

BLACKROCK VIRGINIA MUNICIPAL BOND TRUST

Form N-CSR

November 03, 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 811-21053

Name of Fund: BlackRock Virginia Municipal Bond Trust (BHV)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Virginia Municipal  
Bond Trust, 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: 08/31/2014

Date of reporting period: 08/31/2014

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Item 1 Report to Stockholders

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AUGUST 31, 2014

ANNUAL REPORT

**BlackRock Maryland Municipal Bond Trust (BZM)**

**BlackRock Massachusetts Tax-Exempt Trust (MHE)**

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

**BlackRock New Jersey Municipal Bond Trust (BLJ)**

**BlackRock New York Municipal Bond Trust (BQH)**

**BlackRock New York Municipal Income Quality Trust (BSE)**

**BlackRock New York Municipal Income Trust II (BFY)**

**BlackRock Virginia Municipal Bond Trust (BHV)**

Not FDIC Insured   May Lose Value   No Bank Guarantee

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## Shareholder Letter

Dear Shareholder,

The latter part of 2013 was a strong period for most risk assets such as equities and high yield bonds, despite the mixed tone of economic and financial news and uncertainty as to when and by how much the U.S. Federal Reserve would begin to gradually reduce (or taper) its asset purchase programs. Stock markets rallied in September when the Fed defied investors' expectations with its decision to delay tapering. The momentum was disrupted temporarily, however, when the U.S. debt ceiling debate led to a partial government shutdown, roiling financial markets globally until a compromise was struck in mid-October. The remainder of 2013 was generally positive for developed market stocks, while fixed income and emerging market investments struggled as Fed tapering became increasingly imminent. When the central bank ultimately announced its tapering plans in mid-December, equity investors reacted positively, as this action signaled the Fed's perception of real improvement in the economy.

Most asset classes moved higher in 2014 despite the pull back in Fed stimulus. The year got off to a rocky start, however, as a number of developing economies showed signs of stress while facing the onset of diminishing global liquidity. These risks, combined with disappointing U.S. economic data, caused equities to decline in January while bond markets found renewed strength from investors seeking relatively safer assets. Although these headwinds persisted, equities were back on the rise in February as investors were relieved by a one-year extension of the U.S. debt ceiling and market-friendly comments from the Fed's new Chairwoman, Janet Yellen. While it was clear that U.S. economic data had softened, investors were assuaged by increasing evidence that the trend was temporary and weather-related, and continued to take on risk with the expectation that growth would pick up later in the year.

In the months that followed, interest rates trended lower and bond prices climbed higher in the modest growth environment. Financial markets exhibited a remarkably low level of volatility despite rising geopolitical risks and mixed global economic news. Tensions in Russia and Ukraine and signs of decelerating growth in China caused some turbulence, but markets were resilient as investors focused on signs of improvement in the U.S. recovery, stronger corporate earnings and increased merger-and-acquisition activity. Importantly, investors were comforted by reassurance from the Fed that no changes to short-term interest rates were on the horizon.

In the ongoing low-rate environment, investors looked to equities as a source of yield, pushing major indices to record levels. As stock prices continued to move higher, investors soon became wary of stretched valuations and a new theme emerged. Stocks that had experienced significant price appreciation in 2013, particularly growth and momentum names, broadly declined as investors fled to stocks with cheaper valuations. This rotation resulted in the strongest performers of 2013 struggling most in 2014, and vice versa. Especially hard hit were U.S. small cap and European stocks, where earnings growth had not kept pace with recent market gains. In contrast, emerging market stocks benefited from the trend after having suffered heavy selling pressure earlier in the year.

However, asset prices tend to be more vulnerable to bad news when investors believe valuations are high. Consequently, markets came under pressure in July as geopolitical turmoil intensified in Gaza, Iraq and Ukraine and financial troubles boiled over in Argentina and Portugal. Investors regained confidence in August and, although volatility ticked up, markets rebounded as low rates and an improving U.S. economy trumped full valuations and lingering geopolitical risks. Concurrently, a slowdown in Europe's recovery fueled hopes for further monetary accommodation from the European Central Bank, driving global equities higher. Additionally, lower yields on European sovereign bonds made U.S. Treasuries more appealing by comparison, contributing to the persistence of low rates in the United States.

