BLACKROCK MUNIYIELD CALIFORNIA QUALITY FUND, INC
Form N-CSR
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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 811-06692

Name of Fund: BlackRock MuniYield California Quality Fund, Inc. (MCA)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock MuniYield California Quality Fund, 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: 07/31/2011

Date of reporting period: 07/31/2011

Item 1 – Report to Stockholders

July 31, 2011

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)

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Dear Shareholder

Financial markets have been extremely volatile in the wake of the Standard & Poor s downgrade of US Treasury debt. While the August 5 announcement was the catalyst for the market turmoil, weaker-than-expected economic data and Europe s deepening financial crisis further compounded investor uncertainty as the future direction of the global economy became increasingly questionable. Although markets remain highly volatile and conditions are highly uncertain, BlackRock remains focused on finding opportunities in this environment.

The pages that follow reflect your mutual fund s reporting period ended July 31, 2011. Accordingly, the below discussion is intended to provide you with additional perspective on the performance of your investments during that period.

During the summer of 2010, investors were in risk-off mode as the global economy was sputtering and the sovereign debt crisis was spreading across Europe. But markets were revived toward the end of the summer on positive economic news and robust corporate earnings. The global economy had finally gained traction and fear turned to optimism with the anticipation of a second round of quantitative easing (QE2) from the US Federal Reserve (the Fed). Stock markets rallied even though the European debt crisis continued and inflationary pressures loomed over emerging markets. Fixed income markets, however, saw yields move sharply upward (pushing prices down) especially on the long end of the historically steep yield curve. While high yield bonds benefited from the risk rally, most fixed income sectors declined in the fourth quarter. The tax-exempt municipal market faced additional headwinds as it became evident that the Build America Bond program would not be extended and municipal finance troubles abounded.

The new year brought spikes of volatility as political turmoil swept across the Middle East/North Africa region and as prices of oil and other commodities soared. Natural disasters in Japan disrupted industrial supply chains and concerns mounted over US debt and deficit issues. Equities quickly rebounded as investors chose to focus on the continuing stream of strong corporate earnings and positive economic data. Credit markets were surprisingly resilient in this environment and yields regained relative stability in 2011. The tax-exempt market saw relief from its headwinds and steadily recovered from its fourth-quarter lows. Equities, commodities and high yield bonds outpaced higher-quality assets as investors increased their risk tolerance.

However, longer-term headwinds had been brewing. Inflationary pressures intensified in emerging economies, many of which were overheating, and the European debt crisis continued to escalate. Markets were met with a sharp reversal in May when political unrest in Greece pushed the nation closer to defaulting on its debt. This development rekindled fears about the broader debt crisis and its further contagion among peripheral European countries. Concurrently, it became evident that the pace of global economic growth had slowed. Higher oil prices and supply chain disruptions finally showed up in economic data. In the final month of the reporting period, the prolonged debt ceiling debate in Washington, DC led to a loss of confidence in policymakers. Stocks generally declined from May through the end of the period, but 6- and 12-month returns through the end of July remained in positive territory. In bond markets, yields were volatile but generally moved lower for the period as a whole (pushing prices up). Continued low short-term interest rates kept yields on money market securities near their all-time lows.

Sincerely,

Rob Kapito
President, BlackRock Advisors, LLC

Although markets remain highly volatile and conditions are highly uncertain, BlackRock remains focused on finding opportunities in this environment.

Rob Kapito
President, BlackRock Advisors, LLC

Total Returns as of July 31, 2011

	6-month	12-month
US large cap equities (S&P 500® Index)	1.46%	19.65%
US small cap equities	2.63	23.92

(Russell 2000® Index)		
International equities (MSCI Europe, Australasia, Far East Index)	0.93	17.17
Emerging market equities (MSCI Emerging Markets Index)	3.23	17.45
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.07	0.14
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	6.93	4.53
US investment grade bonds (Barclays Capital US Aggregate Bond Index)	4.23	4.44
Tax-exempt municipal bonds (Barclays Capital Municipal Bond Index)	6.27	3.24
US high yield bonds (Barclays Capital US Corporate High Yield 2% Issuer Capped Index)	3.90	12.89

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 July 31, 2011

At the outset of the 12-month period, investor concerns were focused on the possibility of deflation and a double-dip in the US economy thus leading to a flatter municipal yield curve at that time as compared to July 31, 2011. From July through September 2010, rates moved lower (and prices higher) across the curve, reaching historic lows in August when the yield on 5-year issues touched 1.06%, the 10-year reached 2.18%, and the 30-year closed at 3.67%. However, the market took a turn in October amid a perfect storm of events that ultimately resulted in the worst quarterly performance for municipals since the Fed tightening cycle of 1994. Treasury yields lost support due to concerns over the US deficit and municipal valuations suffered a quick and severe setback as it became evident that the Build America Bond (BAB) program would expire at the end of 2010. The BAB program opened the taxable market to municipal issuers, which had successfully alleviated supply pressure in the traditional tax-exempt marketplace, bringing down yields in that space.

Towards the end of the fourth quarter 2010, news about municipal finance troubles mounted and damaged confidence among retail investors. From mid-November through year end, weekly outflows from municipal mutual funds averaged over $2.5 billion. Political uncertainty surrounding the midterm elections and tax policies along with the expiration of the BAB program exacerbated the situation. These conditions combined with seasonal illiquidity sapped willful market participation from the trading community. December brought declining demand with no comparable reduction in supply as issuers rushed their deals to market before the BAB program was retired. This supply-demand imbalance led to wider quality spreads and higher yields.

Demand is usually strong at the beginning of a new year, but retail investors continued to move away from municipal mutual funds in 2011. From mid-November, outflows persisted for 29 consecutive weeks, totaling $35.1 billion before the trend finally broke in June. Weak demand has been counterbalanced by lower supply in 2011. According to Thomson Reuters, year-to-date through July, new issuance was down 40% compared to the same period last year. Issuers have been reluctant to bring new deals to the market due to higher interest rates, fiscal policy changes and a reduced need for municipal borrowing. In this positive technical environment, the S&P/Investortools Main Municipal Bond Index gained 4.22% for the second quarter of 2011, its best second-quarter performance since 1992, and municipals outperformed most other fixed income asset classes for the quarter.

