

BLACKROCK MUNIYIELD QUALITY FUND III, INC
Form N-Q
June 27, 2011
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-06540

Name of Fund: BlackRock MuniYield Quality Fund III, Inc. (MYI)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock MuniYield Quality Fund III, Inc., 55 East 52nd Street, New York, NY 10055

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

Date of fiscal year end: 07/31/2011

Date of reporting period: 04/30/2011

Item 1 – Schedule of Investments

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Schedule of Investments April 30, 2011 (Unaudited)

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

| Municipal Bonds | Par (000) | Value |
|---|--------------|-------------------|
| Alabama 0.4% | | |
| Birmingham Special Care Facilities Financing Authority, RB, Children's Hospital (AGC), 6.00%, 6/01/39 | \$ 3,605 | \$ 3,770,506 |
| Alaska 1.6% | | |
| Alaska Housing Finance Corp., RB, General Housing, Series B (NPFGC), 5.25%, 12/01/30 | 2,000 | 2,010,860 |
| Borough of Matanuska-Susitna Alaska, RB, Goose Creek Correctional Center (AGC), 6.00%, 9/01/28 | 10,150 | 11,250,260 |
| | | <u>13,261,120</u> |
| Arizona 0.9% | | |
| Maricopa County & Phoenix Industrial Development Authorities, Refunding RB, S/F, Series A-2, AMT (Ginnie Mae), 5.80%, 7/01/40 | 1,830 | 1,864,038 |
| State of Arizona, COP, Department of Administration, Series A (AGM): 5.00%, 10/01/27 | 3,725 | 3,778,566 |
| 5.25%, 10/01/28 | 1,600 | 1,642,640 |
| | | <u>7,285,244</u> |
| California 14.2% | | |
| Alameda Corridor Transportation Authority, Refunding RB, CAB, Subordinate Lien, Series A (AMBAC), 5.56%, 10/01/24 (a) | 10,000 | 8,012,600 |
| California HFA, RB, Home Mortgage, Series K, AMT, 5.50%, 2/01/42 | 5,170 | 5,251,634 |
| California Health Facilities Financing Authority, Refunding RB: St. Joseph Health System, Series A, 5.75%, 7/01/39 | 1,550 | 1,449,684 |
| Sutter Health, Series B, 5.88%, 8/15/31 | 3,200 | 3,276,736 |
| California State University, RB, Systemwide, Series A (NPFGC), 5.00%, 11/01/32 | 9,865 | 9,342,549 |
| California State University, Refunding RB, Systemwide, Series A (AGM), 5.00%, 11/01/37 | 3,545 | 3,221,271 |

Municipal Bonds

Value

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| | Par (000) | |
|--|----------------------|--------------|
| California (continued) | | |
| California Statewide Communities Development Authority, RB (AGM): | | |
| St. Joseph Health System, Series E, 5.25%, 7/01/47 | \$ 9,000 | \$ 8,083,260 |
| Sutter Health, Series D, 5.05%, 8/15/38 | 750 | 672,375 |
| City of Redding California, COP, Refunding, Series A (AGM), 5.00%, 6/01/30 | 1,900 | 1,886,054 |
| City of San Jose California, Refunding RB, Series A, AMT (AMBAC), 5.50%, 3/01/32 | 11,965 | 11,435,668 |
| County of Sacramento California, RB, Senior Series A (AGM), 5.00%, 7/01/41 | 15,000 | 13,259,700 |
| Fairfield-Suisun Unified School District California, GO, Election of 2002 (NPFGC), 5.50%, 8/01/28 | 5,800 | 6,070,454 |
| Los Angeles Community College District California, GO, Election of 2001, Series A (AGM), 5.00%, 8/01/32 | 1,200 | 1,190,592 |
| Los Angeles Municipal Improvement Corp., RB, Series B1 (NPFGC), 4.75%, 8/01/37 | 14,000 | 12,096,700 |
| Mendocino-Lake Community College District, GO, Election of 2006, Series A (NPFGC), 5.00%, 8/01/31 | 1,485 | 1,446,137 |
| Norwalk-La Mirada Unified School District California, GO, Refunding, CAB, Election of 2002, Series E (AGC), 6.47%, 8/01/38 (b) | 7,620 | 1,134,923 |
| Oceanside Unified School District California, GO, Series A (AGC), 5.25%, 8/01/33 | 2,500 | 2,501,275 |
| Port of Oakland, RB, Series K, AMT (NPFGC), 5.75%, 11/01/29 | 3,645 | 3,559,853 |
| Port of Oakland, Refunding RB, Series M, AMT (NPFGC), 5.38%, 11/01/27 | 8,030 | 7,589,073 |
| Riverside County Public Financing Authority, Tax Allocation Bonds, Redevelopment Projects (Syncora), 5.00%, 10/01/35 | 10,000 | 7,386,600 |

