BLACKROCK MUNICIPAL INCOME TRUST II
Form N-CSR
November 03, 2016

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 811-21126

Name of Fund: BlackRock Municipal Income Trust II (BLE)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Municipal Income Trust II, 55 East 52nd Street, New York, NY 10055

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

Date of fiscal year end: 08/31/2016

Date of reporting period: 08/31/2016

Item 1 Report to Stockholders

AUGUST 31, 2016

ANNUAL REPORT

BlackRock Municipal Bond Trust (BBK)

BlackRock Municipal Income Investment Quality Trust (BAF)

BlackRock Municipal Income Quality Trust (BYM)

BlackRock Municipal Income Trust II (BLE)

BlackRock MuniHoldings Investment Quality Fund (MFL)

BlackRock MuniVest Fund, Inc. (MVF)

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The Markets in Review

Dear Shareholder,

Uneven economic outlooks and the divergence of monetary policies across regions have been the overarching themes driving financial markets over the past couple of years. In the latter half of 2015, investors were focused largely on the timing of the Federal Reserve s (the Fed) decision to end its near-zero interest rate policy. The Fed ultimately hiked rates in December, while, in contrast, the European Central Bank and the Bank of Japan increased stimulus, even introducing negative interest rates. The U.S. dollar had strengthened considerably, causing profit challenges for U.S. companies that generate revenues overseas, and pressuring emerging market currencies and commodities prices. Also during this time period, oil prices collapsed due to excess global supply. China showed signs of slowing economic growth and declining confidence in the country s policymakers stoked worries about the potential impact on the global economy. Risk assets (such as equities and high yield bonds) struggled as volatility increased.

The elevated market volatility spilled over into 2016, but as the first quarter wore on, fears of a global recession began to fade, allowing markets to calm and risk assets to rebound. Central bank stimulus in Europe and Japan, combined with a more tempered outlook for rate hikes in the United States, helped bolster financial markets. A softening in U.S. dollar strength brought relief to U.S. exporters and emerging market economies, and oil prices rebounded as the world s largest producers agreed to reduce supply.

Volatility spiked in late June when the United Kingdom shocked investors with its vote to leave the European Union. Uncertainty around how the British exit might affect the global economy and political landscape drove investors to high-quality assets, pushing already low global yields to even lower levels. However, risk assets recovered swiftly in July as economic data suggested that the consequences had thus far been contained to the United Kingdom.

With a number of factors holding interest rates down central bank accommodation, an aging population in need of income, and institutions such as insurance companies and pension plans needing to meet liabilities assets offering decent yield have become increasingly scarce. As a result, income-seeking investors have stretched into riskier assets despite high valuations in many sectors.

Market volatility touched a year-to-date low in August, which may be a signal that investors have become complacent given persistent macro risks: Geopolitical turmoil continues to loom. A surprise move from the Fed i.e., raising rates sooner than expected has the potential to roil markets. And perhaps most likely to stir things up the U.S. presidential election.

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

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of August 31, 2016

	6-month	**12-month**
U.S. large cap equities (S&P 500® Index)	13.60%	12.55%

U.S. small cap equities (Russell 2000® Index)	20.87	8.59
International equities (MSCI Europe, Australasia, Far East Index)	10.35	(0.12)
Emerging market equities (MSCI Emerging Markets Index)	22.69	11.83
3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.17	0.23
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	2.22	7.35
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	3.68	5.97
Tax-exempt municipal bonds (S&P Municipal Bond Index)	3.35	7.03
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	15.56	9.12

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

Municipal Market Overview

For the Reporting Period Ended August 31, 2016

Municipal Market Conditions

Municipal bonds generated positive performance for the period, thanks to falling interest rates and a favorable supply-and-demand environment. Interest rates were volatile in 2015 (bond prices rise as rates fall) leading up to a long-awaited rate hike from the U.S. Federal Reserve (Fed) that ultimately came in December. However, ongoing reassurance from the Fed that rates would be increased gradually and would likely remain low overall resulted in strong demand for fixed income investments. Investors favored the relative yield and stability of municipal bonds amid bouts of volatility resulting from uneven U.S. economic data, volatile oil prices, global growth concerns, geopolitical risks (particularly the United Kingdom s decision to leave the European Union), and widening central bank divergence i.e., policy easing outside the United States while the Fed was posturing to commence policy tightening. During the 12 months ended August 31, 2016, municipal bond funds garnered net inflows of approximately $57 billion (based on data from the Investment Company Institute).

For the same 12-month period, total new issuance remained relatively strong from a historical perspective at $393 billion (though lower than the $425 billion issued in the prior 12-month period). A noteworthy portion of new supply during this period was attributable to refinancing activity (roughly 61%) as issuers continued to take advantage of low interest rates and a flatter yield curve to reduce their borrowing costs.