Municipals displayed an impressive degree of resiliency throughout the month of July as Moody s Investors Service signaled that its potential downgrade of US government debt could also result in downgrades of a number of triple A-rated states and nearly 200 local general obligation issues. July also brought weaker US economic data. The housing market remained sluggish, fewer jobs were created and consumer confidence declined. US Treasury yields moved lower, dragging municipal yields down, which pushed bond prices up.

Overall, the municipal yield curve steepened during the period from July 31, 2010 to July 31, 2011. As measured by Thomson Municipal Market Data, yields on AAA quality-rated 30-year municipals rose 38 basis points (bps) to 4.35%, while yields for 5-year maturities rallied by 13 bps to 1.16%, and 10-year maturities increased by 10 bps to 2.67%. With the exception of the 2- to 5-year range, the yield spread between maturities increased over the past year, with the greatest increase seen in the 5- to 30-year range, where the spread widened by 51 bps, while overall the slope between 2- and 30-year maturities increased by 35 bps to 3.95%.

The fundamental picture for municipalities is improving as most states began their new fiscal year with a balanced budget. Austerity is the general theme across the country, while a small number of states continue to rely on the kick the can approach, using aggressive revenue projections and accounting gimmicks to close their shortfalls. As long as economic growth stays positive, tax receipts for states should continue to rise and lead to better credit fundamentals. BlackRock maintains a constructive view of the municipal market, recognizing that careful credit research and security selection remain imperative amid uncertainty in the 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 July 31, 2011

BlackRock MuniHoldings Quality Fund II, Inc.

Fund Overview

Effective November 9, 2010, BlackRock MuniHoldings Insured Fund II, Inc. changed its name to BlackRock MuniHoldings Quality Fund II, Inc.

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

Effective November 9, 2010, the Fund s investment policy was changed by the removal of the insurance investment policy that required at least 80% of Fund assets to be invested in insured municipal securities. Accordingly, the Fund was moved from the Lipper Insured Municipal Debt Funds (Leveraged) category into the Lipper General Municipal Debt Funds (Leveraged) category. During the period, Lipper combined these categories into one Lipper General & Insured Municipal Debt Funds (Leveraged) category. For the 12 months ended July 31, 2011, the Fund returned (6.38)% based on market price and 3.19% 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 (2.24)% based on market price and 4.19% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund s holdings in spread sectors, including housing and health care bonds, enhanced performance as these sectors provided a relatively high degree of incremental income in the low interest rate environment. In addition, the Fund s holdings of premium coupon bonds (6% or higher) and shorter-duration bonds (bonds with lower sensitivity to interest rate movements) performed well as long-term interest rates climbed toward the end of 2010 and into the early part of 2011. Conversely, the Fund s exposure to bonds with longer duration (greater sensitivity to interest rate movements) and bonds with longer-dated maturities detracted from performance as the municipal yield curve steepened over the 12-month period. The surprise non-extension of the BAB program at the end of 2010 put additional upward pressure on the long end of the yield curve, where most of the BAB supply was issued.

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 July 31, 2011 ($12.46)[1]	7.08%
Tax Equivalent Yield[2]	10.89%
Current Monthly Distribution per Common Share[3]	$0.0735
Current Annualized Distribution per Common Share[3]	$0.8820
Leverage as of July 31, 2011[4]	40%

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 Auction Market Preferred Shares (AMPS) 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 AMPS 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:

	7/31/11	7/31/10	Change	High	Low
Market Price	$ 12.46	$ 14.26	(12.62)%	$ 14.63	$ 10.87
Net Asset Value	$ 13.07	$ 13.57	(3.68)%	$ 14.04	$ 11.62

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

Sector Allocations

	7/31/11	7/31/10
County/City/Special District/School District	26%	28%
Utilities	23	23
Transportation	19	23
Health	9	9
Corporate	9	1
State	9	11
Housing	2	5
Education	2	
Tobacco	1	

Credit Quality Allocations[5]

	7/31/11	7/31/10
AAA/Aaa	16%	54%
AA/Aa	62	24
A	18	20
BBB/Baa	3	1
BB/Ba	1	
Not Rated		1[6]

5 Using the higher of Standard & Poor s (S&P s) or Moody s Investors Service (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, 2010, the market value of these securities was $3,925,265, representing 1% of the Fund s long-term investments.

Fund Summary as of July 31, 2011

BlackRock MuniYield California Quality Fund, Inc.

Fund Overview

Effective November 9, 2010, BlackRock MuniYield California Insured Fund, Inc. changed its name to BlackRock MuniYield California Quality Fund, Inc.

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

Effective November 9, 2010, the Fund s investment policy was changed by the removal of the insurance investment policy that required at least 80% of Fund assets to be invested in insured municipal securities. Accordingly, the Fund was moved from the Lipper Single-State Insured Municipal Debt Funds category into the Lipper California Municipal Debt Funds category. For the 12 months ended July 31, 2011, the Fund returned (1.01)% based on market price and 4.21% based on NAV. For the same period, the closed-end Lipper California Municipal Debt Funds category posted an average return of (1.84)% based on market price and 3.16% based on NAV, while the closed-end Lipper Single-State Insured Municipal Debt Funds category posted an average return of (1.22)% based on market price and 3.22% based on NAV. All returns reflect reinvestment of dividends. 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 performance based on NAV. The Fund s slightly long duration posture benefited performance as bonds with longer maturities experienced the greatest price appreciation as the yield curve flattened amid the investor flight-to-quality in the latter half of the period. Increased exposure to inverse floating rate instruments (tender option bonds) while the municipal yield curve was historically steep boosted the Fund s income accrual. Holdings of higher quality essential service revenue bonds had a positive impact on performance as investors favored these securities versus general obligation bonds and school district credits, which lagged due to budget concerns in California. Additionally, the Fund benefited from holding insured credits with relatively strong underlying issuers when monoline insurance company policies were losing their value to the retail marketplace. Conversely, some widening of credit spreads, especially among California school district and health care issues, had a negative impact on returns. In addition, the Fund s cash reserves detracted as cash underperformed longer maturity coupon bonds as yields fell and spreads tightened. The Fund held short-call, high-coupon bonds, which have good defensive characteristics, but proved a drag on returns when rates fell.