Portfolio Abbreviations

To simplify the listings of portfolio holdings in the Schedule of Investments, the names and descriptions of many of the securities have been abbreviated according to the following list:

| | |
|-------|---|
| AGC | Assured Guaranty Corp. |
| AGM | Assured Guaranty Municipal Corp. |
| AMBAC | American Municipal Bond Assurance Corp. |
| AMT | Alternative Minimum Tax (subject to) |

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| | |
|---------|---|
| ARB | Airport Revenue Bonds |
| BHAC | Berkshire Hathaway Assurance Corp. |
| CAB | Capital Appreciation Bonds |
| COP | Certificates of Participation |
| EDA | Economic Development Authority |
| ERB | Education Revenue Bonds |
| GAN | Grant Anticipation Notes |
| GO | General Obligation Bonds |
| HDA | Housing Development Authority |
| HFA | Housing Finance Agency |
| HRB | Housing Revenue Bonds |
| ISD | Independent School District |
| MRB | Mortgage Revenue Bonds |
| NPFGC | National Public Finance Guarantee Corp. |
| PSF-GTD | Permanent School Fund Guaranteed |
| RB | Revenue Bonds |
| S/F | Single-Family |

BLACKROCK MUNIYIELD QUALITY FUND III, INC.

APRIL 30, 2011

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Schedule of Investments (continued)

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

| Municipal Bonds | Par (000) | Value |
|---|--------------|--------------|
| California (concluded) | | |
| San Bernardino Community College District California, GO, Election of 2002, Series C (AGM), 5.00%, 8/01/31 | \$ 2,025 | \$ 1,976,967 |
| San Joaquin County Transportation Authority, RB, Limited Tax, Measure K, Series A, 6.00%, 3/01/36 | 1,830 | 1,929,955 |
| State of California, GO, Series 2007-2 (NPFGC), 5.50%, 4/01/30 | 10 | 10,110 |
| Stockton Public Financing Authority California, RB, Parking & Capital Projects (NPFGC), 5.25%, 9/01/34 | 5,000 | 4,549,350 |
| West Valley-Mission Community College District, GO, Election of 2004, Series A (AGM), 5.00%, 8/01/30 | 3,600 | 3,599,712 |
| | | 120,933,232 |
| District of Columbia 1.1% | | |
| Metropolitan Washington Airports Authority, RB, Series B, AMT (AMBAC), 5.00%, 10/01/32 | 10,000 | 9,667,800 |
| Florida 17.8% | | |
| Broward County School Board Florida, COP, Series A (AGM), 5.25%, 7/01/33 | 15,000 | 14,805,450 |
| City of Orlando Florida, RB, Senior, 6th Cent Contract Payments, Series A (AGC), 5.25%, 11/01/38 | 13,950 | 12,277,534 |
| City of Tallahassee Florida, RB (NPFGC), 5.00%, 10/01/32 | 3,300 | 3,265,647 |
| Collier County School Board, COP (AGM), 5.00%, 2/15/23 | 5,000 | 5,134,400 |
| County of Broward Florida, RB, Series A, 5.25%, 10/01/34 | 2,250 | 2,278,868 |
| County of Miami-Dade Florida, GO, Building Better Communities Program: Series B, 6.38%, 7/01/28 | 6,000 | 6,667,860 |
| Series B-1, 5.75%, 7/01/33 | 3,700 | 3,862,985 |
| County of Miami-Dade Florida, RB: Jackson Health System (AGC), 5.75%, 6/01/39 | 5,200 | 5,258,656 |
| Miami International Airport, AMT (NPFGC), 5.38%, 10/01/25 | 7,500 | 7,581,900 |
| Miami International Airport, AMT (NPFGC), 5.38%, 10/01/27 | 1,000 | 1,004,500 |

