

BLACKROCK MUNIHOLDINGS CALIFORNIA QUALITY FUND, INC.

Form N-CSRS

April 02, 2014

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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 811-08573

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

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

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

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

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

Date of fiscal year end: 07/31/2014

Date of reporting period: 01/31/2014

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Item 1 Report to Stockholders

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JANUARY 31, 2014

**SEMI-ANNUAL REPORT (UNAUDITED)**

**BlackRock MuniHoldings California Quality Fund, Inc. (MUC)**

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

**BlackRock MuniYield Investment Quality Fund (MFT)**

**BlackRock MuniYield Michigan Quality Fund, Inc. (MIY)**

**BlackRock MuniYield New Jersey Quality Fund, Inc. (MJJ)**

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

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

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### Dear Shareholder

One year ago, US financial markets were improving despite a sluggish global economy, as loose monetary policy beckoned investors to take on more risk in their portfolios. Slow but positive growth in the US was sufficient to support corporate earnings, while uncomfortably high unemployment reinforced expectations that the Federal Reserve would continue its aggressive monetary stimulus programs. International markets were not as fruitful in the earlier part of the year given uneven growth rates and more direct exposure to macro risks such as the resurgence of political instability in Italy, the banking crisis in Cyprus and a generally poor outlook for European economies. Additionally, emerging markets significantly lagged the rest of the world due to slowing growth and structural imbalances.

Global financial markets were rattled in May when Fed Chairman Bernanke mentioned the possibility of reducing (or tapering) the central bank's asset purchase programs' comments that were widely misinterpreted as signaling an end to the Fed's zero-interest-rate policy. US Treasury yields rose sharply, triggering a steep sell-off across fixed income markets. (Bond prices move in the opposite direction of yields.) Equity prices also suffered as investors feared the implications of a potential end of a program that had greatly supported the markets. Markets rebounded in late June, however, when the Fed's tone turned more dovish, and improving economic indicators and better corporate earnings helped extend gains through most of the summer.

The fall was a surprisingly positive period for most asset classes after the Fed defied market expectations with its decision to delay tapering. Higher volatility returned in late September when the US Treasury Department warned that the national debt would soon breach its statutory maximum. The ensuing political brinkmanship led to a partial government shutdown, roiling global financial markets through the first half of October, but equities and other so-called risk assets resumed their rally when politicians engineered a compromise to reopen the government and extend the debt ceiling, at least temporarily.

The remainder of 2013 was generally positive for stock markets in the developed world, although investors continued to grapple with uncertainty about when and how much the Fed would scale back on stimulus. When the long-awaited taper announcement ultimately came in mid-December, the Fed reduced the amount of its monthly asset purchases but at the same time extended its time horizon for maintaining low short-term interest rates. Markets reacted positively, as this move signaled the Fed's perception of real improvement in the economy and investors were finally relieved from the tenacious anxiety that had gripped them for quite some time.

Investors' risk appetite diminished in the new year. Heightened volatility in emerging markets and mixed US economic data caused global equities to weaken in January while bond markets found renewed strength. While tighter global liquidity was an ongoing headwind for developing countries, financial troubles in Argentina and Turkey launched a sharp sell-off in a number of emerging market currencies. Unexpectedly poor economic data out of China added to the turmoil. In the US, most indicators continued to signal a strengthening economy; however, stagnant wage growth raised concerns about the sustainability of the overall positive momentum. US stocks underperformed other developed equity markets as a number of disappointing corporate earnings reports prompted investors to take advantage of lower valuations abroad.

While accommodative monetary policy was the main driver behind positive market performance over the period, it was also the primary cause of volatility and uncertainty. Developed market stocks were the strongest performers for the six- and 12-month periods ended January 31. In contrast, emerging markets were weighed down by uneven growth, high debt levels and severe currency weakness. Rising interest rates pressured US Treasury bonds and other high-quality fixed income sectors, including tax-exempt municipals and investment grade corporate bonds. High yield bonds, to the contrary, benefited from income-oriented investors' search for yield in the low-rate environment. Short-term interest rates remained near zero, keeping yields on money market securities near historical lows.

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

Sincerely,

Rob Kapito

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President, BlackRock Advisors, LLC

*While accommodative monetary policy was the main driver behind positive market performance over the period, it was also the primary cause of volatility and uncertainty.*

Rob Kapito

President, BlackRock Advisors, LLC

## Total Returns as of January 31, 2014

|  | <b>6-month</b> | <b>12-month</b> |
|--|----------------|-----------------|
| US large cap equities<br>(S&P 500® Index)  | 6.85%          | 21.52%          |
| US small cap equities<br>(Russell 2000® Index)   | 8.88           | 27.03           |
| International equities<br>(MSCI Europe, Australasia,<br>Far East Index)                | 7.51           | 11.93           |
| Emerging market equities<br>(MSCI Emerging Markets Index)                              | (0.33)         | (10.17)         |
| 3-month Treasury bill<br>(BofA Merrill Lynch<br>3-Month US Treasury<br>Bill Index)     | 0.03           | 0.08            |
| US Treasury securities<br>(BofA Merrill Lynch<br>10-Year US Treasury Index)            | 0.77           | (2.97)          |
| US investment grade<br>bonds (Barclays US<br>Aggregate Bond Index)                     | 1.78           | 0.12            |
| Tax-exempt municipal<br>bonds (S&P Municipal<br>Bond Index)                            | 3.13           | (1.10)          |
| US high yield bonds<br>(Barclays US Corporate<br>High Yield 2% Issuer<br>Capped Index) | 4.70           | 6.76            |

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

THIS PAGE NOT PART OF YOUR FUND REPORT

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**Table of Contents****Municipal Market Overview****For the Reporting Period Ended January 31, 2014****Municipal Market Conditions**

In the earlier months of 2013, municipal bond supply was met with robust demand as investors were starved for yield in the low-rate, low-return environment and seeking tax-exempt investments in light of higher US tax rates that became effective at the turn of the year. Investors moved into municipal bond mutual funds, favoring long-duration and high-yield funds as they tend to provide higher levels of income.

However, market conditions turned less favorable in May when the US Federal Reserve initially mentioned the eventual reduction of its bond-buying stimulus program (which ultimately took effect in January 2014). Further signals from the Fed alluding to a retrenchment of asset purchases led to rising interest rates and waning municipal bond performance in June. (Bond prices fall as rates rise.) Municipal bond mutual funds saw strong outflows in the last six months of 2013, before investors again sought the relative safety of the asset class in the New Year. For the 12-month period ended January 31, 2014, net outflows were approximately \$62.8 billion (based on data from the Investment Company Institute).