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	MCA
Initial Offering Date	October 30, 1992
Yield on Closing Market Price as of July 31, 2011 ($13.00)[1]	6.78%
Tax Equivalent Yield[2]	10.43%
Current Monthly Distribution per Common Share[3]	$0.0735
Current Annualized Distribution per Common Share[3]	$0.8820
Leverage as of July 31, 2011[4]	41%

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 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:

	7/31/11	7/31/10	Change	High	Low
Market Price	$ 13.00	$ 14.02	(7.28)%	$ 14.70	$ 11.83
Net Asset Value	$ 14.31	$ 14.66	(2.39)%	$ 15.22	$ 12.62

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

Sector Allocations

	7/31/11	7/31/10
County/City/Special District/School District	45%	55%
Utilities	28	22
Education	10	7
Transportation	8	11
Health	4	2
Corporate	4	1
State	1	2

Credit Quality Allocations[5]

	7/31/11	7/31/10
AAA/Aaa	11%	57%
AA/Aa	79	29
A	10	14

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

Fund Summary as of July 31, 2011

BlackRock MuniYield Michigan Quality Fund II, Inc.

Fund Overview

Effective November 9, 2010, BlackRock MuniYield Michigan Insured Fund II, Inc. changed its name to BlackRock MuniYield Michigan Quality Fund II, Inc.

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

Effective November 9, 2010, the Fund s investment policy was changed by the removal of the insurance investment policy that required at least 80% of Fund assets to be invested in insured municipal securities. Accordingly, the Fund was moved from the Lipper Single-State Insured Municipal Debt Funds category into the Lipper Michigan Municipal Debt Funds category. For the 12 months ended July 31, 2011, the Fund returned (3.89)% based on market price and 4.74% based on NAV. For the same period, the closed-end Lipper Michigan Municipal Debt Funds category posted an average return of 0.18% based on market price and 4.12% based on NAV, while the closed-end Lipper Single-State Insured Municipal Debt Funds category posted an average return of (1.22)% based on market price and 3.22% based on NAV. All returns reflect reinvestment of dividends. 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 performance based on NAV. The Fund s slightly long duration posture benefited performance as bonds with longer maturities experienced the greatest price appreciation as the yield curve flattened amid the investor flight-to-quality in the latter half of the period. 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 also had a positive impact on performance. Conversely, some widening of credit spreads, especially among Michigan and health care issues, had a negative impact on returns. In addition, the Fund s cash reserves detracted as cash underperformed longer maturity coupon bonds as yields fell and spreads tightened.

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	MYM
Initial Offering Date	February 28, 1992
Yield on Closing Market Price as of July 31, 2011 ($12.28)[1]	6.99%
Tax Equivalent Yield[2]	10.75%
Current Monthly Distribution per Common Share[3]	$0.0715
Current Annualized Distribution per Common Share[3]	$0.8580
Leverage as of July 31, 2011[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 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:

	7/31/11	7/31/10	Change	High	Low
Market Price	$ 12.28	$ 13.67	(10.17)%	$ 13.95	$ 11.01
Net Asset Value	$ 13.53	$ 13.82	(2.10)%	$ 14.25	$ 12.23

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

Sector Allocations

	7/31/11	7/31/10
County/City/Special District/School District	23%	26%
Utilities	17	12
Health	14	15
State	11	13
Corporate	11	12
Transportation	11	12
Education	9	8
Housing	4	2

Credit Quality Allocations[5]

	7/31/11	7/31/10
AAA/Aaa	2%	40%
AA/Aa	69	27
A	24	28
BBB/Baa	3	2
Not Rated[6]	2	3

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 and July 31, 2010, the market value of these securities was $5,295,911 and $4,382,645, each representing 2%, respectively, of the Fund s long-term investments.

Fund Summary as of July 31, 2011

BlackRock MuniYield New York Quality Fund, Inc.

Fund Overview

Effective November 9, 2010, BlackRock MuniYield New York Insured Fund, Inc. changed its name to BlackRock MuniYield New York Quality Fund, Inc.

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

Effective November 9, 2010, the Fund s investment policy was changed by the removal of the insurance investment policy that required at least 80% of Fund assets to be invested in insured municipal securities. Accordingly, the Fund was moved from the Lipper Single-State Insured Municipal Debt Funds category into the Lipper New York Municipal Debt Funds category. For the 12 months ended July 31, 2011, the Fund returned (0.81)% based on market price and 3.36% based on NAV. For the same period, the closed-end Lipper New York Municipal Debt Funds category posted an average return of (0.55)% based on market price and 3.05% based on NAV, while the closed-end Lipper Single-State Insured Municipal Debt Funds category posted an average return of (1.22)% based on market price and 3.22% based on NAV. All returns reflect reinvestment of dividends. 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 performance based on NAV. Yields on the long end of the municipal yield curve were ultimately higher at the close of the period than where they started. Therefore, positive performance came mostly from the Fund s exposure to higher-yielding sectors including housing, health care and corporate/industrial development bonds, which provided incremental income. The Fund also benefited from its exposure to lower-quality bonds, which, in addition to offering higher embedded yields, experienced some price appreciation due to spread compression during the period. The Fund was most heavily invested in tax-backed credits, where performance was moderately positive during the period. Low exposure to the short end of the yield curve and high-quality pre-refunded bonds proved beneficial as performance was weak in those issues. Detracting from performance was the Fund s allocation to Puerto Rico credits, which underperformed New York issues during the period. Low exposure to tobacco, the strongest performing sector, was a disadvantage. The Fund s holdings of higher education bonds hindered returns; however, we increased exposure to the sector despite its recent underperformance as these holdings help diversify the portfolio and we believe they will benefit the Fund during periods of scarce new-issue supply. For most of the period, the Fund maintained a slightly long duration bias and exposure to the long end of the yield curve, which also detracted from 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 July 31, 2011 ($12.60)[1]	6.76%
Tax Equivalent Yield[2]	10.40%
Current Monthly Distribution per Common Share[3]	$0.071
Current Annualized Distribution per Common Share[3]	$0.852
Leverage as of July 31, 2011[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:

	7/31/11	7/31/10	Change	High	Low
Market Price	$ 12.60	$ 13.57	(7.15)%	$ 14.40	$ 11.60
Net Asset Value	$ 13.44	$ 13.89	(3.24) %	$ 14.37	$ 12.11

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

Sector Allocations

	7/31/11	7/31/10
Transportation	29%	31%
County/City/Special District/School District	28	29
Education	11	7
State	11	11
Utilities	8	10
Health	5	4
Corporate	4	5
Housing	3	2
Tobacco	1	1

Credit Quality Allocations[5]

	7/31/11	7/31/10
AAA/Aaa	12%	44%
AA/Aa	54	17
A	21	34
BBB/Baa	10	2
BB/Ba	2	3
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 July 31, 2011

BlackRock MuniYield Quality Fund III, Inc.