Despite a host of challenges, most asset classes generated solid returns for the six- and 12-month periods ended August 31, 2014, with equities generally outperforming fixed income. Emerging market equities delivered impressive gains. Developed markets also performed well, although the expensive U.S. small cap stocks lagged in 2014. Most fixed income assets produced positive results even as the Fed reduced its open-market purchases. Tax-exempt municipal bonds benefited from a favorable supply-and-demand environment. Short-term interest rates remained near zero, keeping yields on money market securities close to historic lows.

At BlackRock, we believe investors need to think globally, extend their scope across a broad 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 [blackrock.com](http://blackrock.com) for further insight about investing in today's world.

Sincerely,

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Rob Kapito

President, BlackRock Advisors, LLC

*Asset prices pushed higher over the period despite modest global growth, geopolitical risks and a shift toward tighter U.S. monetary policy.*

Rob Kapito

President, BlackRock Advisors, LLC

## Total Returns as of August 31, 2014

	<b>6-month</b>	<b>12-month</b>
U.S. large cap equities (S&P 500® Index)	8.84%	25.25%
U.S. small cap equities (Russell 2000® Index)	(0.06)	17.68
International equities (MSCI Europe, Australasia, Far East Index)	1.24	16.44
Emerging market equities (MSCI Emerging Markets Index)	14.52	19.98
3-month Treasury bills (BofA Merrill Lynch 3-Month U.S. Treasury Bill Index)	0.02	0.05
U.S. Treasury securities (BofA Merrill Lynch 10-Year U.S. Treasury Index)	4.35	7.07
U.S. investment-grade bonds (Barclays U.S. Aggregate Bond Index)	2.74	5.66
Tax-exempt municipal bonds (S&P Municipal Bond Index)	4.21	10.55
U.S. high yield bonds  (Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	2.89	10.57

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 August 31, 2014

**Municipal Market Conditions**

The latter part of 2013 was a challenging period for municipal bond performance. Heightened uncertainty as to when the U.S. Federal Reserve would begin to reduce its bond-buying stimulus program (and by how much) caused interest rates to be volatile and generally move higher. (Bond prices fall as rates rise.) Municipal bond mutual funds saw strong outflows through year end when the Fed finally announced its plan to begin the gradual reduction of stimulus in January 2014. Relieved of anxiety around policy changes, investors again sought the relative safety of municipal bonds in the new year. Surprisingly, interest rates trended lower in the first half of 2014 even as the Fed pulled back on its open-market bond purchases. Softer U.S. economic data amid one of the harshest winters on record, coupled with reassurance from the Fed that short-term rates would remain low for a considerable amount of time, resulted in stronger demand for fixed income investments, with municipal bonds being one of the stronger performing sectors. Still, for the 12-month period ended August 31, 2014, municipal bond funds saw net outflows of approximately \$11 billion (based on data from the Investment Company Institute).

High levels of interest rate volatility in the latter half of 2013, particularly on the long end of the curve, resulted in a curtailment of tax-exempt issuance during the period. However, from a historical perspective, total new issuance for the 12 months ended August 31 remained relatively strong at \$305 billion (but meaningfully lower than the \$354 billion issued in the prior 12-month period). A noteworthy 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.

<b>S&amp;P Municipal Bond Index</b>	
Total Returns as of August 31, 2014	
6 months :	4.21%
12 months :	10.55%

**A Closer Look at Yields**

From August 31, 2013 to August 31, 2014, muni yields on AAA-rated 30-year municipal bonds decreased by 142 basis points ( bps ) from 4.45% to 3.03%, while 10-year rates decreased 87 bps from 2.94% to 2.07% and 5-year rates fell 44 bps from 1.52% to 1.08% (as measured by Thomson Municipal Market Data). Overall, the municipal yield curve remained relatively steep over the 12-month period even as the spread between 2- and 30-year maturities flattened by 129 bps and the spread between 2- and 10-year maturities flattened by 74 bps.

