

# Fitch Affirms VRDP, VMTP, and RVMTP Shares Issued by 49 BlackRock Closed-End Funds

Written by Australian Business

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NEW YORK--( [BUSINESS WIRE](#) )--Fitch Ratings affirms the 'AAA' long-term ratings assigned to aggregate \$6.3 billion of Variable Rate Demand Preferred Shares (VRDP shares), Variable Rate Muni Term Preferred Shares (VMTP shares), and Remarketable Variable Rate Muni Term Preferred Shares (RVMTP shares) issued across 49 closed-end funds managed by BlackRock Advisors, LLC.

Fitch also affirms the 'F1' short-term ratings assigned to 7 series of the VRDP Shares issued by the above funds, reflecting the short-term ratings of the Liquidity Provider Barclays Bank PLC (Barclays, 'A/F1' by Fitch). A complete list of the funds and the associated ratings is included at the end of this press release.

## KEY RATING DRIVERS

The 'AAA' long-term ratings primarily reflect:

--Sufficient asset coverage provided to the preferred shares as calculated per the funds' over-collateralization (OC) tests;

--The structural protections afforded by mandatory collateral maintenance and de-leveraging provisions in the event of asset coverage declines;

--The legal and regulatory parameters that govern the funds' operations;

The short-term ratings assigned to VRDP shares, primarily reflect:

--The credit strength of Barclays as the VRDP share's Liquidity Provider;

--The terms and conditions of the VRDP shares' purchase agreements.

Both the short- and long-term ratings also reflect the capabilities of BlackRock Advisors, LLC as investment advisor.

## FUND PROFILES

The funds are diversified, closed-end funds, regulated by the Investment Company Act of 1940. Each fund invests a significant portion of its total net assets in municipal bond securities rated at least investment grade. The funds also invest a significant portion of their total net assets in securities whose income is exempt from federal income tax (for national funds) and both federal and state income tax (for single-state funds).

## FUND LEVERAGE

As of April 14, 2014, effective leverage ratios ranged from 36% to 39%. The funds generally leverage with both tender option bonds (TOBs) and Fitch-rated preferred shares. The latter includes VMTPs, VRDPs, Termed-out VRDPs and RVMTPs. Asset coverage and structural protections for the preferred shares are described below.

## ASSET COVERAGE

As of April 14, 2014, each Funds' asset coverage ratio for the preferred shares, as calculated in accordance with the 'AAA' Fitch total and net over-collateralization tests (Fitch OC Tests) outlined in Fitch's criteria, was in excess of 100%. This is the minimum threshold required under the terms of the preferred shares.

The Asset Coverage ratio for each Fund, as calculated in accordance with the Investment Company Act of 1940, were in excess 225%. This is also the minimum asset coverage threshold required under the terms of the preferred shares.

The Effective Leverage ratio, calculated by including both preferred shares and TOBs, was below 45%. This is the maximum leverage threshold allowed under the terms of the preferred shares (46% if the increase in the ratio is due exclusively to asset market value volatility).

In the event of breaches to any of the above thresholds, the funds are required to restore compliance per structural protections described below.

### STRUCTURAL PROTECTIONS

Compliance with the Fitch OC, Asset Coverage and Effective Leverage thresholds is tested periodically. The fund manager is expected to cure any breach by altering the composition of the portfolio toward assets with lower discount factors (for Fitch OC breaches), or by reducing leverage in a sufficient amount (for all other breaches) within a pre-specified time period.

For Fitch OC tests and Asset Coverage tests, the total market value exposure (i.e. valuation, cure and redemption) is approximately 60 business days. For Effective Leverage tests, the exposure period is approximately 60 business days for VMTPs and 45 business days for VRDPs.

In the case of an Effective Leverage breach for privately held VRDP Shares (those under a Special Rate Period), the Liquidity Provider has the option to institute actions to require the fund to remedy the breach pursuant to a covenant with the liquidity provider.

An Effective Leverage breach for remarketable VRDP Shares, would be a breach of the fee agreement and, at the option of the liquidity provider, may result in mandatory tender of VRDP Shares for remarketing (see VRDP Purchase Obligation section below for additional details).

## VRDP PURCHASE OBLIGATION

The short-term ratings assigned to the VRDP Shares of each series that continue to undergo remarketing are directly linked to the short-term creditworthiness of Barclays ('A'/F1', Stable).