Fund Overview

Effective November 9, 2010, BlackRock MuniYield Insured Fund, Inc. changed its name to BlackRock MuniYield Quality Fund III, Inc.

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

Effective November 9, 2010, the Fund s investment policy was changed by the removal of the insurance investment policy that required at least 80% of Fund assets to be invested in insured municipal securities. Accordingly, the Fund was moved from the Lipper Insured Municipal Debt Funds (Leveraged) category into the Lipper General Municipal Debt Funds (Leveraged) category. During the period, Lipper combined these categories into one Lipper General & Insured Municipal Debt Funds (Leveraged) category. For the 12 months ended July 31, 2011, the Fund returned (8.12)% based on market price and 3.22% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of (2.24)% based on market price and 4.19% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a premium to NAV to a discount by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund s exposure to bonds with shorter maturities and shorter durations (lower sensitivity to interest rate movements) contributed positively to performance as yields on the short and intermediate parts of the municipal curve increased to a smaller degree than on the long end. Holdings of premium coupon bonds, which tend to be less sensitive to changes in interest rates, also had a positive impact. Conversely, the Fund s overall long duration stance detracted from performance as interest rates increased for the period as a whole. Further, the Fund s exposure to longer maturity bonds had a negative impact as the long end of the yield curve steepened during the period (i.e., long-term interest rates increased more than short and intermediate rates).

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	MYI
Initial Offering Date	March 27, 1992
Yield on Closing Market Price as of July 31, 2011 ($12.17)[1]	7.10%
Tax Equivalent Yield[2]	10.92%
Current Monthly Distribution per Common Share[3]	$0.072
Current Annualized Distribution per Common Share[3]	$0.864
Leverage as of July 31, 2011[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 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:

	7/31/11	7/31/10	Change	High	Low
Market Price	$ 12.17	$ 14.17	(14.11%)	$ 14.56	$ 11.21
Net Asset Value	$ 13.19	$ 13.67	(3.51%)	$ 14.17	$ 11.71

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

Sector Allocations

	7/31/11	7/31/10
Transportation	27%	27%
County/City/Special District/School District	24	21
Utilities	17	17
State	10	8
Education	9	8
Health	7	7
Housing	5	6
Corporate	1	6

Credit Quality Allocations[5]

	7/31/11	7/31/10
AAA/Aaa	7%	46%
AA/Aa	65	29
A	21	20
BBB/Baa	3	5
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 leverage, the Funds issue AMPS or VRDP Shares (collectively, Preferred Shares) which pay dividends at prevailing short-term interest rates, and 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 holders of Common Shares (Common 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 on the Common Shares 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 dividends to Preferred Shareholders on the higher short-term interest rates whereas the Fund s total portfolio earns income based on lower long-term interest rates.

Furthermore, the value of 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 NAV 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 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, each Fund s net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each Fund s net income will be less than if leverage had not been used, and therefore the amount available for distribution to 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 ratings agencies that rate 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, the Funds are permitted to issue Preferred Shares in an amount of up to 50% of their total managed assets at the time of issuance. Under normal circumstances, each Fund anticipates that the total economic leverage from Preferred Shares and/or TOBs will not exceed 50% of its total managed assets at the time such leverage is incurred. As of July 31, 2011, the Funds had economic leverage from Preferred Shares and/or TOBs as a percentage of their total managed assets as follows:

	Percent of Leverage
MUE	40%

MCA	41%
MYM	37%
MYN	38%
MYI	39%

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 July 31, 2011

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

Municipal Bonds		Par (000)		Value
Alabama 3.0%				
Birmingham Special Care Facilities Financing Authority, RB, Children s Hospital (AGC), 6.00%, 6/01/39	$	5,225	$	5,590,071
County of Jefferson Alabama, RB, Series A, 5.50%, 1/01/22		3,580		3,242,513
				8,832,584
Arizona 0.4%				
State of Arizona, COP, Department of Administration, Series A (AGM), 5.25%, 10/01/28		1,175		1,229,720
Arkansas 3.8%				
Arkansas Development Finance Authority, Refunding RB, Series C (NPFGC):				
5.35%, 12/01/35		9,555		9,602,011
5.35%, 12/01/11 (a)		1,560		1,602,276
				11,204,287
California 17.5%				
California Educational Facilities Authority, RB, University of Southern California, Series A, 5.25%, 10/01/38		5,050		5,304,924
California Health Facilities Financing Authority, Refunding RB, Sutter Health, Series B, 6.00%, 8/15/42		2,865		3,052,027
City of San Jose CA, AMT, 5.50%, 3/01/30		4,045		4,035,454
City of Sunnyvale California, Refunding RB, 5.25%, 4/01/40		2,800		2,912,504
City of Vista California, COP, Refunding, Community Projects (NPFGC), 5.00%, 5/01/37		2,995		2,789,783
County of Sacramento California, RB, Senior Series A (AGC), 5.50%, 7/01/41		3,500		3,558,205
Emery Unified School District, GO, Election of 2010, Series A (AGM), 5.50%, 8/01/35		1,875		1,943,606
Los Angeles Community College District California, GO:				
Election of 2001, Series A (NPFGC), 5.00%, 8/01/32		5,000		5,119,700
Election of 2008, Series C, 5.25%, 8/01/39		2,500		2,628,125
Oceanside Unified School District California, GO, Series A (AGC), 5.25%, 8/01/33		3,175		3,253,454
Port of Oakland, Refunding RB, Series M, AMT (NPFGC), 5.38%, 11/01/27		2,220		2,223,929

Municipal Bonds		Par (000)		Value
California (concluded)				
Redondo Beach Unified School District, GO, Election of 2008, Series E, 5.50%, 8/01/34	$	2,670	$	2,823,632
Roseville Joint Union High School District California, GO, Election of 2004, Series A (NPFGC), 5.00%, 8/01/29		2,985		3,025,686
San Bernardino Community College District, GO, Election of 2002, Series A, 6.25%, 8/01/33		2,165		2,416,660
		1,250		1,252,475