During the same time period, U.S. Treasury rates fell by 62 bps on 30-year and 45 bps on 10-year bonds, while moving up 1 bp in 5-years. Accordingly, tax-exempt municipal bonds outperformed Treasuries across the yield curve as investors sought to reduce interest rate risk later in the period. On the short and intermediate parts 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 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 the low-rate environment. 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**

Following an extended period of nation-wide austerity and de-leveraging as states sought to balance their budgets, 16 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 a modestly improving economic environment.

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### The Benefits and Risks of Leveraging

The Trusts 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.

In general, the concept of leveraging is based on the premise that the financing cost of leverage, which will be based on short-term interest rates, will normally be 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 Trust (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Trust'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.

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, the 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 the Trust with the proceeds from leverage earn income based on longer-term interest rates. In this case, the Trust's financing cost of leverage is significantly lower than the income earned on the 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 Trust's return on assets purchased with leverage proceeds, income to shareholders will be lower than if the Trust had not used leverage. Furthermore, the value of the Trust's 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 Trust's obligations under its leverage arrangement generally does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Trust's NAVs positively or negatively. Changes in the future direction of interest rates are very difficult to predict accurately, and there is no assurance that a Trust's intended leveraging strategy will be successful.

Leverage also will generally cause greater changes in the Trusts' NAVs, market prices and dividend rates than comparable portfolios without leverage. In a declining market, leverage is likely to cause a greater decline in the net asset value and market price of a Trust's Common Shares than if the Trust were not leveraged. In addition, the Trust 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 Trust to incur losses. The use of leverage may limit the Trust's ability to invest in certain types of securities or use certain types of hedging strategies. The Trust 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.

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

Under the Investment Company Act of 1940 (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 the Trust's obligations under the TOB (including accrued interest), a TOB will not be considered a senior security and will not be subject to the foregoing limitations and requirements under the 1940 Act.

### Derivative Financial Instruments

The Trusts 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 Trusts' 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 Trust to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation a Trust can realize on an investment, may result in lower dividends paid to shareholders and/or may cause a Trust to hold an investment that it might otherwise sell. The Trusts' investments in these instruments are discussed in detail in the Notes to Financial Statements.

**Table of Contents****Trust Summary** as of August 31, 2014**BlackRock Maryland Municipal Bond Trust****Trust Overview**

BlackRock Maryland Municipal Bond Trust s (BZM) (the Trust ) investment objective is to provide current income exempt from regular federal income taxes and Maryland personal income taxes. The Trust seeks to achieve its investment objectives by investing primarily in municipal bonds exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax) and Maryland personal income taxes. The Trust invests, under normal market conditions, at least 80% of its assets in municipal bonds that are investment grade quality at the time of investment. 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.

**Performance**

For the 12-month period ended August 31, 2014, the Trust returned 21.68% based on market price and 20.39% based on NAV. For the same period, the closed-end Lipper Other States Municipal Debt Funds category posted an average return of 17.50% based on market price and 18.73% based on NAV. All returns reflect reinvestment of dividends. 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. The following discussion relates to performance based on NAV.

The Trust s duration exposure (sensitivity to interest rate movements) contributed positively to performance as municipal interest rates declined during the period (Bond prices rise when rates fall). The Trust s exposure to long-maturity bonds also benefited performance given that the yield curve flattened, with yields falling more significantly for bonds in the 20- to 30-year maturity range than for intermediate- and short-term bonds. The income generated from coupon payments on the Trust s portfolio of Maryland tax-exempt bonds also contributed to performance.

During the period, there were no material detractors from the Trust s performance.

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

**Trust Information**

Symbol on New York Stock Exchange ( NYSE ) MKT	BZM
Initial Offering Date	April 30, 2002
Yield on Closing Market Price as of August 31, 2014 (\$14.59) <sup>1</sup>	4.89%
Tax Equivalent Yield <sup>2</sup>	9.17%
Current Monthly Distribution per Common Share <sup>3</sup>	\$0.0595
Current Annualized Distribution per Common Share <sup>3</sup>	\$0.7140
Economic Leverage as of August 31, 2014 <sup>4</sup>	36%

<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 46.65%, 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.