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| | | |
|---|--------|------------|
| Miami International Airport, Series A, AMT (AGM), 5.50%, 10/01/41 | 19,020 | 17,872,904 |
| Water & Sewer System (AGM), 5.00%, 10/01/39 | 11,700 | 11,354,148 |
| County of Miami-Dade Florida, Refunding RB: (AGM), 5.00%, 7/01/35 | 2,800 | 2,693,432 |
| Miami International Airport, AMT (AGC), 5.00%, 10/01/40 | 11,000 | 9,583,420 |
| Miami International Airport, Series A, AMT (AGC), 5.00%, 10/01/35 | 2,100 | 1,879,416 |
| Series C (BHAC), 6.00%, 10/01/23 | 20,095 | 22,874,540 |
| County of Orange Florida, Refunding RB, Series B (NPFGC), 5.13%, 1/01/32 | 2,000 | 1,971,020 |

| Municipal Bonds | Par (000) | Value |
|-----------------|--------------|-------|
|-----------------|--------------|-------|

Florida (concluded)

| | | |
|---|----------|--------------|
| Highlands County Health Facilities Authority, RB, Adventist Health System/Sunbelt, Series B, 6.00%, 11/15/37 | \$ 1,750 | \$ 1,789,813 |
| Miami-Dade County School Board, COP, Refunding, Series B (AGC), 5.25%, 5/01/31 | 2,390 | 2,401,114 |
| Orange County School Board, COP, Series A (AGC), 5.50%, 8/01/34 | 12,000 | 12,093,840 |
| Sarasota County Public Hospital District, RB, Sarasota Memorial Hospital Project, Series A, 5.63%, 7/01/39 | 5,135 | 5,130,943 |
| | | 151,782,390 |

Georgia 1.7%

| | | |
|---|--------|------------|
| City of Atlanta Georgia, RB, General, Series B (AGM), 5.25%, 1/01/33 | 12,500 | 12,509,875 |
| Gwinnett County Hospital Authority, Refunding RB, Gwinnett Hospital System, Series D (AGM), 5.50%, 7/01/41 | 2,275 | 2,187,481 |
| | | 14,697,356 |

Illinois 17.5%

| | | |
|--|--------|------------|
| Chicago Board of Education Illinois, GO, Refunding, CAB, School Reform, Series A (NPFGC), 5.38%, 12/01/22 (b) | 8,230 | 4,274,333 |
| Chicago Park District, GO, Harbor Facilities, Series C, 5.25%, 1/01/40 | 1,505 | 1,498,258 |
| City of Chicago Illinois, ARB, General, Third Lien, Series B-2, AMT (NPFGC): 5.25%, 1/01/27 | 16,685 | 15,978,891 |
| 6.00%, 1/01/27 | 26,230 | 26,536,366 |
| City of Chicago Illinois, GO, CAB, City Colleges (NPFGC) (b): | | |