High levels of interest rate volatility resulted in a sharp curtailment of tax-exempt issuance in May through the end of the period. However, from a historical perspective, total new issuance for the 12 months ended January 31, 2014 remained relatively strong at \$322 billion (but meaningfully lower than the \$389 billion issued in the prior 12-month period). A significant portion of new supply during this period was attributable to refinancing activity (roughly 40%) as issuers took advantage of lower interest rates to reduce their borrowing costs. Total new supply was also supported by recent activity in the taxable market, where taxable municipal issuance was up approximately 15% year-over-year.

|                                      |         |
|--------------------------------------|---------|
| <b>S&amp;P Municipal Bond Index</b>  |         |
| Total Returns as of January 31, 2014 |         |
| 6 months:                            | 3.13%   |
| 12 months:                           | (1.10)% |

**A Closer Look at Yields**

From January 31, 2013 to January 31, 2014, muni yields increased by 99 basis points ( bps ) from 2.86% to 3.85% on AAA-rated 30-year municipal bonds, while increasing 71 bps from 1.82% to 2.53% on 10-year bonds and rising another 31 bps from 0.79% to 1.10% on 5-year issues (as measured by Thomson Municipal Market Data). Overall, the municipal yield curve remained relatively steep over the 12-month period as the spread between 2- and 30-year maturities widened by 103 bps and the spread between 2- and 10-year maturities widened by 75 bps.

During the same time period, US Treasury rates rose by 43 bps on 30-year and 66 bps on 10-year bonds, while moving up 61 bps in 5-years. Accordingly, tax-exempt municipal bonds underperformed Treasuries on the long end of the yield curve as investors sought to reduce interest rate risk later in the period. On the short end of the curve, the outperformance of municipal bonds versus Treasuries was driven largely by a supply/demand imbalance within the municipal market and a rotation from long-duration assets (which are more sensitive to interest rate movements) into short- and intermediate-duration investments (which are less sensitive to interest rate movements). Additionally, municipal bonds benefited from the increased appeal of tax-exempt investing in the new higher tax rate environment. The asset class is known for its lower relative volatility and preservation of principal with an emphasis on income as tax rates rise. The municipal market continues to be an attractive avenue for investors seeking yield in today's environment, particularly as the recent correction has restored value in the market and placed yields at levels not obtainable since early 2011. However, opportunities have not been as broad-based as in 2011 and 2012, warranting a more tactical approach going forward.

**Financial Conditions of Municipal Issuers Continue to Improve**

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Following an extended period of nation-wide austerity and de-leveraging as states sought to balance their budgets, 14 consecutive quarters of positive revenue growth coupled with the elimination of more than 750,000 jobs in recent years have put state and local governments in a better financial position. Many local municipalities, however, continue to face increased health care and pension costs passed down from the state level. BlackRock maintains the view that municipal bond defaults will be minimal and remain in the periphery, and that the overall market is fundamentally sound. We continue to recognize that careful credit research, appropriate structure and security selection remain imperative amid uncertainty in this tepid economic environment.

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. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.



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### The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the yield and net asset value ( 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 ) (VRDP Shares and VMTP Shares 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.

The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV. However, in order to benefit shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. If the yield curve becomes negatively sloped, meaning short-term interest rates exceed long-term interest rates, income to shareholders will be lower than if the Funds had not used leverage.

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 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 holders of Common Shares ( 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 3 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 (each Fund's total assets less its total accrued liabilities). In addition, each Fund with VRDP or VMTP Shares limits its economic leverage to 45% of its total managed assets. As of January 31, 2014, the Funds had economic leverage from Preferred Shares and/or TOBs as a percentage of their total managed assets as follows:

|     | <b>Percent of<br/>Economic<br/>Leverage</b> |
|-----|---|
| MUC | 39%   |
| MUJ | 39%   |
| MFT | 39%   |
| MIY | 39%   |
| MJI | 38%   |
| MPA | 38%   |

## Derivative Financial Instruments

The Funds may invest in various derivative financial instruments, including financial futures contracts, as specified in Note 4 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to 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 and/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.

**Table of Contents****Fund Summary** as of January 31, 2014**BlackRock MuniHoldings California Quality Fund, Inc.****Fund Overview**

BlackRock MuniHoldings California Quality Fund, Inc.'s (MUC) (the Fund) investment objective is to provide shareholders with current income exempt from federal and California income taxes. The Fund seeks to achieve its investment objective by investing primarily 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 at least 80% of its assets in investment grade 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-month period ended January 31, 2014, the Fund returned 6.58% based on market price and 7.66% based on NAV. For the same period, the closed-end Lipper California Municipal Debt Funds category posted an average return of 8.06% based on market price and 6.82% 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 exposure to bonds with longer maturities, which tend to have higher durations (greater sensitivity to interest rate movements), contributed positively to performance as tax-exempt rates declined during the period. (Bond prices rise when rates fall.) Security selection had a positive impact on returns as the Fund's holdings of high-quality school district issues performed well due to continued improvement in the State of California's finances. Holdings of securities in the education and utilities sectors also added to results. Leverage on the Fund's assets achieved through the use of tender option bonds amplified the positive effect of falling rates on performance.

While the Fund's cash reserves were generally maintained at a minimal level, to the extent reserves were held, the cash holdings added little in the form of additional yield and provided no price appreciation in a generally positive period for the municipal market.

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 )                                  | MUC               |
| Initial Offering Date   | February 27, 1998 |
| Yield on Closing Market Price as of January 31, 2014 (\$13.74) <sup>1</sup> | 6.24%             |
| Tax Equivalent Yield <sup>2</sup>   | 12.72%            |
| Current Monthly Distribution per Common Share <sup>3</sup>                  | \$0.0715          |
| Current Annualized Distribution per Common Share <sup>3</sup>               | \$0.8580          |
| Economic Leverage as of January 31, 2014 <sup>4</sup>                       | 39%               |

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

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

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

<sup>4</sup> Represents VMTP Shares and 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 5.

**Table of Contents****BlackRock MuniHoldings California Quality Fund, Inc.****Market Price and Net Asset Value Per Share Summary**

|                 | 1/31/14  | 7/31/13  | Change | High     | Low      |
|-----------------|----------|----------|--------|----------|----------|
| Market Price    | \$ 13.74 | \$ 13.31 | 3.23%  | \$ 14.02 | \$ 12.63 |
| Net Asset Value | \$ 15.14 | \$ 14.52 | 4.27%  | \$ 15.17 | \$ 13.94 |

**Market Price and Net Asset Value History For the Past Five Years****Overview of the Fund's Long-Term Investments**

| Sector Allocation                            | 1/31/14 | 7/31/13 |
|--|---------|---------|
| County/City/Special District/School District | 39%     | 36%     |
| Utilities                                    | 22      | 24      |
| Transportation                               | 12      | 11      |
| Education                                    | 10      | 13      |
| Health                                       | 10      | 10      |
| State  | 7       | 6       |

| Credit Quality Allocation <sup>1</sup> | 1/31/14 | 7/31/13 |
|--|---------|---------|
| AAA/Aaa                                | 9%      | 12%     |
| AA/Aa                                  | 78      | 75      |
| A                                      | 13      | 13      |

<sup>1</sup> Using the higher of Standard & Poor's (S&P) or Moody's Investors Service (Moody's) ratings.

