 11/01/27		2,220		2,249,504
Redondo Beach Unified School District, GO, Election of 2008, Series E, 5.50%, 8/01/34		2,670		3,121,951
Roseville Joint Union High School District California, GO, Election of 2004, Series A (NPFGC), 5.00%, 8/01/29		2,985		3,206,099
San Bernardino Community College District, GO, Election of 2002, Series A, 6.25%, 8/01/33		2,165		2,590,444

Municipal Bonds		Par (000)		Value
California (concluded)				
San Francisco City & County Airports Commission, RB, Specialty Facility Lease, SFO Fuel, Series A, AMT (AGM), 6.10%, 1/01/20	$	1,250	$	1,253,350
State of California, GO, Refunding, Veterans, Series BZ, AMT (NPFGC), 5.35%, 12/01/21		10		10,017
		2,430		1,778,566

Stockton Public Financing Authority California, RB, Redevelopment Projects, Series A (Radian), 5.25%, 9/01/34		
Ventura County Community College District, GO, Election of 2002, Series C, 5.50%, 8/01/33	3,175	3,632,517
		52,627,306
Colorado 1.5%		
Colorado Health Facilities Authority, RB, Hospital, NCMC, Inc. Project, Series B (AGM), 6.00%, 5/15/26	3,300	3,902,415
Colorado Housing & Finance Authority, Refunding RB, S/F Program, Senior Series A-2, AMT, 7.50%, 4/01/31	120	121,760
Regional Transportation District, COP, Series A, 5.00%, 6/01/25	765	864,756
		4,888,931
Florida 11.3%		
City of Jacksonville Florida, RB, Series A, 5.25%, 10/01/26	2,000	2,397,380
County of Lee Florida, Refunding ARB, Series A, AMT, 5.38%, 10/01/32	2,500	2,700,300
County of Miami-Dade Florida, RB, Miami International Airport, Series A, AMT (AGM):		
5.25%, 10/01/41	4,610	4,806,939
5.50%, 10/01/41	4,180	4,418,177
Jacksonville Port Authority, RB, AMT (AGC), 6.00%, 11/01/38	3,625	3,679,665
Orange County Health Facilities Authority, RB, The Nemours Foundation Project, Series A, 5.00%, 1/01/29	2,540	2,790,190
Orange County School Board, COP, Series A (AGC), 5.50%, 8/01/34	7,600	8,462,524
Tohopekaliga Water Authority, Refunding RB, Series A, 5.25%, 10/01/36	6,965	7,895,872
		37,151,047

Portfolio Abbreviations

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

ACA	American Capital Access Corp.
AGC	Assured Guaranty Corp.
AGM	Assured Guaranty Municipal Corp.
AMBAC	American Municipal Bond Assurance Corp.
AMT	Alternative Minimum Tax (subject to)
ARB	Airport Revenue Bonds
BHAC	Berkshire Hathaway Assurance Corp.
BOCES	Board of Cooperative Educational Services
CAB	Capital Appreciation Bonds
COP	Certificates of Participation
EDA	Economic Development Authority
EDC	Economic Development Corp.
ERB	Education Revenue Bonds
FGIC	Financial Guaranty Insurance Co.
FHA	Federal Housing Administration
GAB	Grant Anticipation Bonds
GAN	Grant Anticipation Notes
GO	General Obligation Bonds
HDA	Housing Development Authority

HFA	Housing Finance Agency
HRB	Housing Revenue Bonds
IDRB	Industrial Development Revenue Bonds
ISD	Independent School District
LRB	Lease Revenue Bonds
MRB	Mortgage Revenue Bonds
NPFGC	National Public Finance Guarantee Corp.
PILOT	Payment in Lieu of Taxes
PSF-GTD	Permanent School Fund Guaranteed
Q-SBLF	Qualified School Bond Loan Fund
RB	Revenue Bonds
S/F	Single-Family
SONYMA	State of New York Mortgage Agency
Syncora	Syncora Guarantee
XLCA	XL Capital Assurance, Inc.