San Francisco City & County Airports Commission, RB, Specialty Facility Lease, SFO Fuel, Series A, AMT (AGM), 6.10%, 1/01/20		
State of California, GO, Refunding, Veterans, Series BZ, AMT (NPFGC), 5.35%, 12/01/21	10	10,008
Stockton Public Financing Authority California, RB, Redevelopment Projects, Series A (Radian), 5.25%, 9/01/34	2,430	1,705,714
Ventura County Community College District, GO, Election of 2002, Series C, 5.50%, 8/01/33	3,175	3,371,786
		51,427,672
Colorado 1.6%		
Colorado Health Facilities Authority, RB, Hospital, NCMC, Inc. Project, Series B (AGM), 6.00%, 5/15/26	3,300	3,660,129
Colorado Housing & Finance Authority, Refunding RB, S/F Program, Senior Series A-2, AMT, 7.50%, 4/01/31	125	128,991
Regional Transportation District, COP, Series A, 5.00%, 6/01/25	765	793,726
		4,582,846
District of Columbia 0.9%		
District of Columbia, RB, Deed Tax, Housing Production Trust Fund, Series A (NPFGC), 5.00%, 6/01/32	2,500	2,502,350
Florida 13.1%		
City of Jacksonville, RB, Series A, 5.25%, 10/01/26	2,000	2,170,540
County of Miami-Dade Florida, RB:		
CAB, Sub-Series A (NPFGC), 5.00%, 10/01/37 (b)	275	44,831
Miami International Airport, Series A, AMT (AGM), 5.25%, 10/01/41	7,880	7,360,629
Miami International Airport, Series A, AMT (AGM), 5.50%, 10/01/41	6,195	6,008,283
Series A, AMT (AGM), 5.00%, 10/01/33	4,220	3,992,584

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	ACA Financial Guaranty 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
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

LOC	Letter of Credit
LRB	Lease Revenue Bonds
MRB	Mortgage Revenue Bonds
NPFGC	National Public Finance Guarantee Corp.
PILOT	Payment in Lieu of Taxes
PSF-GTD	Public School Fund-Guaranteed
Q-SBLF	Qualified School Bond Loan Fund
RB	Revenue Bonds
SONYMA	State of New York Mortgage Agency
S/F	Single-Family
Syncora	Syncora Guarantee
VRDN	Variable Rate Demand Notes

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
Florida (concluded)				
Jacksonville Port Authority, RB (AGC), 6.00%, 11/01/38	$	3,625	$	3,661,214
Orange County School Board, COP, Series A (AGC), 5.50%, 8/01/34		7,600		7,853,232
Tohopekaliga Water Authority, Refunding RB, Series A, 5.25%, 10/01/36		6,965		7,203,133
				38,294,446
Georgia 2.4%				
Augusta-Richmond County Georgia, RB (AGM), 5.25%, 10/01/39		2,500		2,563,600
City of Atlanta Georgia, Refunding RB, Series B, AMT, 5.00%, 1/01/29 (c)		910		916,770
Gwinnett County Hospital Authority, Refunding RB, Gwinnett Hospital System, Series D (AGM), 5.50%, 7/01/41		3,425		3,462,058
				6,942,428
Idaho 0.1%				
Idaho Housing & Finance Association, RB, S/F Mortgage, Series E, AMT, 6.00%, 1/01/32		235		239,881
Illinois 10.2%				
Chicago Board of Education Illinois, GO, Refunding, Chicago School Reform Board, Series A (NPFGC), 5.50%, 12/01/26		2,080		2,164,344
Chicago Transit Authority, RB, Federal Transit Administration Section 5309, Series A (AGC), 6.00%, 6/01/26		3,400		3,791,952
City of Chicago Illinois, RB, General, Third Lien:				
Series A, 5.75%, 1/01/39		2,000		2,087,080
Series C (AGM), 5.25%, 1/01/35		2,035		2,069,534
City of Chicago Illinois, Refunding RB:				
General, Third Lien, Series C, 6.50%, 1/01/41		9,085		9,998,133
Second Lien (NPFGC), 5.50%, 1/01/30		2,270		2,408,765
Railsplitter Tobacco Settlement Authority, RB:				
5.50%, 6/01/23		2,350		2,434,717
6.00%, 6/01/28		670		690,000
State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/28		4,000		4,226,800
				29,871,325
Indiana 3.5%				
Indiana Municipal Power Agency, RB, Series A (NPFGC), 5.00%, 1/01/42		8,000		7,925,520
Indianapolis Local Public Improvement Bond Bank, Refunding RB, Waterworks Project, Series A (AGC), 5.50%, 1/01/38		2,370		2,478,499
				10,404,019
Iowa 0.6%				
Iowa Finance Authority, Refunding RB, Iowa Health System (AGC), 5.25%, 2/15/29		1,710		1,774,621
Kansas 0.5%				

Sedgwick & Shawnee Counties Kansas, MRB, Series A-2, AMT (Ginnie Mae), 6.20%, 12/01/33		1,415		1,437,612
Kentucky 0.9%				
Kentucky Economic Development Finance Authority, RB, Louisville Arena, Sub-Series A-1 (AGC), 6.00%, 12/01/38		1,000		1,030,960
Kentucky State Property & Buildings Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/29		1,525		1,614,090
				2,645,050

Municipal Bonds		Par (000)		Value
Louisiana 1.3%				
Louisiana State Citizens Property Insurance Corp., RB, Series C-3 (AGC), 6.13%, 6/01/25	$	3,550	$	3,881,286
Michigan 11.4%				
City of Detroit Michigan, RB:				
Second Lien, Series B (NPFGC), 5.50%, 7/01/29		4,170		4,226,378
Senior Lien, Series B (AGM), 7.50%, 7/01/33		3,500		4,126,605
City of Detroit Michigan, Refunding RB:				
Second Lien, Series C (BHAC), 5.75%, 7/01/27		2,600		2,748,616
Second Lien, Series E (BHAC), 5.75%, 7/01/31		5,060		5,318,769
Senior Lien, Series C-1 (AGM), 7.00%, 7/01/27		4,180		4,909,285
Senior Lien, Series C-2 (BHAC), 5.25%, 7/01/29		1,860		1,913,140
Hudsonville Public Schools, GO, School Building & Site (Q-SBLF), 5.25%, 5/01/41		3,420		3,469,282
Michigan State Building Authority, Refunding RB, Facilities Program, Series I (AGC):				
5.25%, 10/15/24		1,440		1,562,530
5.25%, 10/15/25		750		808,050
Michigan Strategic Fund, Refunding RB, Detroit Edison Co. Project, Series A (Syncora), 5.50%, 6/01/30		750		737,850
Royal Oak Hospital Finance Authority Michigan, Refunding RB, William Beaumont Hospital, 8.25%, 9/01/39		3,115		3,596,236
				33,416,741
Minnesota 0.7%				
City of Minneapolis Minnesota, Refunding RB, Fairview Health Services, Series B (AGC), 6.50%, 11/15/38		1,975		2,151,525
Nevada 4.9%				
Clark County Water Reclamation District, GO, Series A, 5.25%, 7/01/34		3,210		3,347,099
County of Clark Nevada, RB:				
Las Vegas-McCarran International Airport, Series A (AGM), 5.25%, 7/01/39		4,565		4,589,468
Subordinate Lien, Series A-2 (NPFGC), 5.00%, 7/01/36		6,595		6,456,703
Nevada Housing Division, Refunding RB, S/F Mortgage, Mezzanine, Series A-2, AMT (NPFGC), 6.30%, 4/01/22		95		96,554
				14,489,824
New Jersey 6.1%				
New Jersey EDA, RB, Motor Vehicle Surcharge, Series A (NPFGC), 5.25%, 7/01/33		11,000		11,184,030
New Jersey Health Care Facilities Financing Authority, RB, Virtua Health (AGC), 5.50%, 7/01/38		3,400		3,503,224
New Jersey Transportation Trust Fund Authority, RB, Transportation System, Series A (AGC), 5.63%, 12/15/28		2,930		3,110,283
				17,797,537
New York 4.6%				
New York City Municipal Water Finance Authority, RB:				