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

| Calendar Year Ended December 31, |    |
|----------------------------------|----|
| 2014                             | 3% |
| 2015                             | 8  |
| 2016                             | 11 |
| 2017                             | 14 |
| 2018                             | 12 |

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



**Table of Contents****Fund Summary** as of January 31, 2014**BlackRock MuniHoldings New Jersey Quality Fund, Inc.****Fund Overview**

BlackRock MuniHoldings New Jersey Quality Fund, Inc. s (MUJ) (the Fund ) investment objective is to provide shareholders with current income exempt from federal income tax and New Jersey personal 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) and New Jersey personal income taxes. 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-month period ended January 31, 2014, the Fund returned 5.31% based on market price and 7.01% based on NAV. For the same period, the closed-end Lipper New Jersey Municipal Debt Funds category posted an average return of 4.50% based on market price and 6.00% 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.

Contributing positively to performance was the Fund s income generated from coupon payments on its portfolio of New Jersey state tax-exempt municipal bonds. The Fund s duration exposure (sensitivity to interest rate movements) had a positive impact on returns as municipal interest rates declined during the period. (Bond prices rise when rates fall.) Exposure to longer-dated bonds added to returns as the municipal yield curve flattened (i.e., longer-term rates fell more than shorter-term rates). Additionally, the Fund s exposure to zero-coupon bonds boosted results as these bonds generally outperformed the broader market during the period.

The Fund s exposure to Puerto Rico government-related credits, although limited, was a detractor from results as credit spreads on these bonds widened materially during the period due to investors lack of confidence and a weak local economy. The Fund s positions in Puerto Rico government-related securities were eliminated by the end of the period.

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

**Fund Information**

|   |                |
|---|----------------|
| Symbol on NYSE  | MUJ            |
| Initial Offering Date   | March 11, 1998 |
| Yield on Closing Market Price as of January 31, 2014 (\$13.54) <sup>1</sup> | 6.56%          |
| Tax Equivalent Yield <sup>2</sup>   | 12.73%         |
| Current Monthly Distribution per Common Share <sup>3</sup>                  | \$0.074        |
| Current Annualized Distribution per Common Share <sup>3</sup>               | \$0.888        |
| Economic Leverage as of January 31, 2014 <sup>4</sup>                       | 39%            |

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

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- <sup>2</sup> Tax equivalent yield assumes the maximum marginal federal and state tax rate of 48.48%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.
- <sup>3</sup> The distribution rate is not constant and is subject to change.
- <sup>4</sup> Represents VRDP Shares and 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 5.

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SEMI-ANNUAL REPORT

JANUARY 31, 2014



**Table of Contents****BlackRock MuniHoldings New Jersey Quality Fund, Inc.****Market Price and Net Asset Value Per Share Summary**

|                 | 1/31/14  | 7/31/13  | Change | High     | Low      |
|-----------------|----------|----------|--------|----------|----------|
| Market Price    | \$ 13.54 | \$ 13.30 | 1.80%  | \$ 13.79 | \$ 12.52 |
| Net Asset Value | \$ 15.01 | \$ 14.51 | 3.45%  | \$ 15.05 | \$ 13.87 |

**Market Price and Net Asset Value History For the Past Five Years****Overview of the Fund's Long-Term Investments**

| Sector Allocation                            | 1/31/14 | 7/31/13 |
|--|---------|---------|
| State  | 24%     | 27%     |
| Transportation                               | 23      | 21      |
| Education                                    | 16      | 15      |
| County/City/Special District/School District | 14      | 13      |
| Health                                       | 13      | 11      |
| Housing                                      | 6       | 7       |
| Utilities                                    | 3       | 5       |
| Corporate                                    | 1       | 1       |

| Credit Quality Allocation <sup>1</sup> | 1/31/14      | 7/31/13 |
|--|--------------|---------|
| AAA/Aaa                                | 10%          | 9%      |
| AA/Aa                                  | 42           | 46      |
| A                                      | 41           | 38      |
| BBB/Baa                                | 7            | 7       |
| Not Rated                              | <sup>2</sup> |         |

<sup>1</sup> Using the higher of S&P's or Moody's ratings.

<sup>2</sup> Representing less than 1% of the Fund's long-term investments.

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

Calendar Year Ended December 31,

|      |    |
|------|----|
| 2014 | 6% |
| 2015 | 8  |
| 2016 | 3  |
| 2017 | 8  |

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

SEMI-ANNUAL REPORT

JANUARY 31, 2014

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**Table of Contents****Fund Summary** as of January 31, 2014**BlackRock MuniYield Investment Quality Fund****Fund Overview**

BlackRock MuniYield Investment Quality Fund's (MFT) (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-month period ended January 31, 2014, the Fund returned 9.65% based on market price and 6.73% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 7.76% based on market price and 5.69% 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 benefited from its holdings in the State of California. The continued improvement in the State's economy was the catalyst for the price appreciation in these bonds. Additionally, as the municipal yield curve flattened during the period (i.e., rates on longer-dated bonds fell more than rates on shorter-dated securities), the Fund's longer-dated holdings in health care, education and transportation experienced the strongest price appreciation. (Bond prices rise when rates fall.)

The Fund's exposure to Puerto Rico government-related credits, although limited, was a detractor from results as credit spreads on these bonds widened materially during the period due to investors' lack of confidence and a weak local economy. The Fund's positions in Puerto Rico government-related securities were eliminated by the end of the period.

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

**Fund Information**

|   |                  |
|---|------------------|
| Symbol on NYSE  | MFT              |
| Initial Offering Date   | October 30, 1992 |
| Yield on Closing Market Price as of January 31, 2014 (\$12.93) <sup>1</sup> | 6.59%            |
| Tax Equivalent Yield <sup>2</sup>   | 11.64%           |
| Current Monthly Distribution per Common Share <sup>3</sup>                  | \$0.071          |
| Current Annualized Distribution per Common Share <sup>3</sup>               | \$0.852          |
| Economic Leverage as of January 31, 2014 <sup>4</sup>                       | 39%              |

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

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- <sup>2</sup> Tax equivalent yield assumes the maximum marginal federal tax rate of 43.4%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.
- <sup>3</sup> The distribution rate is not constant and is subject to change.
- <sup>4</sup> Represents VMTP Shares and 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 5.