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)
(Percentages shown are based on Net Assets)

Municipal Bonds		Par (000)		Value
Idaho 0.1%				
Idaho Housing & Finance Association, RB, S/F Mortgage, Series E, AMT, 6.00%, 1/01/32	$	230	$	232,203
Illinois 14.3%				
Chicago Board of Education Illinois, GO, Refunding, Chicago School Reform Board, Series A (NPFGC), 5.50%, 12/01/26		1,205		1,468,473
Chicago Board of Education Illinois, GO, Series A:				
5.50%, 12/01/39		3,405		3,858,137
5.00%, 12/01/41		7,455		7,981,249
City of Chicago Illinois, RB:				
O Hare International Airport, General, Third Lien, Series C (AGM), 5.25%, 1/01/35		2,030		2,232,472
Sales Tax, Series A, 5.25%, 1/01/38		1,310		1,477,235
Series A, 5.75%, 1/01/39		2,000		2,282,800
City of Chicago Illinois, Refunding RB, General, Third Lien, Series C, 6.50%, 1/01/41		9,085		10,978,677
City of Chicago Illinois Transit Authority, RB:				
Federal Transit Administration Section 5309, Series A (AGC), 6.00%, 6/01/26		3,400		4,032,502
Sales Tax Receipts, 5.25%, 12/01/36		1,060		1,185,080
Sales Tax Receipts, 5.25%, 12/01/40		3,135		3,496,748
Railsplitter Tobacco Settlement Authority, RB:				
5.50%, 6/01/23		2,350		2,681,162
6.00%, 6/01/28		670		751,284
State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/28		4,000		4,551,440
				46,977,259
Indiana 5.3%				
Indiana Finance Authority WasteWater Utility, RB, Series A, 5.25%, 10/01/31		3,225		3,721,521
Indiana Municipal Power Agency, RB, Series A (NPFGC), 5.00%, 1/01/42		6,300		6,641,712
Indianapolis Local Public Improvement Bond Bank, RB, Series K, 5.00%, 6/01/25		3,720		4,284,324
Indianapolis Local Public Improvement Bond Bank, Refunding RB, Waterworks Project, Series A (AGC), 5.50%, 1/01/38		2,370		2,657,339
				17,304,896
Iowa 0.6%				
Iowa Finance Authority, Refunding RB, Iowa Health System (AGC), 5.25%, 2/15/29		1,710		1,890,747
Kansas 0.4%				
Sedgwick & Shawnee Counties Kansas, MRB, Series A-2, AMT (Ginnie Mae), 6.20%, 12/01/33		1,130		1,147,538
Michigan 7.2%				
City of Detroit Michigan, RB, Series B:				
Second Lien (NPFGC), 5.50%, 7/01/29		4,170		4,688,415
Senior Lien (AGM), 7.50%, 7/01/33		1,330		1,678,793
City of Detroit Michigan, Refunding RB, Senior Lien:				
Series C-1 (AGM), 7.00%, 7/01/27		4,180		5,177,557

Series C-2 (BHAC), 5.25%, 7/01/29		1,860		2,071,556
Hudsonville Public Schools, GO, School Building & Site (Q-SBLF), 5.25%, 5/01/41		3,420		3,806,323
Michigan State Building Authority, Refunding RB, Facilities Program, Series I (AGC):				
5.25%, 10/15/24		1,440		1,674,374
5.25%, 10/15/25		750		868,140