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| | | |
|---|--------|------------|
| 5.56%, 1/01/29 | 5,000 | 1,587,100 |
| 5.13%, 1/01/33 | 7,950 | 1,835,258 |
| City of Chicago Illinois, GO, Refunding, Series B (AGM), 5.00%, 1/01/24 | 12,950 | 12,978,101 |
| City of Chicago Illinois, Refunding ARB, General, Third Lien, Series C-2, AMT (AGM), 5.25%, 1/01/30 | 16,400 | 15,868,148 |
| County of Cook Illinois, GO, Refunding, Series A, 5.25%, 11/15/33 | 3,700 | 3,702,664 |
| Illinois Finance Authority, Refunding RB, Northwestern Memorial Hospital, Series A, 6.00%, 8/15/39 | 5,250 | 5,433,067 |
| Illinois Municipal Electric Agency, RB, Series A (NPFGC): 5.00%, 2/01/35 | 21,200 | 20,317,020 |
| 5.25%, 2/01/35 | 15,000 | 14,818,200 |
| Illinois State Toll Highway Authority, RB, Series B: 5.50%, 1/01/33 | 4,000 | 4,044,160 |
| (BHAC), 5.50%, 1/01/33 | 2,000 | 2,053,700 |
| Kane, Kendall, Etc. Counties Community College District No. 516 Illinois, GO, CAB, Series E (NPFGC), 5.21%, 12/15/25 (b) | 8,750 | 3,738,350 |

Schedule of Investments (continued)

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

| Municipal Bonds | Par (000) | Value |
|---|--------------|--------------|
| Illinois (concluded) | | |
| Metropolitan Pier & Exposition Authority, RB, CAB, McCormick Place Expansion Project, Series A (NPFGC) (b): 5.75%, 6/15/32 | \$ 14,000 | \$ 3,579,800 |
| 6.00%, 12/15/34 | 10,000 | 2,107,400 |
| Metropolitan Pier & Exposition Authority, Refunding RB, CAB, McCormick Place Expansion Project, Series B (AGM) (b): 5.83%, 6/15/27 | 3,575 | 1,371,406 |
| 6.25%, 6/15/44 | 9,430 | 1,006,275 |
| Railsplitter Tobacco Settlement Authority, RB, 6.00%, 6/01/28 | 1,700 | 1,634,958 |
| Regional Transportation Authority, RB, Series C (NPFGC), 7.75%, 6/01/20 | 1,000 | 1,207,330 |
| State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/34 | 3,500 | 3,386,040 |
| | | 148,956,825 |
| Indiana 3.7% | | |
| City of Indianapolis Indiana, Refunding RB, Second Lien, Series B (AGC), 5.25%, 8/15/27 | 5,000 | 5,136,750 |
| Indiana Municipal Power Agency, RB: Series A (NPFGC), 5.00%, 1/01/37 | 9,200 | 8,654,900 |
| Series B, 5.75%, 1/01/34 | 1,050 | 1,060,763 |
| Series B, 6.00%, 1/01/39 | 5,000 | 5,126,000 |
| Indianapolis Local Public Improvement Bond Bank, Refunding RB, Waterworks Project, Series A: 5.75%, 1/01/38 | 2,900 | 2,951,881 |
| (AGC), 5.25%, 1/01/29 | 1,350 | 1,400,800 |
| (AGC), 5.50%, 1/01/38 | 6,800 | 6,909,956 |
| | | 31,241,050 |
| Iowa 1.5% | | |
| Iowa Finance Authority, RB, Series A (AGC), 5.63%, 8/15/37 | 12,650 | 12,719,575 |
| Kentucky 1.7% | | |
| Kentucky State Property & Buildings Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/28 | 4,000 | 4,167,680 |
| Louisville & Jefferson County Metropolitan Sewer District Kentucky, | 10,000 | 10,087,800 |

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| | | |
|---|--|------------|
| RB, Series A (NPFGC), 5.25%, 5/15/37 | | 14,255,480 |
|---|--|------------|