S&P Municipal Bond Index
Total Returns as of August 31, 2016
6 months: 3.35%
12 months: 7.03%

A Closer Look at Yields

From August 31, 2015 to August 31, 2016, yields on AAA-rated 30-year municipal bonds decreased by 98 basis points (bps) from 3.10% to 2.12%, while 10-year rates fell by 74 bps from 2.16% to 1.42% and 5-year rates decreased 47 bps from 1.33% to 0.86% (as measured by Thomson Municipal Market Data). The municipal yield curve experienced significant flattening over the 12-month period with the spread between 2- and 30-year maturities flattening by 100 bps and the spread between 2- and 10-year maturities flattening by 76 bps.

During the same time period, on a relative basis, tax-exempt municipal bonds broadly outperformed U.S. Treasuries with the greatest outperformance experienced in longer-term issues. In absolute terms, the positive performance of muni bonds was driven largely by falling interest rates as well as a supply/demand imbalance within the municipal market as investors sought income and incremental yield in an environment where opportunities became increasingly scarce. More broadly, municipal bonds benefited from the greater appeal of tax-exempt investing in light of the higher tax rates implemented in 2014. The asset class is known for its lower relative volatility and preservation of principal with an emphasis on income as tax rates rise.

Financial Conditions of Municipal Issuers

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

The opinions expressed are those of BlackRock as of August 31, 2016, and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of any individual holdings or market sectors. Investing involves risk including loss of principal. Bond values fluctuate in price so the value of your investment can go down depending on market conditions. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable.

The Standard & Poor s Municipal Bond Index, a broad, market value-weighted index, seeks to measure the performance of the US municipal bond market. All bonds in the index are exempt from US federal income taxes or subject to the alternative minimum tax. Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index.

The Benefits and Risks of Leveraging

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

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

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

However, in order to benefit Common Shareholders, the return on assets purchased with leverage proceeds must exceed the ongoing costs associated with the leverage. If interest and other costs of leverage exceed the Trusts return on assets purchased with leverage proceeds, income to shareholders is lower than if the Trusts had not used leverage. Furthermore, the value of the Trusts portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the value of the Trusts obligations under their respective leverage arrangements generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Trusts NAVs positively or negatively. Changes in the future direction of interest rates are very diffi-

cult to predict accurately, and there is no assurance that a Trust s intended leveraging strategy will be successful.

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

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

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

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

Derivative Financial Instruments

The Trusts may invest in various derivative financial instruments. These instruments are used to obtain exposure to a security, commodity, index, market, and/or other asset without owning or taking physical custody of securities, commodities and/or other referenced assets or to manage market, equity, credit, interest rate, foreign currency exchange rate, commodity and/or other risks. Derivative financial instruments may give rise to a form of economic leverage and 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 instrument. The Trusts successful use of a derivative financial instrument depends on the investment adviser s ability to predict pertinent market movements accurately, which cannot be assured. The use of these instruments may result in losses greater than if they had not been used, may limit the amount of appreciation a Trust can realize on an investment and/or may result in lower distributions paid to shareholders. The Trusts investments in these instruments, if any, are discussed in detail in the Notes to Financial Statements.

Trust Summary as of August 31, 2016

BlackRock Municipal Bond Trust

Trust Overview

BlackRock Municipal Bond Trust s (BBK) (the Trust) investment objective is to provide current income exempt from regular federal income tax. The Trust seeks to achieve its investment objective by investing primarily in municipal bonds exempt from regular federal income taxes (except that the interest may be subject to the federal alternative minimum tax). The Trust invests, under normal market conditions, at least 80% of its managed assets in municipal bonds that are investment grade quality or, if unrated, determined to be of comparable quality by the investment adviser. The Trust may invest directly in such securities or synthetically through the use of derivatives.

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

Trust Information	
Symbol on New York Stock Exchange (NYSE)	BBK
Initial Offering Date	April 30, 2002
Yield on Closing Market Price as of August 31, 2016 ($18.22)[1]	4.94%
Tax Equivalent Yield[2]	8.73%
Current Monthly Distribution per Common Share[3]	$0.0750
Current Annualized Distribution per Common Share[3]	$0.9000
Economic Leverage as of August 31, 2016[4]	36%

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

2 Tax equivalent yield assumes the maximum 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.

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

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

Performance

Returns for the 12 months ended August 31, 2016 were as follows:

	Returns Based On	
	Market Price	**NAV**
BBK[1, 2]	26.29%	14.53%
Lipper General & Insured Municipal Debt Funds (Leveraged)[3]	21.14%	12.26%

1 All returns reflect reinvestment of dividends and/or distributions.

2 The Trust moved from a discount to NAV to a premium during the period, which accounts for the difference between performance based on price and performance based on NAV.