Fiscal 2009, Series EE, 5.25%, 6/15/40	6,930	7,247,810
Second Generation Resolution, Series EE, 5.38%, 6/15/43	3,720	3,946,139
New York City Transitional Finance Authority, RB, Fiscal 2009, Series S-3, 5.25%, 1/15/39	2,300	2,389,056
		13,583,005
North Carolina 0.3%		
North Carolina HFA, RB, Home Ownership, Series 14A, AMT (AMBAC), 5.35%, 1/01/22	970	970,737

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
Pennsylvania 1.0%				
Delaware River Port Authority, RB, Series D (AGM), 5.00%, 1/01/40	$	3,000	$	3,012,150
Puerto Rico 1.3%				
Puerto Rico Sales Tax Financing Corp., RB, First Sub-Series A, 6.38%, 8/01/39		3,500		3,754,660
South Carolina 6.3%				
South Carolina State Housing Finance & Development Authority, Refunding RB, Series A-2, AMT (AGM), 6.35%, 7/01/19		640		649,299
South Carolina State Public Service Authority, RB:				
Santee Cooper, Series A, 5.50%, 1/01/38		2,500		2,662,675
Series A (AMBAC), 5.00%, 1/01/42		15,000		15,226,950
				18,538,924
Texas 20.9%				
City of Austin Texas, Refunding RB, Series A (AGM):				
5.00%, 11/15/28		1,795		1,903,023
5.00%, 11/15/29		2,270		2,386,996
City of Houston Texas, Refunding RB, Combined, First Lien, Series A (AGC), 6.00%, 11/15/35		6,700		7,456,430
Clifton Higher Education Finance Corp., Refunding RB, Baylor University, 5.25%, 3/01/32		3,120		3,305,484
Dallas Area Rapid Transit, Refunding RB, Senior Lien, 5.25%, 12/01/38		5,965		6,200,021
Harris County Health Facilities Development Corp., Refunding RB, Memorial Hermann Healthcare System, Series B, 7.25%, 12/01/35		1,000		1,107,580
Lubbock Cooper ISD Texas, GO, School Building (AGC), 5.75%, 2/15/42		1,250		1,314,700
North Texas Tollway Authority, RB:				
Special Projects System, Series A, 5.50%, 9/01/41 (c)		5,480		5,815,211
System, First Tier, Series K-2 (AGC), 6.00%, 1/01/38		1,000		1,052,460
North Texas Tollway Authority, Refunding RB, (NPFGC), System, First Tier:				
5.75%, 1/01/40		11,575		11,660,771
Series A, 5.13%, 1/01/28		3,425		3,497,130
Series A, 5.63%, 1/01/33		10,975		11,280,654
Series B, 5.75%, 1/01/40		1,000		1,007,410
Tarrant County Cultural Education Facilities Finance Corp., Refunding RB, Christus Health, Series A (AGC), 6.50%, 7/01/37		3,000		3,186,270
				61,174,140
Utah 1.2%				
City of Riverton Utah, RB, IHC Health Services, Inc., 5.00%, 8/15/41		3,500		3,502,205
Virginia 0.8%				

Virginia Public School Authority, RB, School Financing, 6.50%, 12/01/35		2,195		2,462,263
Washington 1.8%				
City of Seattle Washington, Refunding RB, Series A, 5.25%, 2/01/36		2,400		2,537,952
State of Washington, GO, Various Purpose, Series B, 5.25%, 2/01/36		1,865		1,987,064
Washington Health Care Facilities Authority, Refunding RB, Providence Health, Series C (AGM), 5.25%, 10/01/33		670		686,047
				5,211,063
Total Municipal Bonds 121.1%				355,334,901

Municipal Bonds Transferred to Tender Option Bond Trusts (d)		**Par (000)**		**Value**
Alabama 1.3%				
Mobile Board of Water & Sewer Commissioners, RB (NPFGC), 5.00%, 1/01/31	$	3,750	$	3,821,287
California 3.7%				
City of San Jose California, GO, Libraries, Parks, and Public Safety Project (NPFGC), 5.00%, 9/01/30		3,805		3,868,585
San Diego Community College District California, GO, Election of 2002 (AGM), 5.00%, 5/01/30		1,486		1,523,733
Sequoia Union High School District California, GO, Refunding, Election of 2004, Series B (AGM), 5.50%, 7/01/35		5,189		5,364,749
				10,757,067
Colorado 3.2%				
Colorado Health Facilities Authority, RB, Catholic Health, Series C-3 (AGM), 5.10%, 10/01/41		9,410		9,351,940
District of Columbia 0.6%				
District of Columbia Water & Sewer Authority, RB, Series A, 6.00%, 10/01/35		1,700		1,950,161
Florida 7.7%				
City of St. Petersburg Florida, Refunding RB (NPFGC), 5.00%, 10/01/35		6,493		6,536,228
County of Miami-Dade Florida, GO, Building Better Communities Program, Series B-1, 6.00%, 7/01/38		12,500		13,511,500
Lee County Housing Finance Authority, RB, Multi-County Program, Series A-2, AMT (Ginnie Mae), 6.00%, 9/01/40		2,235		2,463,775
				22,511,503
Georgia 2.2%				
Augusta-Richmond County Georgia, RB (AGM) 5.25%, 10/01/34		6,290		6,481,971
Illinois 6.4%				
Chicago Illinois O Hare International Airport, RB, Series A, 5.00%, 1/01/38		15,000		14,803,350
City of Chicago Illinois, Refunding RB, Second Lien (AGM), 5.25%, 11/01/33		3,969		4,069,447
				18,872,797
Kentucky 0.8%				
Kentucky State Property & Building Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/27		2,304		2,472,823