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**Table of Contents****BlackRock MuniYield Investment Quality Fund****Market Price and Net Asset Value Per Share Summary**

|                 | <b>1/31/14</b> | <b>7/31/13</b> | <b>Change</b> | <b>High</b> | <b>Low</b> |
|-----------------|----------------|----------------|---------------|-------------|------------|
| Market Price    | \$ 12.93       | \$ 12.20       | 5.98%         | \$ 13.02    | \$ 11.80   |
| Net Asset Value | \$ 14.04       | \$ 13.61       | 3.16%         | \$ 14.07    | \$ 13.01   |

**Market Price and Net Asset Value History For the Past Five Years****Overview of the Fund's Long-Term Investments**

| <b>Sector Allocation</b>                     | <b>1/31/14</b> | <b>7/31/13</b> |
|--|----------------|----------------|
| Transportation                               | 36%            | 27%            |
| Utilities                                    | 21             | 23             |
| County/City/Special District/School District | 17             | 20             |
| Health                                       | 11             | 11             |
| State  | 8              | 10             |
| Education                                    | 3              | 6              |
| Housing                                      | 2              | 1              |
| Tobacco                                      | 2              | 2              |
| <b>Credit Quality Allocation<sup>1</sup></b> | <b>1/31/14</b> | <b>7/31/13</b> |
| AAA/Aaa                                      | 5%             | 9%             |
| AA/Aa  | 65             | 64             |
| A  | 29             | 27             |
| BBB/Baa                                      | 1              | <sup>2</sup>   |
| Not Rated                                    |                | <sup>2</sup>   |

<sup>1</sup> Using the higher of S&P's or Moody's ratings.

<sup>2</sup> Representing less than 1% of the Fund's long-term investments.

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

|                                  |    |
|----------------------------------|----|
| Calendar Year Ended December 31, |    |
| 2014                             |    |
| 2015                             | 1% |
| 2016                             | 2  |

|      |    |
|------|----|
| 2017 | 2  |
| 2018 | 12 |

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

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**Table of Contents****Fund Summary** as of January 31, 2014**BlackRock MuniYield Michigan Quality Fund, Inc.****Fund Overview**

BlackRock MuniYield Michigan Quality Fund, Inc.'s (MIY) (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-month period ended January 31, 2014, the Fund returned 7.95% based on market price and 5.85% based on NAV. For the same period, the closed-end Lipper Other States Municipal Debt Funds category posted an average return of 3.25% based on market price and 4.82% 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.

Contributing positively to performance was the Fund's income generated from coupon payments on its portfolio of Michigan state tax-exempt municipal bonds. The Fund's duration exposure (sensitivity to interest rate movements) had a positive impact on returns as municipal interest rates declined during the period. (Bond prices rise when rates fall.) Exposure to longer-dated bonds added to returns as the municipal yield curve flattened (i.e., longer-term rates fell more than shorter-term rates). Additionally, the Fund's exposure to the education sector boosted results as these bonds generally outperformed the broader market during the period.

The Fund's exposure to Puerto Rico government-related credits, although limited, was a detractor from results as credit spreads on these bonds widened materially during the period due to investors' lack of confidence and a weak local economy. The Fund's positions in Puerto Rico government-related securities were eliminated by the end of the period.

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

**Fund Information**

|   |                  |
|---|------------------|
| Symbol on NYSE  | MIY              |
| Initial Offering Date   | October 30, 1992 |
| Yield on Closing Market Price as of January 31, 2014 (\$13.09) <sup>1</sup> | 6.78%            |
| Tax Equivalent Yield <sup>2</sup>   | 12.51%           |
| Current Monthly Distribution per Common Share <sup>3</sup>                  | \$0.074          |
| Current Annualized Distribution per Common Share <sup>3</sup>               | \$0.888          |
| Economic Leverage as of January 31, 2014 <sup>4</sup>                       | 39%              |

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

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- <sup>2</sup> Tax equivalent yield assumes the maximum marginal federal and state tax rate of 45.81%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.
- <sup>3</sup> The monthly distribution per common share, declared on February 3, 2014, was decreased to \$0.074 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.
- <sup>4</sup> 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 5.



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**BlackRock MuniYield Michigan Quality Fund, Inc.**

**Market Price and Net Asset Value Per Share Summary**

|                 | <b>1/31/14</b> | <b>7/31/13</b> | <b>Change</b> | <b>High</b> | <b>Low</b> |
|-----------------|----------------|----------------|---------------|-------------|------------|
| Market Price    | \$13.09        | \$12.57        | 4.14%         | \$13.15     | \$11.94    |
| Net Asset Value | \$14.46        | \$14.16        | 2.12%         | \$14.50     | \$13.36    |

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

**Overview of the Fund's Long-Term Investments**

| <b>Sector Allocation</b>                     | <b>1/31/14</b> | <b>7/31/13</b> |
|--|----------------|----------------|
| County/City/Special District/School District | 24%            | 25%            |
| Education                                    | 20             | 17             |
| Health                                       | 15             | 14             |
| Utilities                                    | 12             | 12             |
| State  | 11             | 13             |
| Transportation                               | 9              | 10             |
| Housing                                      | 6              | 6              |
| Corporate                                    | 3              | 3              |

  

| <b>Credit Quality Allocation<sup>1</sup></b> | <b>1/31/14</b> | <b>7/31/13</b> |
|--|----------------|----------------|
| AAA/Aaa                                      | 1%             | 1%             |
| AA/Aa  | 71             | 70             |
| A  | 28             | 29             |

<sup>1</sup> Using the higher of S&P's or Moody's ratings.

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

| <b>Calendar Year Ended December 31,</b> |    |
|---|----|
| 2014                                    | 9% |
| 2015                                    | 7  |
| 2016                                    | 7  |
| 2017                                    | 7  |
| 2018                                    | 13 |

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



**Table of Contents****Fund Summary** as of January 31, 2014**BlackRock MuniYield New Jersey Quality Fund, Inc.****Fund Overview**

BlackRock MuniYield New Jersey Quality Fund, Inc.'s (MJI) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes and New Jersey personal income tax 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 Jersey 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-month period ended January 31, 2014, the Fund returned 4.64% based on market price and 7.31% based on NAV. For the same period, the closed-end Lipper New Jersey Municipal Debt Funds category posted an average return of 4.50% based on market price and 6.00% 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.

Contributing positively to performance was the Fund's income generated from coupon payments on its portfolio of New Jersey state tax-exempt municipal bonds. The Fund's duration exposure (sensitivity to interest rate movements) had a positive impact on returns as municipal interest rates declined during the period. (Bond prices rise when rates fall.) Exposure to longer-dated bonds added to returns as the municipal yield curve flattened (i.e., longer-term rates fell more than shorter-term rates). Additionally, the Fund's exposure to zero-coupon bonds boosted results as these bonds generally outperformed the broader market during the period.