3 Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

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

Municipal bonds generated strong performance in the annual period. Municipals were aided by the sharp decline in Treasury yields, which was brought about by the slow global economy and the accommodative policies of the world s central banks. (Bond prices rise as yields fall.) The yield curve flattened, as intermediate- and longer-term bonds generated the largest gains while shorter-term issues produced much smaller returns. In addition, lower-rated securities generally outpaced their higher-quality counterparts.

Given the flattening of the yield curve, the Trust s exposure to longer-duration assets and longer-term bonds had a positive impact on performance. Positions in the health care, utility and transportation sectors also aided results. The Trust s exposure to lower-coupon and zero-coupon bonds, both of which outperformed, further boosted returns. In addition, positions in lower-rated investment-grade bonds contributed positively due to their additional yield and strong price performance.

The Trust utilized U.S. Treasury futures contracts to manage exposure to a potential rise in interest rates, which had a slightly negative impact on performance due to the strength in the Treasury market.

BlackRock Municipal Bond Trust

Market Price and Net Asset Value Per Share Summary

	8/31/16	8/31/15	Change	High	Low
Market Price	$18.22	$15.23	19.63%	$18.41	$15.21
Net Asset Value	$17.89	$16.49	8.49%	$18.11	$16.28

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

Overview of the Trust s Total Investments*

Sector Allocation

	8/31/16	8/31/15
Health	24%	23%
County/City/Special District/School District	17	16
Transportation	15	13
Education	14	16
Utilities	13	13
State	9	9
Corporate	5	6
Tobacco	2	3
Housing	1	1

Call/Maturity Schedule[3]

Calendar Year Ended December 31,	
2016	1%
2017	2
2018	7
2019	8
2020	8

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

Credit Quality Allocation[1]

	8/31/16	8/31/15
AAA/Aaa	4%	6%
AA/Aa	47	43
A	27	27
BBB/Baa	11	11
BB/Ba	5	6
B	1	
N/R[2]	5	7

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

2 The investment adviser evaluates the credit quality of unrated investments based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors and individual investments. Using this approach, the investment advisor has deemed certain of these unrated securities as investment grade quality. As of August 31, 2016 and August 31, 2015, the market value of unrated securities deemed by the investment advisor to be investment grade represents 3% and 2%, respectively, of the Trust s total investments.

* Excludes short-term securities.

Trust Summary as of August 31, 2016

BlackRock Municipal Income Investment Quality Trust

Trust Overview

BlackRock Municipal Income Investment Quality Trust s (BAF) (the Trust) investment objective is to provide current income exempt from federal income tax, including the alternative minimum tax and Florida intangible property tax. The Trust seeks to achieve its investment objective by investing, under normal circumstances, at least 80% of its managed assets in municipal bonds exempt from federal income taxes, including the alternative minimum tax. The Trust also invests at least 80% of its managed assets in municipal bonds that are investment grade quality at the time of investment or, if unrated, determined to be of comparable quality by the investment adviser. The Trust may invest directly in such securities or synthetically through the use of derivatives. Due to the repeal of the Florida intangible personal property tax, in September 2008, the Board gave approval to permit the Trust the flexibility to invest in municipal obligations regardless of geographic location since municipal obligations issued by any state or municipality that provides income exempt from regular federal income tax would now satisfy the foregoing objective and policy.

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

Trust Information	
Symbol on NYSE	BAF
Initial Offering Date	October 31, 2002
Yield on Closing Market Price as of August 31, 2016 ($15.79)[1]	5.21%
Tax Equivalent Yield[2]	9.20%
Current Monthly Distribution per Common Share[3]	$0.0685
Current Annualized Distribution per Common Share[3]	$0.8220
Economic Leverage as of August 31, 2016[4]	37%

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

2 Tax equivalent yield assumes the maximum 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.

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

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

Performance

Returns for the 12 months ended August 31, 2016 were as follows:

	Returns Based On	
	Market Price	**NAV**
BAF[1, 2]	19.92%	10.57%
Lipper General & Insured Municipal Debt Funds (Leveraged)[3]	21.14%	12.26%

1 All returns reflect reinvestment of dividends and/or distributions.

[2] The Trust s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV.

[3] Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

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

Municipal bonds generated strong performance in the annual period. Municipals were aided by the sharp decline in Treasury yields, which was brought about by the slow global economy and the accommodative policies of the world s central banks. (Bond prices rise as yields fall.) The yield curve flattened, as intermediate- and longer-term bonds generated the largest gains while shorter-term issues produced much smaller returns. In addition, lower-rated securities generally outpaced their higher-quality counterparts.

The use of leverage, which augments income and amplifies the effect of interest-rate movements, was a positive to performance during the past 12 months given that yields declined. However, leverage had less of an impact in the second half of the period since the Fed s interest rate increase in December 2015 increased the costs of short-term financing.

Positions in bonds with maturities of 20 years and longer helped performance. In addition to providing above-average yields, longer-dated bonds gained the most from the flattening of the yield curve.