Municipal Bonds		Par (000)		Value
Michigan (concluded)				
Royal Oak Hospital Finance Authority Michigan, Refunding RB, William Beaumont Hospital, 8.25%, 9/01/39	$	3,115	$	3,852,071
				23,817,229
Minnesota 0.7%				
City of Minneapolis Minnesota, Refunding RB, Fairview Health Services, Series B (AGC), 6.50%, 11/15/38		1,975		2,331,448
Nevada 4.6%				
Clark County Water Reclamation District, GO, Series A, 5.25%, 7/01/34		3,210		3,605,280
County of Clark Nevada, RB:				
Las Vegas-McCarran International Airport, Series A (AGM), 5.25%, 7/01/39		4,565		4,977,904
Subordinate Lien, Series A-2 (NPFGC), 5.00%, 7/01/36		6,520		6,691,215
				15,274,399
New Jersey 7.3%				
New Jersey EDA, RB, Motor Vehicle Surcharge, Series A (NPFGC), 5.25%, 7/01/33		11,000		11,801,350
New Jersey Health Care Facilities Financing Authority, RB, Virtua Health (AGC), 5.50%, 7/01/38		3,400		3,722,116
New Jersey Transportation Trust Fund Authority, RB, Transportation System:				
Series A, 5.50%, 6/15/41		3,030		3,476,592
Series A (AGC), 5.63%, 12/15/28		2,930		3,382,685
Series B, 5.25%, 6/15/36		1,500		1,687,725
				24,070,468
New York 6.5%				
Hudson New York Yards Infrastructure Corp., RB, Series A, 5.75%, 2/15/47		940		1,062,209
New York City Municipal Water Finance Authority, RB, Second General Resolution:				
Fiscal 2009, Series EE, 5.25%, 6/15/40		6,930		7,726,049
Fiscal 2011, Series EE, 5.38%, 6/15/43		2,220		2,538,659
Fiscal 2012, Series BB, 5.00%, 6/15/44		2,500		2,784,150
New York City Transitional Finance Authority, RB:				
Fiscal 2009, Series S-3, 5.25%, 1/15/39		2,300		2,543,547
Sub-Series S-2A, 5.00%, 7/15/30		4,045		4,672,461
				21,327,075
North Carolina 0.3%				
North Carolina HFA, RB, Home Ownership, Series 14A, AMT (AMBAC), 5.35%, 1/01/22		920		921,086
Pennsylvania 1.6%				
Delaware River Port Authority, RB, Series D (AGM), 5.00%, 1/01/40		3,000		3,241,920
Philadelphia Hospitals & Higher Education Facilities Authority, RB, Children s Hospital, Series D, 5.00%, 7/01/32		1,940		2,148,705
				5,390,625

Puerto Rico 1.2%		
Puerto Rico Sales Tax Financing Corp., RB, First Sub-Series A, 6.38%, 8/01/39	3,500	4,085,865

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)
(Percentages shown are based on Net Assets)

Municipal Bonds	Par (000)	Value
South Carolina 5.8%		
South Carolina State Housing Finance & Development Authority, Refunding RB, Series A-2, AMT (AGM), 6.35%, 7/01/19	$ 140	$ 141,940
South Carolina State Public Service Authority, RB, Series A:		
(AMBAC), 5.00%, 1/01/42	15,000	16,141,200
Santee Cooper, 5.50%, 1/01/38	2,500	2,842,550
		19,125,690
Texas 20.4%		
City of Austin Texas, Refunding RB, Series A (AGM):		
5.00%, 11/15/28	1,795	2,064,483
5.00%, 11/15/29	2,270	2,584,508
City of Houston Texas, Refunding RB, Combined, First Lien, Series A (AGC), 6.00%, 11/15/35	6,700	8,074,974
Clifton Higher Education Finance Corp., Refunding RB, Baylor University, 5.25%, 3/01/32	3,120	3,596,705
Dallas Area Rapid Transit, Refunding RB, Senior Lien, 5.25%, 12/01/38	5,655	6,295,146
Harris County Cultural Education Facilities Finance Corp., RB, Children s Hospital Project, 5.25%, 10/01/29	2,080	2,378,418
Harris County Health Facilities Development Corp., Refunding RB, Memorial Hermann Healthcare System, Series B, 7.25%, 12/01/35	1,000	1,189,940
Lubbock Cooper ISD Texas, GO, School Building (AGC), 5.75%, 2/15/42	1,250	1,412,463
North Texas Tollway Authority, RB:		
First Tier, Series K-2 (AGC), 6.00%, 1/01/38	1,000	1,138,540
Special Projects System, Series A, 5.50%, 9/01/41	7,880	9,111,802
North Texas Tollway Authority, Refunding RB, System, First Tier (NPFGC):		
Series A, 5.63%, 1/01/33	10,975	12,069,756
Series A, 5.75%, 1/01/40	11,575	12,556,328
Series B, 5.75%, 1/01/40	1,000	1,084,780
Tarrant County Cultural Education Facilities Finance Corp., Refunding RB, Christus Health, Series A (AGC), 6.50%, 7/01/37	3,000	3,464,820
		67,022,663
Utah 0.8%		
City of Riverton Utah, RB, IHC Health Services, Inc., 5.00%, 8/15/41	2,500	2,691,625
Virginia 0.8%		
Virginia Public School Authority, RB, School Financing, 6.50%, 12/01/35	2,195	2,596,400
Washington 1.5%		
City of Seattle Washington, Refunding RB, Series A, 5.25%, 2/01/36	2,400	2,759,832
State of Washington, GO, Various Purpose, Series B, 5.25%, 2/01/36	1,865	2,157,190