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<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 Trust, including any assets attributable to VRDP Shares and TOBs, 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.

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**BlackRock Maryland Municipal Bond Trust**

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

	<b>8/31/14</b>	<b>8/31/13</b>	<b>Change</b>	<b>High</b>	<b>Low</b>
Market Price	\$ 14.59	\$ 12.66	15.24%	\$ 14.96	\$ 11.86
Net Asset Value	\$ 15.20	\$ 13.33	14.03%	\$ 15.20	\$ 13.22

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

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

**Sector Allocation**

	<b>8/31/14</b>	<b>8/31/13</b>
Health	20%	17%
Education	20	17
Transportation	19	19
County/City/Special District/School District	17	16
Housing	14	15
Utilities	7	12
Corporate	2	1
State	1	3

**Credit Quality Allocation<sup>1</sup>**

	<b>8/31/14</b>	<b>8/31/13</b>
AAA/Aaa	15%	15%
AA/Aa	36	40
A	23	20
BBB/Baa	11	11
BB/Ba	1	1
N/R <sup>2</sup>	14	13

<sup>1</sup> 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.

<sup>2</sup> The investment advisor 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, 2014 and August 31, 2013, the market value of unrated securities deemed by the investment advisor to be investment grade was \$1,108,290 and \$1,029,490, each representing 2%, respectively, of the Trust's long-term investments.

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

Calendar Year Ended December 31,

2014	6%
2015	6
2016	
2017	3
2018	8

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<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****Trust Summary** as of August 31, 2014**BlackRock Massachusetts Tax-Exempt Trust****Trust Overview**

BlackRock Massachusetts Tax-Exempt Trust's (MHE) (the Trust) investment objective is to provide as high a level of current income exempt from both regular federal income taxes and Massachusetts personal income taxes as is consistent with the preservation of shareholders' capital. The Trust seeks to achieve its investment objective by investing primarily in Massachusetts tax-exempt obligations (including bonds, notes and capital lease obligations). The Trust invests, under normal market conditions, at least 80% of its assets in obligations that are rated investment grade at the time of investment. Under normal market conditions, the Trust invests its assets so that at least 80% of the income generated by the Trust is exempt from federal income taxes, including federal alternative minimum tax, and Massachusetts personal income taxes. The Trust invests primarily in long term municipal obligations with maturities of more than ten years. 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.

**Performance**

For the 12-month period ended August 31, 2014, the Trust returned 22.42% based on market price and 20.47% based on NAV. For the same period, the closed-end Lipper Other States Municipal Debt Funds category posted an average return of 17.50% based on market price and 18.73% based on NAV. All returns reflect reinvestment of dividends. 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. The following discussion relates to performance based on NAV.

The municipal yield curve flattened during the period (i.e., rates on longer-dated bonds fell more than rates on shorter-dated securities). In this environment, the Trust's duration (interest rate sensitivity) had a positive impact on performance (Bond prices rise when rates fall). The Trust's longer-dated holdings in the health care, education and transportation sectors were particularly strong contributors to performance.

During the period, there were no material detractors from the Trust's performance.

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

**Trust Information**

Symbol on NYSE MKT	MHE
Initial Offering Date	July 23, 1993
Yield on Closing Market Price as of August 31, 2014 (\$13.75) <sup>1</sup>	5.45%
Tax Equivalent Yield <sup>2</sup>	10.16%
Current Monthly Distribution per Common Share <sup>3</sup>	\$0.0625
Current Annualized Distribution per Common Share <sup>3</sup>	\$0.7500
Economic Leverage as of August 31, 2014 <sup>4</sup>	36%

<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 46.37%, 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.

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- <sup>3</sup> The distribution rate is not constant and is subject to change.
- <sup>4</sup> Represents VRDP Shares as a percentage of total managed assets, which is the total assets of the Trust, including any assets attributable to VRDP Shares, 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.

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