The Trust s holdings in AA and A rated bonds, which generally outperformed AAA rated securities, provided an additional boost to the Trust s 12-month results. At the sector level, positions in transportation, tax-backed (local), and utilities issues contributed positively.

The Trust s more-seasoned holdings, while producing generous yields compared to current market rates, detracted from performance. The prices of many of these investments declined due to the premium amortization that occurred as the bonds approached their first call dates. (A call is when an issuer redeems a bond prior to its maturity date; premium is amount by which a bond trades above its $100 par value.)

The Trust utilized a mix of U.S. Treasury futures contracts to manage exposure to a rise in interest rates, which had a slightly negative impact on performance at a time in which the Treasury market finished with positive returns.

BlackRock Municipal Income Investment Quality Trust

Market Price and Net Asset Value Per Share Summary

	8/31/16	8/31/15	Change	High	Low
Market Price	$15.79	$13.89	13.68%	$ 16.63	$ 13.81
Net Asset Value	$16.56	$15.80	4.81%	$ 16.76	$ 15.63

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

Overview of the Trust s Total Investments*

Sector Allocation

	8/31/16	8/31/15
Transportation	28%	28%
County/City/Special District/School District	27	31
Utilities	17	17
Health	14	13
State	6	6
Education	5	3
Tobacco	1	1
Corporate	1	
Housing	1	1

Call/Maturity Schedule[2]

Calendar Year Ended December 31,	
2016	%
2017	
2018	13
2019	7
2020	2

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

Credit Quality Allocation[1]

	8/31/16	8/31/15
AAA/Aaa	3%	3%
AA/Aa	74	74
A	19	20
BBB/Baa	4	3

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

* Excludes short-term securities.

Trust Summary as of August 31, 2016

BlackRock Municipal Income Quality Trust

Trust Overview

BlackRock Municipal Income Quality Trust s (BYM) (the Trust) investment objective is to provide current income exempt from federal income taxes, including the alternative minimum tax. The Trust seeks to achieve its investment objective by investing, under normal circumstances, at least 80% of its managed assets in municipal bonds exempt from federal income taxes, including the alternative minimum tax. The Trust also invests at least 80% of its managed assets in municipal bonds that are investment grade quality at the time of investment or, if unrated, determined to be of comparable quality by the investment adviser. The Trust may invest directly in such securities or synthetically through the use of derivatives.

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

Trust Information	
Symbol on NYSE	BYM
Initial Offering Date	October 31, 2002
Yield on Closing Market Price as of August 31, 2016 ($15.55)[1]	5.09%
Tax Equivalent Yield[2]	8.99%
Current Monthly Distribution per Common Share[3]	$0.0660
Current Annualized Distribution per Common Share[3]	$0.7920
Economic Leverage as of August 31, 2016[4]	36%

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

2 Tax equivalent yield assumes the maximum 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.

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

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

Performance

Returns for the 12 months ended August 31, 2016 were as follows:

	Returns Based On	
	Market Price	**NAV**
BYM[1,2]	20.23%	12.71%
Lipper General & Insured Municipal Debt Funds (Leveraged)[3]	21.14%	12.26%

1 All returns reflect reinvestment of dividends and/or distributions.

2 The Trust s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV.

3 Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

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

Municipal bonds generated strong performance in the annual period. Municipals were aided by the sharp decline in Treasury yields, which was brought about by the slow global economy and the accommodative policies of the world s central banks. (Bond prices rise as yields fall.) The yield curve flattened, as intermediate- and longer-term bonds generated the largest gains while shorter-term issues produced much smaller returns. In addition, lower-rated securities generally outpaced their higher-quality counterparts.

The Trust s duration positioning made the largest contribution to absolute performance, given that municipal yields fell significantly during the period. (Duration is a measure of interest-rate sensitivity.) The Trust s exposure to longer-term bonds also had a positive impact on returns. In addition, the Trust s fully invested posture enabled it to capitalize on the rally in municipal securities. At the sector level, the largest contributions to the Trust s performance came from its positions in the tax-backed (local) and transportation sectors. The use of leverage also helped augment returns at a time of strong market performance.

The Trust utilized U.S. Treasury futures contracts to manage exposure to a potential rise in interest rates, which had a slightly negative impact on performance due to the strength in the Treasury market.

BlackRock Municipal Income Quality Trust

Market Price and Net Asset Value Per Share Summary

	8/31/16	8/31/15	Change	High	Low
Market Price	$15.55	$13.67	13.75%	$ 16.33	$ 13.56
Net Asset Value	$16.22	$15.21	6.64%	$ 16.40	$ 15.05

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

Overview of the Trust s Total Investments*

Sector Allocation

	8/31/16	8/31/15
Transportation	28%	25%
County/City/Special District/School District	25	27
Utilities	12	11
State	11	11
Health	11	13
Education	7	7
Tobacco	3	3
Corporate	2	3
Housing	1	

Call/Maturity Schedule[2]

Calendar Year Ended December 31,	
2016	2%
2017	7
2018	16
2019	8
2020	8

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

Credit Quality Allocation[1]

	8/31/16	8/31/15
AAA/Aaa	14%	15%
AA/Aa	54	57
A	24	21
BBB/Baa	7	6
N/R	1	1

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

* Excludes short-term securities.