Massachusetts 1.8%		
Massachusetts School Building Authority, RB, Series A (AGM), 5.00%, 8/15/30	4,994	5,190,046
Nevada 6.8%		
Clark County Water Reclamation District, GO:		
Limited Tax, 6.00%, 7/01/38	10,000	10,964,200
Series B, 5.50%, 7/01/29	8,247	8,963,496
		19,927,696
New Jersey 1.4%		
New Jersey State Housing & Mortgage Finance Agency, RB, S/F Housing, Series CC, 5.25%, 10/01/29	3,941	4,048,433
New York 2.5%		
Sales Tax Asset Receivable Corp., RB, Series A (AMBAC), 5.25%, 10/15/27	6,751	7,257,202

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 (d)	**Par (000)**	**Value**
Washington 2.6%		
City of Bellevue Washington, GO, Refunding (NPFGC), 5.50%, 12/01/39	$ 6,883	$ 7,488,945
Total Municipal Bonds Transferred to Tender Option Bond Trusts 41.0%		120,131,871
Total Long-Term Investments (Cost $465,672,710) 162.1%		475,466,772

Short-Term Securities		
Florida 0.3%		
Jacksonville Health Facilities Authority, Refunding RB, VRDN, Baptist Series C, (Bank of America NA LOC) 0.23%, 8/01/11 (e)	1,015	1,015,000

	Shares	
Money Market 4.5%		
FFI Institutional Tax-Exempt Fund, 0.01% (f)(g)	13,223,965	13,223,965
Total Short-Term Securities (Cost $14,238,965) 4.8%		14,238,965
Total Investments (Cost $479,911,675*) 166.9%		489,705,737
Liabilities in Excess of Other Assets (1.1)%		(3,126,475)
Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable (21.2)%		(62,221,114)
AMPS, at Redemption Value (44.6)%		(131,001,852)
Net Assets Applicable to Common Shares 100.0%		$ 293,356,296

* The cost and unrealized appreciation (depreciation) of investments as of July 31, 2011, as computed for federal income tax purposes, were as follows:

Aggregate cost	$ 417,757,047
Gross unrealized appreciation	$ 13,726,346
Gross unrealized depreciation	(3,960,590)
Net unrealized appreciation	$ 9,765,756

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

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

Counterparty	Value	Unrealized Appreciation
National Financial Services	$ 916,770	$ 18,273
Stifel Nicolaus & Co.	$ 5,815,211	$ 9,306

(d) Securities represent bonds transferred to a TOB in exchange for which the Fund acquired residual interest certificates. These securities serve as collateral in a financing transaction. See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to TOBs.

(e) Variable rate security. Rate shown is as of report date and maturity shown is the date the principal owed can be recovered through demand.

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

Affiliate	Shares Held at July 31, 2010	Net Activity	Shares Held at July 31, 2011	Income
FFI Institutional Tax-Exempt Fund	17,366,850	(4,142,885)	13,223,965	$ 18,387

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

Financial futures contracts sold as of July 31, 2011 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Depreciation
89	10-Year US Treasury Note	Chicago Board of Trade	September 2011	$ 10,912,065	$ (274,122)

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized in three broad levels for financial statement purposes as follows:

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

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

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

The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and does not necessarily correspond to the Fund s perceived risk of investing in those securities. For information about the Fund s policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the inputs used as of July 31, 2011 in determining the fair valuation of the Fund s investments and derivative financial instruments:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				

Investments:				
Long-Term Investments[1]		$ 475,466,772		$ 475,466,772
Short-Term Securities	$ 13,223,965	1,015,000		14,238,965
Total	$ 13,223,965	$ 476,481,772		$ 489,705,737

1 See above Schedule of Investments for values in each state or political subdivision.

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments[2]				
Liabilities:				
Interest rate contracts	$ (274,122)			$ (274,122)

2 Derivative financial instruments are financial futures contracts, which are valued at the unrealized appreciation/depreciation on the instrument.

See Notes to Financial Statements.

Schedule of Investments July 31, 2011

BlackRock MuniYield California Quality Fund, Inc. (MCA)
(Percentages shown are based on Net Assets)

Municipal Bonds		Par (000)		Value
California 95.7%				
Corporate 0.5%				
City of Chula Vista California, Refunding RB, San Diego Gas & Electric, Series A, 5.88%, 2/15/34	$	2,435	$	2,623,932
County/City/Special District/ School District 42.5%				
Arcadia Unified School District California, GO, Election of 2006, Series A (AGM), 5.00%, 8/01/37		7,925		7,981,822
Bay Area Governments Association, Refunding RB, California Redevelopment Agency Pool, Series A (AGM), 6.00%, 12/15/24		255		259,149
City & County of San Francisco California, COP, Refunding, Series A, 5.00%, 10/01/28		3,895		3,972,277
County of Kern California, COP, Capital Improvements Projects, Series A (AGC), 6.00%, 8/01/35		2,000		2,164,160
Fairfield-Suisun Unified School District California, GO, Election of 2002 (NPFGC), 5.50%, 8/01/28		2,500		2,615,700
Fremont Unified School District Alameda County California, GO, Series A (NPFGC), 5.50%, 8/01/26		10,755		11,194,449
Fresno Joint Powers Financing Authority California, RB, Series A (AGM), 5.75%, 6/01/26		3,295		3,309,828
Grossmont Healthcare District, GO, Election of 2006, Series B, 6.13%, 7/15/40		2,000		2,173,980
Grossmont Union High School District, GO, Election of 2008, Series C, 5.50%, 8/01/33		1,855		1,995,386
Lodi Unified School District, GO, Election of 2002 (AGM), 5.00%, 8/01/29		10,260		10,359,214
Los Angeles Community Redevelopment Agency California, RB, Bunker Hill Project, Series A (AGM), 5.00%, 12/01/27		10,000		10,268,200
Los Angeles County Metropolitan Transportation Authority, Refunding RB, Proposition A, First Tier, Senior Series A (AMBAC):				
5.00%, 7/01/27		5,240		5,480,568
5.00%, 7/01/35		6,825		6,941,298
Los Angeles Municipal Improvement Corp., Refunding RB, Real Property, Series B (AGC), 5.50%, 4/01/39		1,515		1,523,348
Los Gatos Union School District California, GO, Election of 2001, Series C (NPFGC), 5.13%, 8/01/32		1,075		1,113,797
Murrieta Valley Unified School District Public Financing Authority, Special Tax Bonds, Refunding, Series A (AGC), 5.13%, 9/01/26		8,000		8,239,520
Orange County Sanitation District, COP, Series A, 5.00%, 2/01/35		2,500		2,569,250
Orange County Water District, COP, Refunding, 5.25%, 8/15/34		9,045		9,523,661
Orchard School District California, GO, Election of 2001, Series A (AGC), 5.00%, 8/01/34		7,490		7,739,417
Oxnard Union High School District California, GO, Refunding, Series A (NPFGC), 6.20%, 8/01/30		9,645		10,280,220