Louisiana 1.2%

| | | |
|---|--------|-----------|
| New Orleans Aviation Board Louisiana, RB, New Orleans Aviation, Series A, AMT (AGM), 5.25%, 1/01/32 | 10,000 | 9,949,300 |
|---|--------|-----------|

Massachusetts 5.2%

| | | |
|---|--------|------------|
| Massachusetts HFA, RB: S/F Housing, Series 128, AMT (AGM), 4.88%, 12/01/38 (c) | 11,890 | 10,747,133 |
| Series B, 7.00%, 12/01/38 | 3,440 | 3,736,425 |
| Massachusetts HFA, Refunding RB: Housing Development, Series B (NPFGC), 5.40%, 12/01/28 | 1,835 | 1,798,190 |
| Rental Housing, Series A, AMT (AGM), 5.15%, 7/01/26 | 16,245 | 16,594,105 |
| Series C, AMT, 5.35%, 12/01/42 | 3,100 | 2,832,160 |

| Municipal Bonds | Par (000) | Value |
|--|--------------|--------------|
| Massachusetts (concluded) Massachusetts Port Authority, Refunding RB, BOSFUEL Project, AMT (NPFGC), 5.00%, 7/01/38 | \$ 9,925 | \$ 8,542,646 |
| | | 44,250,659 |

Michigan 7.4%

| | | |
|--|-------|-----------|
| City of Detroit Michigan, RB (AGM), Series B: Second Lien, 6.25%, 7/01/36 | 1,075 | 1,144,123 |
| Second Lien, 7.00%, 7/01/36 | 500 | 560,315 |
| Senior Lien, 7.50%, 7/01/33 | 1,800 | 2,100,006 |
| City of Detroit Michigan, Refunding RB: Senior Lien, Series C-1 (AGM), 7.00%, 7/01/27 | 1,500 | 1,741,695 |
| Senior Lien, Series D (AGM), 5.00%, 7/01/23 | 9,085 | 8,954,176 |
| Series C (NPFGC), 5.00%, 7/01/22 | 4,540 | 4,512,805 |
| Series D (NPFGC), 5.00%, 7/01/33 | 5,000 | 4,430,050 |
| Kalamazoo Hospital Finance Authority, RB, Bronson Methodist Hospital (AGM), 5.25%, 5/15/36 | 1,160 | 1,080,575 |
| Michigan State Building Authority, Refunding RB, Facilities Program, Series I: 6.25%, 10/15/38 | 3,125 | 3,300,000 |
| (AGC), 5.25%, 10/15/24 | 1,750 | 1,829,695 |
| (AGC), 5.25%, 10/15/25 | 3,250 | 3,353,382 |
| Michigan State HDA, RB, Series C, AMT, 5.50%, 12/01/28 | 2,900 | 2,792,323 |
| Michigan Strategic Fund, Refunding RB, Detroit Edison Co. Project, Series A, AMT (Syncora), 5.50%, 6/01/30 | 5,000 | 4,789,000 |

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| | | |
|--|--------|------------|
| State of Michigan, RB, GAN (AGM): | | |
| 5.25%, 9/15/22 | 10,000 | 10,776,400 |
| 5.25%, 9/15/26 | 6,650 | 6,949,782 |
| Wayne County Airport Authority, Refunding RB, AMT (AGC), 5.38%, 12/01/32 | | |
| | 5,000 | 4,602,700 |
| | | 62,917,027 |
| Minnesota 0.7% | | |
| City of Minneapolis Minnesota, Refunding RB, Fairview Health Services, Series B (AGC), 6.50%, 11/15/38 | | |
| | 5,500 | 5,860,140 |
| Missouri 0.00% | | |
| Missouri Housing Development Commission, RB, S/F Homeowner Loan, Series C-1, AMT (Ginnie Mae), 7.15%, 3/01/32 | | |
| | 55 | 56,550 |
| Nevada 4.7% | | |
| City of Las Vegas Nevada, GO, Limited Tax, Performing Arts Center, 6.00%, 4/01/34 | | |
| | 2,250 | 2,389,545 |
| County of Clark Nevada, RB: Las Vegas-McCarran International Airport, Series A (AGC), 5.25%, 7/01/39 | | |
| | 5,170 | 4,852,097 |
| Southwest Gas Corp. Project, Series A, AMT (AMBAC), 5.25%, 7/01/34 | | |
| | 7,500 | 6,646,125 |

BLACKROCK MUNIYIELD QUALITY FUND III, INC.