		4,917,022
Total Municipal Bonds 111.3%		366,046,620

Municipal Bonds Transferred to Tender Option Bond Trusts (b)	**Par (000)**	**Value**
Alabama 1.2%		
Mobile Board of Water & Sewer Commissioners, RB (NPFGC), 5.00%, 1/01/31	$ 3,750	$ 3,978,075
California 3.4%		
City of San Jose California, GO, Libraries, Parks, and Public Safety Project (NPFGC), 5.00%, 9/01/30	3,805	4,002,888
San Diego Community College District California, GO, Election of 2002 (AGM), 5.00%, 5/01/30	1,486	1,629,450
Sequoia Union High School District California, GO, Election of 2004, Series B (AGM), 5.50%, 7/01/35	5,189	5,654,559
		11,286,897
Colorado 3.0%		
Colorado Health Facilities Authority, RB, Catholic Health, Series C-3 (AGM), 5.10%, 10/01/41	9,410	9,902,049
District of Columbia 0.7%		
District of Columbia Water & Sewer Authority, RB, Series A, 6.00%, 10/01/35	1,700	2,123,765
Florida 7.1%		
City of St. Petersburg Florida, Refunding RB (NPFGC), 5.00%, 10/01/35	6,493	6,802,189
County of Miami-Dade Florida, GO, Building Better Communities Program, Series B-1, 6.00%, 7/01/38	12,500	14,359,125
Lee County Housing Finance Authority, RB, Multi-County Program, Series A-2, AMT (Ginnie Mae), 6.00%, 9/01/40	2,115	2,260,660
		23,421,974
Georgia 2.1%		
Augusta-Richmond County Georgia, Water & Sewer, RB (AGM), 5.25%, 10/01/34	6,290	6,828,361
Illinois 6.1%		
Chicago Illinois O Hare International Airport, RB, Series A, 5.00%, 1/01/38	15,000	15,891,375
City of Chicago Illinois, Refunding RB, Second Lien (AGM), 5.25%, 11/01/33	3,969	4,310,862
		20,202,237
Kentucky 0.8%		
Kentucky State Property & Building Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/27	2,304	2,656,814
Massachusetts 3.5%		
Massachusetts School Building Authority, RB:		
Dedicated Sales Tax, Senior Series B, 5.00%, 10/15/41	5,080	5,760,364
Series A (AGM), 5.00%, 8/15/30	4,994	5,576,010
		11,336,374
Nevada 6.5%		
Clark County Water Reclamation District, GO:		
Limited Tax, 6.00%, 7/01/38	10,000	11,700,800
Series B, 5.50%, 7/01/29	8,247	9,699,478
		21,400,278
New Jersey 1.3%		
New Jersey State Housing & Mortgage Finance Agency, RB, S/F Housing, Series CC, 5.25%, 10/01/29	3,941	4,227,388

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)
(Percentages shown are based on Net Assets)

Municipal Bonds Transferred to Tender Option Bond Trusts (b)	**Par (000)**	**Value**
New York 6.4%		
New York Liberty Development Corp., RB:		
1 World Trade Center Port Authority Construction, 5.25%, 12/15/43	$ 7,515	$ 8,537,265
4 World Trade Center Project, 5.75%, 11/15/51	4,400	