Pittsburg Unified School District, GO, Election of 2006, Series B (AGM):				
5.50%, 8/01/34		2,000		2,105,540
5.63%, 8/01/39		4,500		4,746,015
Port of Oakland, Refunding RB, Series M (FGIC), 5.38%, 11/01/27		10,000		10,017,700
Redlands Unified School District California, GO, Election of 2008 (AGM), 5.25%, 7/01/33		5,000		5,136,900
Riverside Unified School District California, GO, Series C (AGC), 5.00%, 8/01/32		2,000		2,023,560
Sacramento Area Flood Control Agency, Special Assessment Bonds, Refunding, Consolidated, Capital Assessment District, Series A (NPFGC), 5.00%, 10/01/32		4,350		4,461,099

Municipal Bonds		**Par (000)**		**Value**
California (continued)				
County/City/Special District/ School District (concluded)				
San Diego Community College District California, GO, Election of 2006 (AGM), 5.00%, 8/01/32	$	7,115	$	7,334,356
San Diego County Water Authority, COP, Refunding, Series 2008-A (AGM), 5.00%, 5/01/38		4,895		4,944,929
San Jose Financing Authority, RB, Convention Center Expansion & Renovation Project:				
5.75%, 5/01/36		2,570		2,626,463
5.75%, 5/01/42		4,500		4,662,720
San Jose Redevelopment Agency California, Tax Allocation Bonds, Housing Set Aside Merged Area, Series E, AMT (NPFGC), 5.85%, 8/01/27		7,300		7,304,599
San Juan Unified School District, GO, Election of 2002 (AGM), 5.00%, 8/01/34		6,475		6,540,462
San Leandro Unified School District California, GO, Election of 2010, Series A, 5.75%, 8/01/41		3,000		3,173,010
San Marcos Unified School District, GO, Election of 2010, Series A:				
5.00%, 8/01/34		3,740		3,763,412
5.00%, 8/01/38		5,020		4,990,533
Snowline Joint Unified School District, COP, Refunding, Refining Project (AGC), 5.75%, 9/01/38		5,600		6,042,400
Walnut Valley Unified School District, GO, Election of 2007, Series B, 5.75%, 8/01/41		7,680		8,122,906
West Contra Costa Unified School District California, GO, Election of 2002, Series B (AGM), 5.00%, 8/01/32		6,690		6,713,348
Westminster Redevelopment Agency California, Tax Allocation Bonds, Subordinate, Commercial Redevelopment Project No. 1 (AGC), 6.25%, 11/01/39		4,300		4,781,471
				209,196,667
Education 10.6%				
Anaheim City School District California, GO, Election of 2010 (AGM), 6.25%, 8/01/40		3,750		4,171,725
California State University, Refunding RB, Systemwide, Series C (NPFGC), 5.00%, 11/01/35		20,000		19,612,800
Gavilan Joint Community College District, GO, Election of 2004, Series D:				
5.50%, 8/01/31		2,165		2,352,424
5.75%, 8/01/35		8,400		9,076,704
		8,750		8,890,525

Riverside Community College District, GO, Election of 2004, Series C (AGM), 5.00%, 8/01/32		
University of California, RB, Limited Project, Series D:		
(AGM), 5.00%, 5/15/37	2,775	2,758,877
(NPFGC), 5.00%, 5/15/37	5,500	5,468,045
		52,331,100
Health 7.4%		
ABAG Finance Authority for Nonprofit Corps, Sharp Healthcare, Refunding RB, Series A, 6.00%, 8/01/30	2,250	2,376,450
California Health Facilities Financing Authority, RB, Providence Health Services, Series B, 5.50%, 10/01/39	3,965	4,058,970
California Health Facilities Financing Authority, Refunding RB:		
Catholic Healthcare West, Series A, 6.00%, 7/01/34	2,130	2,240,803
Catholic Healthcare West, Series A, 6.00%, 7/01/39	5,500	5,764,275
Sutter Health, Series B, 6.00%, 8/15/42	7,715	8,218,635

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniYield California Quality Fund, Inc. (MCA)

(Percentages shown are based on Net Assets)

Municipal Bonds		Par (000)		Value
California (continued)				
Health (concluded)				
California Statewide Communities Development Authority, RB, Series A:				
Health Facility, Memorial Health Services, 6.00%, 10/01/23	$	3,685	$	3,820,977
Sutter Health, 6.00%, 8/15/42		3,750		4,022,887
California Statewide Communities Development Authority, Refunding RB (BHAC):				
Catholic Healthcare West, Series D, 5.50%, 7/01/31		865		892,706
Kaiser Permanente, Series A, 5.00%, 4/01/31		2,900		2,942,688
City of Newport Beach California, RB, Hoag Memorial Hospital Presbyterian, 6.00%, 12/01/40		1,820		1,973,044
				36,311,435
Housing 0.1%				
California Rural Home Mortgage Finance Authority, RB, Mortgage-Backed Securities Program, AMT (Ginnie Mae):				
Series A, 6.35%, 12/01/29		80		82,609
Series B, 6.25%, 12/01/31		55		55,622
County of San Bernardino California, Refunding RB, Home Mortgage-Backed Securities, Series A-1, AMT (Ginnie Mae), 6.25%, 12/01/31		110		116,543
				254,774