The Fund's exposure to Puerto Rico government-related credits, although limited, was a detractor from results as credit spreads on these bonds widened materially during the period due to investors' lack of confidence and a weak local economy. The Fund's positions in Puerto Rico government-related securities were eliminated by the end of the period.

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

**Fund Information**

|   |                  |
|---|------------------|
| Symbol on NYSE  | MJI              |
| Initial Offering Date   | October 30, 1992 |
| Yield on Closing Market Price as of January 31, 2014 (\$13.42) <sup>1</sup> | 6.62%            |
| Tax Equivalent Yield <sup>2</sup>   | 12.85%           |
| Current Monthly Distribution per Common Share <sup>3</sup>                  | \$0.074          |
| Current Annualized Distribution per Common Share <sup>3</sup>               | \$0.888          |
| Economic Leverage as of January 31, 2014 <sup>4</sup>                       | 38%              |

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

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- <sup>2</sup> Tax equivalent yield assumes the maximum marginal federal and state tax rate of 48.48%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.
- <sup>3</sup> The distribution rate is not constant and is subject to change.
- <sup>4</sup> Represents VRDP Shares and 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 5.

**Table of Contents****BlackRock MuniYield New Jersey Quality Fund, Inc.****Market Price and Net Asset Value Per Share Summary**

|                 | <b>1/31/14</b> | <b>7/31/13</b> | <b>Change</b> | <b>High</b> | <b>Low</b> |
|-----------------|----------------|----------------|---------------|-------------|------------|
| Market Price    | \$13.42        | \$13.27        | 1.13%         | \$13.69     | \$12.48    |
| Net Asset Value | \$14.82        | \$14.29        | 3.71%         | \$14.85     | \$13.58    |

**Market Price and Net Asset Value History For the Past Five Years****Overview of the Fund's Long-Term Investments**

| <b>Sector Allocation</b>                     | <b>1/31/14</b> | <b>7/31/13</b> |
|--|----------------|----------------|
| Transportation                               | 24%            | 20%            |
| State  | 20             | 24             |
| Education                                    | 19             | 17             |
| County/City/Special District/School District | 13             | 11             |
| Health                                       | 11             | 10             |
| Housing                                      | 6              | 7              |
| Utilities                                    | 4              | 8              |
| Corporate                                    | 3              | 3              |
| <b>Credit Quality Allocation<sup>1</sup></b> | <b>1/31/14</b> | <b>7/31/13</b> |
| AAA/Aaa                                      | 6%             | 6%             |
| AA/Aa  | 42             | 45             |
| A  | 45             | 42             |
| BBB/Baa                                      | 7              | 7              |

<sup>1</sup> Using the higher of S&P's or Moody's ratings.

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

| Calendar Year Ended December 31, |    |
|----------------------------------|----|
| 2014                             | 9% |
| 2015                             | 3  |
| 2016                             | 3  |
| 2017                             | 10 |
| 2018                             | 8  |

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



**Table of Contents****Fund Summary** as of January 31, 2014**BlackRock MuniYield Pennsylvania Quality Fund****Fund Overview**

BlackRock MuniYield Pennsylvania Quality Fund's (MPA) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal and Pennsylvania 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 Pennsylvania 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-month period ended January 31, 2014, the Fund returned 5.18% based on market price and 6.84% based on NAV. For the same period, the closed-end Lipper Pennsylvania Municipal Debt Funds category posted an average return of 6.31% based on market price and 5.33% 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 duration exposure (sensitivity to interest rate movements) contributed positively to performance as tax-exempt municipal rates declined during the period. (Bond prices rise when rates fall.) The Fund also benefited from income generated from coupon payments on its portfolio of Pennsylvania tax-exempt municipal bonds.

The Fund's exposure to Puerto Rico government-related credits, although limited, was a detractor from results as credit spreads on these bonds widened materially during the period due to investors' lack of confidence and a weak local economy. The Fund's positions in Puerto Rico government-related securities were eliminated by the end of the period.

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

**Fund Information**

|   |                  |
|---|------------------|
| Symbol on NYSE  | MPA              |
| Initial Offering Date   | October 30, 1992 |
| Yield on Closing Market Price as of January 31, 2014 (\$13.29) <sup>1</sup> | 6.68%            |
| Tax Equivalent Yield <sup>2</sup>   | 12.18%           |
| Current Monthly Distribution per Common Share <sup>3</sup>                  | \$0.074          |
| Current Annualized Distribution per Common Share <sup>3</sup>               | \$0.888          |
| Economic Leverage as of January 31, 2014 <sup>4</sup>                       | 38%              |

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

<sup>2</sup> Tax equivalent yield assumes the maximum marginal federal and state tax rate of 45.14%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

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

<sup>4</sup> Represents VRDP Shares and 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 5.



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**BlackRock MuniYield Pennsylvania Quality Fund**

**Market Price and Net Asset Value Per Share Summary**

|                 | <b>1/31/14</b> | <b>7/31/13</b> | <b>Change</b> | <b>High</b> | <b>Low</b> |
|-----------------|----------------|----------------|---------------|-------------|------------|
| Market Price    | \$ 13.29       | \$ 13.07       | 1.68%         | \$ 13.66    | \$ 12.30   |
| Net Asset Value | \$ 15.07       | \$ 14.59       | 3.29%         | \$ 15.10    | \$ 13.94   |

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

**Overview of the Fund's Long-Term Investments**

| <b>Sector Allocation</b>                     | <b>1/31/14</b> | <b>7/31/13</b> |
|--|----------------|----------------|
| County/City/Special District/School District | 24%            | 22%            |
| Health                                       | 17             | 16             |
| State  | 16             | 17             |
| Transportation                               | 12             | 13             |
| Education                                    | 10             | 11             |
| Utilities                                    | 7              | 7              |
| Housing                                      | 7              | 7              |
| Corporate                                    | 7              | 7              |

| <b>Credit Quality Allocation<sup>1</sup></b> | <b>1/31/14</b> | <b>7/31/13</b> |
|--|----------------|----------------|
| AAA/Aaa                                      | 1%             | 1%             |
| AA/Aa  | 72             | 73             |
| A  | 23             | 22             |
| BBB/Baa                                      | 4              | 4              |
| Not Rated <sup>2</sup>                       |                |                |

<sup>1</sup> Using the higher of S&P's or Moody's ratings.

<sup>2</sup> The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of January 31, 2014 and July 31, 2013, the market value of these securities was \$530,730 and \$525,235, each representing less than 1%, respectively, of the Fund's long-term investments.