The VRDP Shares are supported by a purchase agreement to ensure full and timely repayment of all tendered VRDP Shares plus any accumulated and unpaid dividends. The purchase agreement is unconditional and irrevocable.

The VRDP purchase agreement requires Barclays as Liquidity Provider to purchase all VRDP Shares of the applicable series tendered for sale that were not successfully remarketed. The liquidity provider must also purchase all outstanding VRDP Shares of the applicable series if the fund has not obtained an alternate purchase agreement prior to the termination of the purchase agreement being replaced or following the downgrade of the liquidity provider's rating below 'F2' (or equivalent).

Barclays' role as liquidity provider under the fee agreement relating to the purchase obligation has a scheduled termination date. Subsequent to the scheduled termination date, the fee agreement can be extended with Barclays, or a new liquidity provider may be selected. Any future changes to the terms of the fee agreement with Barclays' or a prospective replacement that weaken the structural protections discussed above may have negative rating implications.

## STRESS TESTS

Fitch performed various stress tests on the Funds to assess the strength of the structural protections available to the preferred shares compared to the stresses outlined in Fitch's closed-end fund rating criteria. These tests included determining various 'worst case' scenarios where the Funds' leverage and portfolio composition migrated to the outer limits of the Funds' operating and investment guidelines.

Only under remote circumstances, such as increasing the Funds' issuer concentration, while simultaneously migrating the portfolios to a mix of 80% long-term 'BBB' bonds and 20% high yield bonds, did the asset coverage available to the preferred shares fall below the 'AAA' long-term rating level, and instead passed at an 'AA' long-term rating level.

Given the highly unlikely nature of the stress scenarios, and the minimal rating impact, Fitch views the Funds' permitted investments, municipal issuer diversification framework and mandatory deleveraging mechanisms as consistent with an 'AAA' long-term rating.

Short term ratings assigned to the remarkable VRDP Shares were not subject to the above stress tests as these are linked directly to Barclays as the liquidity provider.

### THE ADVISOR

BlackRock Advisors, LLC, a subsidiary of BlackRock, Inc., is the advisor to the funds, responsible for the overall investment strategies and their implementation. BlackRock, Inc. and its affiliates had approximately \$4.3 trillion of assets under management as of Dec. 31, 2013.

### RATINGS SENSITIVITY

The ratings assigned to the preferred shares may be sensitive to material changes in the leverage composition, portfolio credit quality or market risk of the funds, as described above. A material adverse deviation from Fitch guidelines for any key rating driver could cause ratings to be lowered by Fitch.

Certain terms relevant to key VRDP structural protections, including the Minimum Asset Coverage and the Effective Leverage Ratio are set forth in the fee agreements relating to the purchase agreements and are renewed on a periodic basis. As noted above, any future changes to these terms that weaken the structural protections may have negative rating implications.

The short-term ratings assigned to the VRDP shares may also be sensitive to changes in the financial condition of the liquidity provider. A downgrade of the liquidity provider to 'F2' would result in a downgrade of the short-term ratings of the VRDP shares to 'F2,' absent other mitigants. A downgrade below 'F2', on the other hand, would not necessarily result in a further downgrade given the features in the transactions that would trigger a mandatory tender of the VRDP shares for remarketing or a purchase by the liquidity provider in the event of a failed remarketing.

The Funds have the ability to assume economic leverage through derivative transactions which may not be captured by the Funds' Minimum Asset Coverage test or Effective Leverage Ratio. The Funds do not currently engage in speculative derivative activities and Fitch's analysis assumes the Funds do not envision engaging in material amounts of such activity in the future. Any material derivative exposures in the future could have potential negative rating implications if it adversely affects asset coverage available to rated securities.

## RVMTTP AFFIRMATION

Fitch affirms the following RVMTTP rating at 'AAA':

BlackRock Municipal Target Term Trust (NYSE: BTT)

--\$750,000,000 of Series W-7 RVMTTP Shares, with a liquidation preference of \$5,000,000 per share, due Dec. 31, 2030

## VMTP AFFIRMATIONS

Fitch affirms the following VMTP rating at 'AAA':

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BlackRock MuniHoldings Fund, Inc. (NYSE: MHD)

--\$83,700,000 of Series W-7 VMTP Shares with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock Muni Intermediate Duration Fund, Inc. (NYSE: MUI)

--\$287,100,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 4, 2016

BlackRock California Municipal Income Trust (NYSE: BFZ)