Trust Summary as of August 31, 2016

BlackRock Municipal Income Trust II

Trust Overview

BlackRock Municipal Income Trust II s (BLE) (the Trust) investment objective is to provide current income exempt from regular federal income tax. The Trust seeks to achieve its investment objective by investing primarily in municipal bonds exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). The Trust invests, under normal market conditions, at least 80% of its managed assets in municipal bonds that are investment grade quality at the time of investment or, if unrated, determined to be of comparable quality by the investment adviser. The Trust may invest directly in such securities or synthetically through the use of derivatives.

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

Trust Information	
Symbol on NYSE MKT	BLE
Initial Offering Date	July 30, 2002
Yield on Closing Market Price as of August 31, 2016 ($16.34)[1]	5.40%
Tax Equivalent Yield[2]	9.54%
Current Monthly Distribution per Common Share[3]	$0.0735
Current Annualized Distribution per Common Share[3]	$0.8820
Economic Leverage as of August 31, 2016[4]	38%

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

2 Tax equivalent yield assumes the maximum 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.

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

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

Performance

Returns for the 12 months ended August 31, 2016 were as follows:

	Returns Based On	
	Market Price	**NAV**
BLE[1,2]	22.33%	12.21%
Lipper General & Insured Municipal Debt Funds (Leveraged)[3]	21.14%	12.26%

1 All returns reflect reinvestment of dividends and/or distributions.

[2] The Trust moved from a discount to NAV to a premium during the period, which accounts for the difference between performance based on price and performance based on NAV.

[3] Average return.

Performance results may include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

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

Municipal bonds generated strong performance in the annual period. Municipals were aided by the sharp decline in Treasury yields, which was brought about by the slow global economy and the accommodative policies of the world s central banks. (Bond prices rise as yields fall.) The yield curve flattened, as intermediate- and longer-term bonds generated the largest gains while shorter-term issues produced much smaller returns. In addition, lower-rated securities generally outpaced their higher-quality counterparts.

Leverage amplifies the effect of interest-rate movements, which was a positive to performance during the past 12 months given that yields declined.

Positions in bonds with maturities of 20 years and higher helped performance. In addition to providing above-average yields, longer-dated bonds gained the most from the flattening of the yield curve. In addition, the Trust s long duration positioning proved beneficial at a time of declining rates. (Duration is a measure of interest-rate sensitivity.)

The Trust s holdings in AA, A and BBB rated bonds, which generally outperformed AAA rated securities, provided an additional boost to the Trust s 12-month results. At the sector level, positions in transportation, health care and utilities issues contributed positively.

The Trust utilized U.S. Treasury futures contracts to manage exposure to a potential rise in interest rates, which had a slightly negative impact on performance due to the strength in the Treasury market.

Market Price and Net Asset Value Per Share Summary

	8/31/16	8/31/15	Change	High	Low			
Market Price	$ 16.34	41,843						
Gross margin	37.5 %	20.0 %		33.7 %	36.0 %	16.9 %		31.7 %
Operating income	$ 11,706	$4,561	$ (2,601)	$ 13,666	$ 12,893	$2,327	$ (2,849)	$12,371

The Company considers operating income to be the primary measure of operating performance of its business segments. The amount shown for each period in the "Corporate Expenses" column above consists of expenses that are not allocated to the business segments. These non-allocated corporate expenses include salaries and benefits of certain executive officers and expenses such as audit fees, investor relations, stock listing fees, director and officer liability insurance, and director fees and expenses. Corporate expenses include stock-based compensation expense of $140,000 and $142,000 in the three-month periods ended November 30, 2013 and 2012, respectively, and $425,000 and $967,000, respectively, in the nine-month periods then ended.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time as a normal consequence of doing business, various claims and litigation may be asserted or commenced against the Company. In particular, the Company in the ordinary course of business may receive claims concerning contract performance, or claims that its products or services infringe the intellectual property of third parties. While the outcome of any such claims or litigation cannot be predicted with certainty, management does not believe that the outcome of any of such matters existing at the present time would have a material adverse effect on the Company's consolidated financial position or results of operations.