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

| <b>Calendar Year Ended December 31,</b> |    |
|---|----|
| 2014                                    | 7% |
| 2015                                    | 11 |
| 2016                                    | 11 |

2017  
2018

6  
11

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

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## Schedule of Investments January 31, 2014 (Unaudited)

## BlackRock MuniHoldings California Quality Fund, Inc. (MUC)

(Percentages shown are based on Net Assets)

|  | Par<br>(000)         | Value        |
|--|----------------------|--------------|
| <b>Municipal Bonds</b>   |                      |              |
| <b>California 111.7%</b>   |                      |              |
| <b>Corporate 0.4%</b>  |                      |              |
| City of Chula Vista California, Refunding RB, San Diego Gas & Electric, Series A, 5.88%, 2/15/34                                   | \$ 2,435             | \$ 2,735,236 |
| <b>County/City/Special District/School District 36.2%</b>  |                      |              |
| Centinela Valley Union High School District, GO, Election of 2010, Series A, 5.75%, 8/01/41  | 9,000                | 10,267,830   |
| City of Garden Grove California, COP, Series A, Financing Project (AMBAC), 5.50%, 3/01/26  | 4,040                | 4,054,665    |
| Coast Community College District, GO, Refunding, Election of 2012, Series A, 5.00%, 8/01/38  | 3,500                | 3,774,365    |
| County of Kern California, COP, Capital Improvements Projects, Series A (AGC), 6.00%, 8/01/35                                      | 3,500                | 3,960,110    |
| County of San Joaquin California Transportation Authority, Refunding RB, Limited Tax Measure K, Series A, 6.00%, 3/01/36           | 2,440                | 2,861,681    |
| County of Ventura California Public Financing Authority, Refunding LRB, Series A, 5.00%, 11/01/43                                  | 6,785                | 6,968,399    |
| County of Ventura Community College District, GO, Election of 2002, Series C, 5.50%, 8/01/33                                       | 5,050                | 5,650,142    |
| Culver City Redevelopment Finance Authority California, Refunding, Tax Allocation Bonds, Series A (AGM), 5.60%, 11/01/25           | 3,750                | 3,762,525    |
| Foothill-De Anza Community College District, GO, Election of 2006, Series C, 5.00%, 8/01/40  | 32,000               | 33,949,440   |
| Garden Grove Unified School District, GO, Election of 2010, Series C, 5.25%, 8/01/40   | 5,500                | 5,984,550    |
| Grossmont Healthcare District, GO, Election of 2006, Series B, 6.13%, 7/15/40  | 2,000                | 2,288,580    |
| Kern Community College District, GO, Series C: 5.75%, 11/01/34   | 12,000               | 14,043,840   |
| Safety Repair & Improvements, 5.25%, 11/01/32  | 5,715                | 6,399,428    |
| Los Alamitos Unified School District, GO, Refunding, 5.25%, 8/01/39  | 3,700                | 4,038,106    |
| Los Angeles Community Redevelopment Agency California, RB, Bunker Hill Project, Series A (AGM), 5.00%, 12/01/27                    | 7,000                | 7,233,870    |
| Orange County Sanitation District, COP, Series A, 5.00%, 2/01/35   | 2,500                | 2,736,775    |
| Oxnard Union High School District, GO, Refunding, Election of 2004, Series A (AGM), 5.00%, 8/01/35                                 | 10,000               | 10,526,500   |
| Pajaro Valley Unified School District, GO, Refunding, Election of 2012, Series A, 5.00%, 8/01/38                                   | 5,740                | 6,105,925    |
| Redlands Unified School District California, GO, Election of 2008 (AGM), 5.25%, 7/01/33  | 5,000                | 5,441,150    |
|  | <b>Par<br/>(000)</b> | <b>Value</b> |
| <b>Municipal Bonds</b>   |                      |              |
| <b>California (continued)</b>  |                      |              |
| <b>County/City/Special District/School District (concluded)</b>  |                      |              |
| Riverside Community College District, GO, Election of 2004, Series C (AGM), 5.00%, 8/01/32   | \$ 8,750             | \$ 9,375,275 |
| San Diego Community College District, GO, Election of 2006 (AGM), 5.00%, 8/01/30   | 8,000                | 8,658,640    |
| San Diego Regional Building Authority, RB, County Operations Center & Annex, Series A, 5.50%, 2/01/29                              | 900                  | 1,020,618    |
| San Francisco Bay Area Rapid Transit District, Refunding RB, Series A, 5.00%, 7/01/36  | 4,200                | 4,531,758    |
| San Jose California Financing Authority, LRB, Convention Center Expansion & Renovation Project, Series A: 5.75%, 5/01/36           | 2,560                | 2,741,222    |
| 5.75%, 5/01/42   | 4,500                | 4,911,165    |
| San Jose California Financing Authority, Refunding LRB, Convention Center Expansion & Renovation Project, Series A, 5.00%, 6/01/39 | 20,990               | 21,911,461   |
| Snowline Joint Unified School District, COP, Refunding, Refining Project (AGC), 5.75%, 9/01/38                                     | 5,635                | 6,340,671    |
| Southwestern Community College District, GO, Election of 2008, Series C, 5.25%, 8/01/36  | 2,625                | 2,816,468    |
| West Contra Costa California Unified School District, GO: Election of 2005, Series A (AGM), 5.00%, 8/01/35                         | 10,000               | 10,288,400   |
| Election of 2010, Series A (AGM), 5.25%, 8/01/41   | 5,390                | 5,660,362    |
| Election of 2010, Series B, 5.50%, 8/01/39   | 3,195                | 3,470,665    |
| Election of 2012, Series A, 5.50%, 8/01/39   | 2,500                | 2,715,700    |
|  |                      | 224,490,286  |
| <b>Education 9.5%</b>  |                      |              |
| California Municipal Finance Authority, RB, Emerson College, 6.00%, 1/01/42  | 2,750                | 3,051,043    |
| Gavilan Joint Community College District, GO, Election of 2004, Series D: 5.50%, 8/01/31   | 2,170                | 2,444,961    |

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|   |        |            |
|---|--------|------------|
| 5.75%, 8/01/35  | 8,400  | 9,548,280  |
| University of California, RB, Series L, 5.00%, 5/15/36                            | 3,030  | 3,252,947  |
| University of California, Refunding RB, Limited Project, Series G, 5.00%, 5/15/37 | 38,000 | 40,656,200 |
|   |        | 58,953,431 |