APRIL 30, 2011

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Schedule of Investments (continued)

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

| Municipal Bonds | Par (000) | Value |
|--|--------------|-------------------|
| Nevada (concluded) | | |
| County of Clark Nevada, RB (concluded): | | |
| Subordinate Lien, Series A-2 (NPFGC), 5.00%, 7/01/30 | \$ 20,000 | \$ 18,959,000 |
| Las Vegas Convention & Visitors Authority, RB (AMBAC), 5.00%, 7/01/37 | 8,500 | 7,610,475 |
| | | <u>40,457,242</u> |
| New Jersey 3.2% | | |
| New Jersey EDA, RB, Cigarette Tax, 5.75%, 6/15/34 | 4,000 | 3,543,200 |
| New Jersey EDA, Refunding RB, School Facilities Construction, Series N-1: (AMBAC), 5.50%, 9/01/24 | 10,000 | 10,675,900 |
| (NPFGC), 5.50%, 9/01/28 | 1,685 | 1,761,836 |
| New Jersey Transportation Trust Fund Authority, RB, Transportation System: CAB, Series C (AGC), 5.71%, 12/15/25 (b) | 15,735 | 6,665,503 |
| Series A (NPFGC), 5.75%, 6/15/25 | 4,250 | 4,614,905 |
| | | <u>27,261,344</u> |
| New York 2.5% | | |
| City of New York New York, GO, Series J, 5.25%, 5/15/24 | 10,000 | 10,703,100 |
| New York City Transitional Finance Authority, RB, Fiscal 2009, Series S-4, 5.50%, 1/15/34 | 7,250 | 7,521,295 |
| New York State Dormitory Authority, ERB, Series B, 5.25%, 3/15/38 | 3,250 | 3,312,790 |
| | | <u>21,537,185</u> |
| North Carolina 0.6% | | |
| North Carolina Medical Care Commission, RB, Novant Health Obligation, Series A, 4.75%, 11/01/43 | 6,175 | 4,994,834 |
| Ohio 0.7% | | |
| County of Lucas Ohio, Refunding RB, Promedica Healthcare, Series A, 6.50%, 11/15/37 | 3,000 | 3,130,140 |

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| | | |
|--|-------|-----------|
| Ohio Higher Educational Facility Commission, Refunding RB, Summa Health System, 2010 Project (AGC), 5.25%, 11/15/40 | 2,775 | 2,609,888 |
|--|-------|-----------|

5,740,028

Pennsylvania 2.9%

| | | |
|---|--------|------------|
| Pennsylvania Turnpike Commission, RB: Series A (AMBAC), 5.50%, 12/01/31 | 15,600 | 15,755,688 |
| Sub-Series C (AGC), 6.25%, 6/01/38 | 5,695 | 6,174,063 |
| Subordinate, Special Motor License Fund, 6.00%, 12/01/36 | 2,575 | 2,767,095 |

24,696,846

Puerto Rico 2.7%

| | | |
|--|-------|-----------|
| Puerto Rico Public Buildings Authority, Refunding RB, Government Facilities, Series M-3 (NPFGC): 6.00%, 7/01/26 | 3,325 | 3,382,755 |
| 6.00%, 7/01/27 | 3,720 | 3,799,943 |