NOTE 14 SUBSEQUENT EVENT

On December 18, 2013, the Company acquired Radio Satellite Integrators, Inc. (RSI) for a cash payment at closing of $6.5 million and future earn-out payments based on post-acquisition sales and gross profit performance in the aggregate estimated amount of $2.4 million that is payable quarterly over two years. RSI is a privately-held provider of fleet management solutions primarily to municipal government agencies supporting applications targeted at public works, waste management, transit and public safety.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, costs and expenses during the reporting periods. Actual results could differ materially from these estimates. The critical accounting policies listed below involve the Company s more significant accounting judgments and estimates that are used in the preparation of the consolidated financial statements. These policies are described in greater detail in Management s Discussion and Analysis (MD&A) under Part II, Item 7 of the Company s Annual Report on Form 10-K for the year ended February 28, 2013, as filed with the Securities and Exchange Commission on April 25, 2013, and include the following areas:

- Allowance for doubtful accounts;
- Inventory write-downs;
- Product warranties;
- Deferred income tax assets and uncertain tax positions;
- Impairment assessments of goodwill, purchased intangible assets and other long-lived assets;
- Stock-based compensation expense; and
- Revenue recognition.

RESULTS OF OPERATIONS

OUR COMPANY

We are a leading provider of wireless communications solutions for a broad array of applications to customers globally. Our business activities are organized into our Wireless DataCom and Satellite reporting segments.

WIRELESS DATACOM

Our Wireless DataCom segment offers solutions to address the markets for Machine-to-Machine (M2M) communications, Mobile Resource Management (MRM) applications and other emerging applications that require anytime and everywhere connectivity. Our M2M and MRM solutions enable customers to optimize their operations by collecting, monitoring and efficiently reporting business-critical data and desired intelligence from high-value remote assets. Our extensive portfolio of intelligent communications devices, scalable cloud services platforms, and targeted software applications streamline otherwise complex M2M or MRM deployments for our customers. We are focused on delivering solutions globally in our core vertical markets in Energy, Government and Transportation. In addition, we anticipate significant future opportunities for adoption of our M2M and MRM solutions in the Heavy Equipment and Insurance Telematics vertical markets, as well as other emerging applications in additional markets, both domestic and international.

SATELLITE

Our Satellite segment develops, manufactures and sells direct-broadcast satellite (DBS) outdoor customer premise equipment and whole home video networking devices for digital and high definition satellite television services. Our satellite products are sold primarily to EchoStar, an affiliate of Dish Network, for incorporation into complete subscription satellite television systems.

Operating Results

The Company's revenue, gross profit and operating income by business segment are as follows:

REVENUE BY SEGMENT

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2013		2012		2013		2012	
Segment	$000s	% of Total	$000s	% of Total	$000s	% of Total	$000s	% of Total
Wireless DataCom	$ 49,747	78.3%	$ 36,334	81.9%	$ 137,808	78.3%	$ 102,178	77.3%
Satellite	13,756	21.7%	8,006	18.1%	38,248	21.7%	30,010	22.7%
Total	$ 63,503	100.0%	$ 44,340	100.0%	$ 176,056	100.0%	$ 132,188	100.0%

GROSS PROFIT BY SEGMENT

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2013		2012		2013		2012	
Segment	$000s	% of Total	$000s	% of Total	$000s	% of Total	$000s	% of Total
Wireless DataCom	$ 18,159	86.5%	$ 12,612	89.9%	$ 51,674	87.1%	$ 36,786	87.9%
Satellite	2,836	13.5%	1,420	10.1%	7,641	12.9%	5,057	12.1%
Total	$ 20,995	100.0%	$ 14,032	100.0%	$ 59,315	100.0%	$ 41,843	100.0%

OPERATING INCOME BY SEGMENT

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2013		2012		2013		2012	
Segment	$000s	% of Total Revenue	$000s	% of Total Revenue	$000s	% of Total Revenue	$000s	% of Total Revenue
Wireless DataCom	$ 5,026	7.9%	$ 4,500	10.1%	$ 11,706	6.6%	$ 12,893	9.8%
Satellite	1,785	2.8%	498	1.1%	4,561	2.6%	2,327	1.8%
Corporate expenses	(779)	(1.2%)	(686)	(1.5%)	(2,601)	(1.5%)	(2,849)	(2.2%)
Total	$ 6,032	9.5%	$ 4,312	9.7%	$ 13,666	7.7%	$ 12,371	9.4%

Revenue

Wireless DataCom revenue increased by $13.4 million, or 37%, to $49.7 million in the third quarter of fiscal 2014 compared to the fiscal 2013 third quarter. For the nine months ended November 30, 2013, Wireless DataCom revenue increased by $35.6 million, or 35%, to $137.8 million compared to the same period of the prior year. These increases were due primarily to the revenue contribution of the newly acquired Wireless Matrix business and increased demand for the Company s MRM products on the part of fleet management and asset tracking customers. Meaningful contributions from the emerging Auto Insurance Telematics vertical also helped drive growth in the third quarter. The Company s Wireless Networks business, which comprises the remainder of the Wireless DataCom segment, benefitted from strength in the Energy vertical.