## 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:

|              |   |                |   |
|--------------|---|----------------|---|
| <b>AGC</b>   | Assured Guaranty Corp.                  | <b>HDA</b>     | Housing Development Authority               |
| <b>AGM</b>   | Assured Guaranty Municipal Corp.        | <b>HFA</b>     | Housing Finance Agency                      |
| <b>AMBAC</b> | American Municipal Bond Assurance Corp. | <b>HUD</b>     | Department of Housing and Urban Development |
| <b>AMT</b>   | Alternative Minimum Tax (subject to)    | <b>IDA</b>     | Industrial Development Authority            |
| <b>ARB</b>   | Airport Revenue Bonds                   | <b>IDB</b>     | Industrial Development Board                |
| <b>BARB</b>  | Building Aid Revenue Bonds              | <b>ISD</b>     | Independent School District                 |
| <b>BHAC</b>  | Berkshire Hathaway Assurance Corp.      | <b>LRB</b>     | Lease Revenue Bonds                         |
| <b>CAB</b>   | Capital Appreciation Bonds              | <b>M/F</b>     | Multi-Family                                |
| <b>COP</b>   | Certificates of Participation           | <b>NPFGC</b>   | National Public Finance Guarantee Corp.     |
| <b>EDA</b>   | Economic Development Authority          | <b>Q-SBLF</b>  | Qualified School Bond Loan Fund             |
| <b>EDC</b>   | Economic Development Corp.              | <b>Radian</b>  | Radian Financial Guaranty                   |
| <b>ERB</b>   | Education Revenue Bonds                 | <b>RB</b>      | Revenue Bonds                               |
| <b>GAB</b>   | Grant Anticipation Bonds                | <b>S/F</b>     | Single-Family                               |
| <b>GARB</b>  | General Airport Revenue Bonds           | <b>Syncora</b> | Syncora Guarantee                           |
| <b>GO</b>    | General Obligation Bonds                |                |   |

See Notes to Financial Statements.

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## Schedule of Investments (continued)

BlackRock MuniHoldings California Quality Fund, Inc. (MUC)

(Percentages shown are based on Net Assets)

|   | Par<br>(000)         | Value        |
|---|----------------------|--------------|
| <b>Municipal Bonds</b>  |                      |              |
| <b>California (continued)</b>   |                      |              |
| <b>Health 16.3%</b>   |                      |              |
| ABAG Finance Authority for Nonprofit Corps., Refunding RB, Sharp Healthcare:  |                      |              |
| 6.25%, 8/01/39  | \$ 6,305             | \$ 7,111,851 |
| Series A, 6.00%, 8/01/30  | 2,305                | 2,639,709    |
| California Health Facilities Financing Authority, RB:   |                      |              |
| Children's Hospital, Series A, 5.25%, 11/01/41  | 8,520                | 8,854,495    |
| Kaiser Permanente, Series A, 5.25%, 4/01/39   | 7,275                | 7,367,974    |
| Providence Health Services, Series B, 5.50%, 10/01/39   | 4,130                | 4,612,880    |
| Sutter Health, Series A, 5.25%, 11/15/46  | 7,500                | 7,579,200    |
| Sutter Health, Series B, 6.00%, 8/15/42   | 9,655                | 11,097,843   |
| California Health Facilities Financing Authority, Refunding RB:   |                      |              |
| Catholic Healthcare West, Series A, 6.00%, 7/01/34  | 3,700                | 4,112,180    |
| Saint Joseph's Health System, Series A, 5.00%, 7/01/37  | 10,000               | 10,372,200   |
| Stanford Hospital, Series A-3, 5.50%, 11/15/40  | 3,040                | 3,314,786    |
| California Statewide Communities Development Authority, RB:   |                      |              |
| 5.25%, 8/01/31  | 2,500                | 2,566,450    |
| Kaiser Permanente, Series A, 5.00%, 4/01/42   | 11,000               | 11,235,950   |
| Kaiser Permanente, Series B, 5.25%, 3/01/45   | 12,505               | 12,592,535   |
| California Statewide Communities Development Authority, Refunding RB, Trinity Health Credit   |                      |              |
| Group Composite Issue, 5.00%, 12/01/41  | 6,235                | 6,392,995    |
| Washington Township Health Care District, GO, Series B, 5.50%, 8/01/38  | 1,250                | 1,382,362    |
|   |                      | 101,233,410  |
| <b>State 10.2%</b>  |                      |              |
| California State Public Works Board, LRB, Various Capital Projects, Series I, 5.50%, 11/01/33                                       |                      |              |
|   | 2,015                | 2,270,784    |
| California State Public Works Board, RB:  |                      |              |
| 5.00%, 4/01/37  | 3,165                | 3,278,529    |
| California State Prisons, Series C, 5.75%, 10/01/31   | 1,205                | 1,365,084    |
| Department of Education, Riverside Campus Project, Series B, 6.50%, 4/01/34   | 3,670                | 4,239,547    |
| State of California, GO, Various Purposes:  |                      |              |
| 6.00%, 3/01/33  | 5,000                | 5,849,500    |
| 6.00%, 4/01/35  | 150                  | 171,614      |
| 6.00%, 4/01/38  | 28,265               | 32,425,325   |
| University of California, RB, Limited Project, Series D (NPFGC), 5.00%, 5/15/41   | 13,000               | 13,372,190   |
|   |                      | 62,972,573   |
| <b>Transportation 18.1%</b>   |                      |              |
| Bay Area Toll Authority, RB, San Francisco Bay Area Toll Bridge, Series C-1, 0.94%, 4/01/45 (a)                                     |                      |              |
|   | 4,400                | 4,348,476    |
| City & County of San Francisco Airports Commission, Refunding RB, Second Series 34E, AMT (AGM), 5.75%, 5/01/24                      |                      |              |
|   | 5,000                | 5,650,450    |
| City & County of San Francisco California Airports Commission, ARB, Series E, 6.00%, 5/01/39  |                      |              |
|   | 9,650                | 11,115,449   |
| City & County of San Francisco California Airports Commission, Refunding RB, AMT, Series A, 5.00%, 5/01/29                          |                      |              |
|   | 6,435                | 6,818,011    |
| City of Los Angeles California Department of Airports, ARB, Los Angeles International Airport, Senior Series A, AMT, 5.00%, 5/15/38 |                      |              |
|   | 2,550                | 2,659,523    |
|   | <b>Par<br/>(000)</b> | <b>Value</b> |
| <b>Municipal Bonds</b>  |                      |              |
| <b>California (concluded)</b>   |                      |              |
| <b>Transportation (concluded)</b>   |                      |              |
| City of Los Angeles California Department of Airports, RB, Los Angeles International Airport, Senior Series D, 5.25%, 5/15/29       |                      |              |
|   | \$ 2,590             | \$ 2,836,076 |
| City of Los Angeles California Department of Airports, Refunding RB, Los Angeles International Airport Series A:                    |                      |              |
| 5.25%, 5/15/39  | 4,335                | 4,671,829    |
| Senior, 5.00%, 5/15/40 (b)  | 3,750                | 3,933,075    |
| City of San Jose California, Refunding ARB, Series A-1, AMT:  |                      |              |