--\$171,300,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due April 1, 2015

BlackRock New Jersey Municipal Income Trust (NYSE: BNJ)

--\$59,100,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due April 1, 2015

BlackRock New York Municipal Income Trust (NYSE: BNY)

--\$94,500,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due April 1, 2015

BlackRock MuniHoldings California Quality Fund, Inc. (NYSE: MUC)

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--\$254,000,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due April 1, 2015

BlackRock Investment Quality Municipal Trust, Inc. (NYSE: BKN)

--\$125,900,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock Municipal Bond Trust (NYSE: BBK)

--\$79,900,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock Municipal Income Investment Quality Trust (NYSE: BAF)

--\$42,200,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock Municipal Income Quality Trust (NYSE-MKT: BYM)

--\$137,200,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock Municipal Income Trust (NYSE: BFK)

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--\$270,800,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock Municipal Income Trust II (NYSE: BLE)

--\$151,300,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock MuniHoldings Fund II, Inc. (NYSE: MUH)

--\$55,000,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock MuniHoldings Quality Fund II, Inc. (NYSE: MUE)

--\$131,000,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock MuniHoldings Quality Fund, Inc. (NYSE: MUS)

--\$87,000,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock MuniVest Fund II, Inc. (NYSE: MVT)

--\$140,000,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000

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per share, due Jan. 2, 2015

BlackRock MuniVest Fund, Inc. (NYSE-MKT: MVF)

--\$243,800,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock MuniYield Investment Quality Fund (NYSE: MFT)

--\$56,500,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock MuniYield Quality Fund II, Inc. (NYSE: MQT)

--\$116,500,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

BlackRock Strategic Municipal Trust (NYSE: BSD)

--\$42,900,000 of Series W-7 VMTP Shares, with a liquidation preference of \$100,000 per share, due Jan. 2, 2015

### REMARKETABLE VRDP AFFIRMATIONS:

Fitch affirms the following VRDP ratings at 'AAA / F1', the Liquidity Provider being Barclays Bank PLC ('A/F1' by Fitch):

BlackRock Municipal Income Investment Trust (NYSE: BBF)

--VRDP Shares, \$34,200,000 of Series W-7, due Oct. 2041, with a preference of \$100,000 per share      liquidation

BlackRock New York Municipal Income Trust II (NYSE-MKT: BFY)

--VRDP Shares, \$44,400,000 of Series W-7, due Oct. 2041, with a preference of \$100,000 per share      liquidation

BlackRock Municipal Bond Investment Trust (NYSE: BIE)

--VRDP Shares, \$17,800,000 of Series W-7, due Oct. 2041, with a preference of \$100,000 per share      liquidation

BlackRock New York Municipal Bond Trust (NYSE: BQH)

--VRDP Shares, \$22,100,000 of Series W-7, due Oct. 2041, with a preference of \$100,000 per share      liquidation

BlackRock New York Municipal Income Quality Trust (NYSE: BSE)

--VRDP Shares, \$40,500,000 of Series W-7, due Oct. 2041, with a preference of \$100,000 per share      liquidation

BlackRock Muni New York Intermediate Duration Fund, Inc. (NYSE: MNE)

--VRDP Shares, \$29,600,000 of Series W-7, due Oct. 2041, with a preference of \$100,000 per share liquidation

BlackRock MuniYield Quality Fund, Inc. (NYSE: MQY)

--VRDP Shares, \$176,600,000 of Series W-7, due Oct. 2041, with a preference of \$100,000 per share liquidation

#### TERMED-OUT VRDP AFFIRMATIONS

Fitch affirms the following VRDP ratings at 'AAA':

Blackrock Virginia Municipal Bond Trust (NYSE: BHV)

--VRDP Shares, \$11,600,000 of Series W-7, due July 2042, with a preference of \$100,000 per share liquidation

Blackrock Maryland Municipal Bond Trust (NYSE: BZM)

--VRDP Shares, \$16,000,000 of Series W-7, due July 2042, with a preference of \$100,000 per share liquidation

The Blackrock Pennsylvania Strategic Municipal Trust (NYSE: BPS)

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--VRDP Shares, \$16,300,000 of Series W-7, due July 2042, with a preference of \$100,000 per share liquidation

BlackRock Massachusetts Tax-Exempt Trust (NYSE: MHE)