Satellite revenue increased by $5.8 million, or 72%, to $13.8 million in the three months ended November 30, 2013 from $8.0 million for the same period in the previous fiscal year. For the nine months ended November 30, 2013, Satellite revenue increased by $8.2 million, or 28%, to $38.2 million from $30.0 million for the same period of the prior year. These increases were due primarily to the introduction of new home networking products that were launched in fiscal 2013.

Gross Profit and Gross Margins

Wireless DataCom gross profit increased 44% to $18.2 million in the fiscal 2014 third quarter compared to $12.6 million in the third quarter of last year, and gross margin increased to 36.5% in the third quarter of fiscal 2014 from 34.7% in the third quarter of fiscal 2013. Wireless DataCom gross profit increased 41% to $51.7 million in the nine months ended November 30, 2013, compared to $36.8 million for the same period of the prior year. Wireless DataCom gross margin increased to 37.5% in the nine months ended November 30, 2013 from 36.0% for the same period of the prior year. These improvements were primarily due to higher margins for the application subscriptions revenue of Wireless Matrix, which was acquired at the beginning of fiscal 2014, compared to the rest of the Wireless DataCom revenues.

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Satellite gross profit increased by $1.4 million to $2.8 million in the fiscal 2014 third quarter compared to the third quarter of last year. Satellite's gross margin increased to 20.6% in the fiscal 2014 third quarter from 17.7% in the third quarter of last year. These improvements are attributable to changes in product mix and product cost reductions.

The Satellite segment had gross profit of $7.6 million for the nine months ended November 30, 2013, compared to gross profit of $5.1 million for the same period last year. Satellite gross margin was 20.0% for the nine months ended November 30, 2013, compared to 16.9% for the same period last year. These increases are attributable to the same factors cited above for the three month periods.

See also Note 12 to the accompanying unaudited consolidated financial statements for additional operating data by business segment.

Operating Expenses

Consolidated research and development (R&D) expense increased to $5.3 million in the third quarter of fiscal 2014 from $3.6 million in the third quarter of last year due primarily to the Wireless Matrix acquisition, which accounted for $1.1 million of the increase. For the nine-month year-to-date periods, R&D expense increased from $10.4 million last year to $15.7 million this year due primarily to the Wireless Matrix acquisition, which accounted for $3.9 million of the increase. The Company s MRM business accounted for $0.5 million of the increase in the three month period and $1.5 million of the increase in the nine month period.

Consolidated selling expenses increased to $4.9 million in the third quarter of this year from $3.0 million last year. For the nine-month year-to-date periods, selling expenses increased from $9.0 million last year to $14.8 million this year. The Wireless Matrix acquisition accounted for $1.4 million of the increase in the three month period and $4.1 million of the increase in the nine month period. The MRM and Wireless Networks businesses accounted for the remaining increases due to higher payroll expense as a result of additional sales and marketing personnel.

Consolidated general and administrative expenses ("G&A") increased to $3.3 million in the third quarter of this year from $2.7 million last year. The Wireless Matrix acquisition accounted for a third of the increase. The remaining increase is attributable primarily to higher information technology expense. For the nine-month periods, consolidated G&A increased to $10.5 million for fiscal 2014 from $8.8 million last year due primarily to the Wireless Matrix acquisition, which accounted for $1.2 million of the increase.

Amortization of intangibles increased from $0.5 million in the third quarter of last year to $1.5 million in the third quarter of this year. For the nine-month periods, amortization of intangibles increased to $4.6 million this year from $1.3 million last year. These increases are attributable to the Navman product line acquisition in May 2012 and the Wireless Matrix acquisition in March 2013.

Non-operating Expense, Net

Non-operating expense, net decreased by $61,000 to $77,000 in the third quarter of this year compared to $138,000 in the third quarter of last year due primarily to decreased interest expense of $57,000 on the lower balance of the Navman note outstanding in the third quarter of this year compared to the same period last year.

Non-operating expense, net was $327,000 in the nine months ended November 30, 2013 compared to $330,000 in the nine months ended November 30, 2012.

Income Tax Provision

The effective income tax rate was 29.4% and 34.5% in the three and nine month periods ended November 30, 2013, respectively. The Company s effective tax rate for the three and nine month periods ended November 30, 2013 is lower than the combined U.S. statutory federal and state income tax rate of approximately 41% due primarily to research and development tax credits and because no foreign taxes were provided for certain foreign earnings that are sheltered by foreign net operating loss carryforwards for which no tax benefit was previously recognized.