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|  |        |             |
|--|--------|-------------|
| 5.25%, 3/01/23   | 3,785  | 4,214,560   |
| 6.25%, 3/01/34   | 1,400  | 1,576,190   |
| County of Orange California, ARB, Series B, 5.75%, 7/01/34   | 6,345  | 6,977,977   |
| County of Sacramento California, ARB:  |        |             |
| Senior Series A (AGC), 5.50%, 7/01/41  | 8,190  | 9,068,377   |
| Senior Series B, 5.75%, 7/01/39  | 2,650  | 2,953,346   |
| Senior Series B, AMT (AGM), 5.75%, 7/01/28   | 13,275 | 14,926,277  |
| Senior Series B, AMT (AGM), 5.25%, 7/01/33   | 19,530 | 20,316,278  |
| County of San Diego California Regional Airport Authority, Refunding ARB, Sub-Series A, 5.00%, 7/01/40     | 4,055  | 4,144,088   |
| Los Angeles Harbor Department, RB, Series B, 5.25%, 8/01/34  | 5,530  | 6,154,116   |
|  |        | 112,364,098 |
| <b>Utilities 21.0%</b>   |        |             |
| Anaheim Public Financing Authority, RB, Electric System Distribution Facilities, Series A, 5.38%, 10/01/36 | 2,200  | 2,454,870   |
| City of Los Angeles California Wastewater System, Refunding RB, Sub-Series A, 5.00%, 6/01/28               | 2,000  | 2,249,100   |
| City of San Francisco California Public Utilities Commission Water, RB:                                    |        |             |
| Series B, 5.00%, 11/01/30  | 10,000 | 11,024,500  |
| Series B&C, 5.00%, 11/01/41  | 5,000  | 5,289,100   |
| Cucamonga Valley Water District Financing Authority, RB, Water Utility, 5.00%, 9/01/37                     | 2,500  | 2,650,200   |
| Dublin-San Ramon Services District, Refunding RB, 6.00%, 8/01/41   | 4,000  | 4,694,520   |
| East Bay Municipal Utility District, Refunding RB:   |        |             |
| Series A (NPFGC), 5.00%, 6/01/32   | 11,935 | 12,874,404  |
| Series A (NPFGC), 5.00%, 6/01/37   | 6,670  | 7,138,300   |
| Sub-Series A (AGM), 5.00%, 6/01/37   | 11,190 | 11,975,650  |
| Sub-Series A (AMBAC), 5.00%, 6/01/33   | 5,000  | 5,396,850   |
| Eastern Municipal Water District, COP, Series H, 5.00%, 7/01/33  | 2,505  | 2,655,901   |
| Imperial Irrigation District, Refunding RB, Electric System, 5.13%, 11/01/38                               | 9,500  | 10,057,555  |
| Los Angeles Department of Water & Power, RB, Series A, 5.38%, 7/01/38                                      | 9,000  | 9,991,800   |
| Los Angeles Department of Water & Power, Refunding RB, Series A:   |        |             |
| 5.25%, 7/01/39   | 16,000 | 17,267,680  |
| System, 5.00%, 7/01/30   | 4,325  | 4,811,087   |
| San Diego Public Facilities Financing Authority Sewer, Refunding RB, Senior Series A:                      |        |             |
| 5.25%, 5/15/34   | 1,060  | 1,156,068   |
| 5.25%, 5/15/39   | 10,000 | 10,777,000  |
| San Juan Water District, Refunding RB, San Juan & Citrus Heights, 5.25%, 2/01/33                           | 7,325  | 8,009,521   |
|  |        | 130,474,106 |
| <b>Total Municipal Bonds 111.7%</b>  |        | 693,223,140 |

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## Schedule of Investments (continued)

BlackRock MuniHoldings California Quality Fund, Inc. (MUC)

(Percentages shown are based on Net Assets)

| <b>Municipal Bonds Transferred to<br/>Tender Option Bond Trusts (c)</b>  | <b>Par<br/>(000)</b> | <b>Value</b>  |
|--|----------------------|---------------|
| <b>California 49.9%</b>  |                      |               |
| <b>County/City/Special District/School District 27.3%</b>  |                      |               |
| County of Alameda California Joint Powers Authority, Refunding LRB (AGM), 5.00%, 12/01/34  | \$ 13,180            | \$ 13,826,479 |
| Desert Community College District California, GO, Series C (AGM), 5.00%, 8/01/37   | 16,530               | 17,424,769    |
| Foothill-De Anza Community College District, GO, Series C, 5.00%, 8/01/40  | 10,000               | 10,609,200    |
| Los Angeles Community College District California, GO:   |                      |               |
| Election of 2001, Series A (NPFGC), 5.00%, 8/01/32   | 6,647                | 7,122,469     |
| Election of 2001, Series E-1, 5.00%, 8/01/33   | 11,770               | 12,624,031    |
| Election of 2003, Series E (AGM), 5.00%, 8/01/31   | 11,216               | 11,948,421    |
| Election of 2003, Series F-1, 5.00%, 8/01/33   | 10,000               | 10,725,600    |
| Los Angeles Community College District California, GO, Refunding, Election of 2008, Series A, 6.00%, 8/01/33                               | 9,596                | 11,114,842    |
| Los Angeles County Metropolitan Transportation Authority, Refunding RB, Proposition A, First Tier, Senior Series A (AMBAC), 5.00%, 7/01/35 | 8,997                | 9,390,951     |
| Los Angeles County Sanitation Districts Financing Authority, Refunding RB, Capital Project 14 (BHAC), 5.00%, 10/01/34                      | 7,917                | 8,289,808     |
| Poway Unified School District, GO, Election of 2002, Improvement District 02, Series 1-B (AGM), 5.00%, 8/01/30                             | 10,000               | 10,652,700    |
| San Bernardino Community College District California, GO, Election of 2002, Series C (AGM), 5.00%, 8/01/31                                 | 17,770               | 18,929,848    |
| San Francisco Bay Area Rapid Transit District, Refunding RB, Series A (NPFGC):   |                      |               |
| 5.00%, 7/01/30   | 23,100               | 24,101,154    |
| 5.00%, 7/01/34   | 2,499                | 2,607,634     |
|  |                      | 169,367,906   |
| <b>Education 6.8%</b>  |                      |               |
| Los Rios Community College District, GO, Election of 2008, Series A, 5.00%, 8/01/35  | 11,000               | 11,852,390    |
| Riverside Community College District, GO, Election of 2004, Series C (NPFGC), 5.00%, 8/01/32   | 8,910                | 9,546,709     |
| University of California, RB:  |                      |               |
| Limited Project, Series D (AGM), 5.00%, 5/15/41  | 8,000                | 8,353,760     |
| Series O, 5.75%, 5/15/34   | 11,190               | 12,727,245    |
|  |                      | 42,480,104    |
| <b>Transportation 1.7%</b>   |                      |               |
| San Mateo County Transportation Authority, Refunding RB, Series A (NPFGC), 5.00%, 6/01/32  | 10,000               | 10,391,100    |
| <b>Municipal Bonds Transferred to<br/>Tender Option Bond Trusts (c)</b>  | <b>Par<br/>(000)</b> |               |