--VRDP Shares, \$18,500,000 of Series W-7, due July 2042, with a preference of \$100,000 per share liquidation

Blackrock New Jersey Municipal Bond Trust (NYSE: BLJ)

--VRDP Shares, \$18,700,000 of Series W-7, due July 2042, with a preference of \$100,000 per share liquidation

BlackRock MuniHoldings New Jersey Quality Fund, Inc. (NYSE: MUJ)

--VRDP Shares, \$172,700,000 of Series W-7, due July 2041, with a preference of \$100,000 per share liquidation

BlackRock MuniHoldings New York Quality Fund, Inc. (NYSE: MHN)

--VRDP Shares, \$243,600,000 of Series W-7, due July 2041, with a preference of \$100,000 per share liquidation

BlackRock MuniYield New Jersey Quality Fund, Inc. (NYSE: MJI)

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--VRDP Shares, \$64,400,000 of Series W-7, due July 2041, with a preference of \$100,000 per share liquidation

BlackRock MuniHoldings Investment Quality Fund (NYSE: MFL)

--VRDP Shares, \$274,600,000 of Series W-7, due July 2041, with a preference of \$100,000 per share liquidation

BlackRock MuniYield Fund, Inc. (NYSE: MYD)

--VRDP Shares, \$251,400,000 of Series W-7, due July 2041, with a preference of \$100,000 per share liquidation

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

--VRDP Shares, \$166,500,000 of Series W-7, due May 2041, with a preference of \$100,000 per share liquidation

BlackRock MuniEnhanced Fund, Inc. (NYSE: MEN)

--VRDP Shares, \$142,500,000 of Series W-7, due June 2041, with a preference of \$100,000 per share liquidation

BlackRock MuniYield Michigan Quality Fund, Inc. (NYSE: MIY)

--VRDP Shares, \$144,600,000 of Series W-7, due May 2041, with a preference of \$100,000 per share liquidation

preference of \$100,000 per share

**BlackRock MuniYield Pennsylvania Quality Fund (NYSE: MPA)**

--VRDP Shares, \$66,300,000 of Series W-7, due June 2041, with a preference of \$100,000 per share liquidation

**BlackRock MuniYield California Fund, Inc. (NYSE: MYC)**

--VRDP Shares, \$105,900,000 of Series W-7, due June 2041, with a preference of \$100,000 per share liquidation

**BlackRock MuniYield Investment Fund (NYSE: MYF)**

--VRDP Shares, \$59,400,000 of Series W-7, due June 2041, with a preference of \$100,000 per share liquidation

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

--VRDP Shares, \$356,400,000 of Series W-7, due June 2041, with a preference of \$100,000 per share liquidation

**BlackRock MuniYield New Jersey Fund, Inc. (NYSE: MYJ)**

--VRDP Shares, \$102,200,000 of Series W-7, due May 2041, with a preference of \$100,000 per share liquidation

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

--VRDP Shares, \$87,300,000 of Series W-7, due June 2041, with a preference of \$100,000 per share liquidation

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

--VRDP Shares, \$247,700,000 of Series W-7, due May 2041, with a preference of \$100,000 per share liquidation

BlackRock MuniYield Arizona Fund, Inc. (NYSE: MZA)

--VRDP Shares, \$37,300,000 of Series W-7, due June 2041, with a preference of \$100,000 per share liquidation

For additional information about Fitch closed-end fund ratings guidelines, please review the criteria referenced below, which can be found on Fitch's website.

To receive forthcoming complimentary closed-end fund research from Fitch, opt-in at the following link:

<http://pages.fitchemail.fitchratings.com/FAMCEFBlankOptin/>

Additional information is available at ' [www.fitchratings.com](http://www.fitchratings.com) '.

The sources of information used to assess this rating were the public domain and BlackRock Advisors, LLC.

Applicable Criteria and Related Research:

--'Rating Closed-End Fund Debt and Preferred Stock' (Aug. 14, 2013);

--'2014 Outlook: U.S. Closed-End Fund Leverage' (Jan. 14, 2014).

--' Use of Leverage in CEFs' (May 1, 2014)

Applicable Criteria and Related Research:

Rating Closed-End Fund Debt and Preferred Stock

[http://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=716220](http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=716220)

2014 Outlook: U.S. Closed-End Fund Leverage

[http://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=730159](http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=730159)

Use of Leverage in CEFs

[http://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=747937](http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=747937)

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