No income tax provision was recorded during the three and nine month periods ended November 30, 2012, other than minimum income taxes in the U.S. and foreign income taxes, primarily due to the fact that the income tax provision was offset by a reduction of the deferred tax asset valuation allowance. Substantially all of the remaining deferred tax asset valuation allowance was eliminated in the quarter ended February 28, 2013 in connection with an assessment of the future realizability of the Company s deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

On March 1, 2013, the Company and Square 1 Bank entered into the Eighth Amendment (the Eighth Amendment) to the Loan and Security Agreement dated as of December 22, 2009 (as amended by the Eighth Amendment, the Amended Loan Agreement). The Eighth Amendment increased the maximum credit limit of the facility from $12 million to $15 million, lowered the interest rate on outstanding borrowings from prime plus 1.0% to prime, and extended the facility maturity date from August 15, 2014 to March 1, 2017. Interest is payable on the last day of each calendar month. The Eighth Amendment provided for a new $5 million term loan (the New Term Loan) that was fully funded on March 4, 2013. Concurrent with funding the New Term Loan, the pre-existing bank term loan with an outstanding principal balance of $1.8 million was retired. Principal of the New Term Loan was repayable at the rate of $83,333 per month beginning April 2013. The Company repaid the term loan in full in October 2013. The revolver portion of the Amended Loan Agreement has a borrowing limit equal to the lesser of (a) $15 million minus the term loan principal outstanding at any point in time, or (b) 85% of eligible accounts receivable. There were no borrowings outstanding on the revolver at November 30, 2013.

The Amended Loan Agreement contains financial covenants that require the Company to maintain a minimum level of earnings before interest, income taxes, depreciation, amortization and other noncash charges ("EBITDA") and a minimum debt coverage ratio, both measured monthly beginning March 2013 on a rolling 12-month basis. At November 30, 2013, the Company was in compliance with its debt covenants under the credit facility.

The Company's primary sources of liquidity are its cash and cash equivalents and the revolving line of credit with Square 1 Bank. During the nine months ended November 30, 2013, cash and cash equivalents decreased by $32.0 million. During this period, cash of $19.4 million was provided by operations, cash of $48.2 million was used in investing activities, consisting of net cash used of $46.9 million for the Wireless Matrix acquisition and capital expenditures of $1.4 million, and cash of $3.2 million was used in financing activities, consisting of net repayment of bank term loan of $1.8 million, principal payments on the note payable to Navman of $0.7 million, and proceeds of $3.0 million from exercise of stock options, partially offset by taxes paid related to net share settlement of vested equity awards of $3.0 million.

FORWARD LOOKING STATEMENTS

Forward looking statements in this Form 10-Q which include, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions, projections and other information regarding future performance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "may", "will", "could", "plans", "intends", "seeks", "believes", "anticipates", "expects", "estimates", "judgment", "goal", and variations of these words and similar expressions, are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance and are subject to certain risks and uncertainties, including, without limitation, product demand, competitive pressures and pricing declines in the Company's wireless and satellite markets, the timing of customer approvals of new product designs, intellectual property infringement claims, interruption or failure of our Internet-based systems used to wirelessly configure and communicate with the tracking and monitoring devices that we sell, and other risks and uncertainties that are set forth in Part I, Item 1A of the Annual Report on Form 10-K for the year ended February 28, 2013 as filed with the Securities and Exchange Commission on April 25, 2013. Such risks and uncertainties could cause actual results to differ materially from historical or anticipated results. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

The Company has international operations, giving rise to exposure to market risks from changes in foreign exchange rates. A cumulative foreign currency translation loss of $65,000 related to the Company's Canadian subsidiary is included in accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet at November 30, 2013, where it will remain unchanged for such time that the Canadian subsidiary continues to be part of the Company s consolidated financial statements. The aggregate foreign currency transaction exchange rate losses included in determining income before income taxes were $10,000 and $9,000 in the three months ended November 30, 2013 and 2012, respectively. The aggregate foreign currency transaction exchange rate losses included in determining income before income taxes were $45,000 and $12,000 in the nine months ended November 30, 2013 and 2012, respectively.

Interest Rate Risk

The Company has variable-rate bank debt. A fluctuation of one percent in the interest rate on the $15 million credit facility with Square 1 Bank would have an annual impact of approximately $150,000 on the Company's consolidated income statement assuming that the full amount of the facility was borrowed. At November 30, 2013, there were no outstanding borrowings on this bank credit facility.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's principal executive officer and principal financial officer have concluded, based on their evaluation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, (the "Exchange Act")) as of the end of the period covered by this Report, that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed in reports that are filed or submitted under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not currently involved in any material pending legal proceedings.

ITEM 1A. RISK FACTORS

The reader is referred to Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended February 28, 2013, as filed with the Securities and Exchange Commission on April 25, 2013, for a discussion of factors that could materially affect the Company's business, financial condition or future results.

ITEM 6. EXHIBITS

Exhibit 31.1 - Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 - Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32 - Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. LAB	XBRL Taxonomy Extension Label Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

December 23, 2013	/s/ Richard Vitelle
Date	Richard Vitelle Executive Vice President & CFO (Principal Financial Officer and Chief Accounting Officer)