Municipal Bonds

**Par
(000)**

Value

Puerto Rico (concluded)

| | | |
|--|----------|--------------|
| Puerto Rico Public Buildings Authority, Refunding RB, Government Facilities, Series M-3 (NPFGC) (concluded): 6.00%, 7/01/28 | \$ 2,750 | \$ 2,804,230 |
| Puerto Rico Sales Tax Financing Corp., RB, First Sub-Series A, 6.38%, 8/01/39 | 10,195 | 10,567,321 |
| Puerto Rico Sales Tax Financing Corp., Refunding RB: CAB, Series A (NPFGC), 5.69%, 8/01/41 (b) | 7,500 | 1,002,000 |
| First Sub-Series C, 6.00%, 8/01/39 | 1,180 | 1,183,186 |

22,739,435

South Carolina 1.5%

| | | |
|--|-------|-----------|
| Charleston Educational Excellence Finance Corp., RB, Charleston County School (AGC): 5.25%, 12/01/28 | 3,895 | 3,975,899 |
| 5.25%, 12/01/29 | 3,215 | 3,269,848 |
| 5.25%, 12/01/30 | 1,160 | 1,175,022 |
| South Carolina Jobs-EDA, Refunding RB, Palmetto Health, Series A (AGM), 6.50%, 8/01/39 (d) | 3,600 | 3,653,352 |
| South Carolina State Housing Finance & Development Authority, Refunding RB, Series A-2, AMT (AGM), 6.35%, 7/01/19 | 405 | 410,605 |

Tennessee 0.2%

| | | |
|--|-------|-----------|
| Tennessee Housing Development Agency, Refunding RB, Homeownership Program, Series A, AMT (AGM), 5.35%, 1/01/26 | 1,475 | 1,475,177 |
|--|-------|-----------|

Texas 14.8%

| | | |
|--|--------|------------|
| City of Houston Texas, RB, Combined, First Lien, Series A (AGM), 5.00%, 11/15/36 | 10,000 | 10,021,900 |
| City of Houston Texas, Refunding RB, Combined, First Lien, Series A (AGC): 6.00%, 11/15/35 | 5,700 | 6,243,381 |
| 5.38%, 11/15/38 | 3,650 | 3,761,581 |
| Dallas ISD, GO, School Building (PSF-GTD), 6.38%, 2/15/34 | 10,000 | 11,498,800 |
| Dallas-Fort Worth International Airport Facilities Improvement Corp., Refunding RB, Joint Series A, AMT (NPFGC), 5.63%, 11/01/26 | 15,000 | 15,052,050 |
| Grand Prairie ISD Texas, GO, Refunding, CAB, 6.58%, 8/15/28 (b) | 10,000 | 3,475,400 |
| Harris County Hospital District, RB, Senior Lien, Series A (NPFGC), 5.25%, 2/15/37 | 9,650 | 9,140,769 |
| Harris County-Houston Sports Authority, Refunding RB, Senior Lien, Series G (NPFGC), 5.25%, 11/15/30 | 5,000 | 3,792,850 |
| Judson ISD Texas, GO, School Building (AGC), 5.00%, 2/01/37 | 10,000 | 9,927,600 |
| North Texas Tollway Authority, Refunding RB, First Tier: Series A, 6.00%, 1/01/28 | 6,275 | 6,625,271 |

Schedule of Investments (continued)

BlackRock MuniYield Quality Fund III, Inc. (MYI)

(Percentages shown are based on Net Assets)

| Municipal Bonds | Par (000) | Value |
|--|--------------|--------------------|
| Texas (concluded) | | |
| North Texas Tollway Authority, Refunding RB, First Tier (concluded): System, Series A (NPFGC), 5.13%, 1/01/28 | \$ 21,750 | \$ 21,766,747 |
| System, Series B (NPFGC), 5.75%, 1/01/40 | 10,000 | 9,712,100 |
| Texas Department of Housing & Community Affairs, MRB, Series A, AMT (NPFGC), 5.45%, 9/01/23 | 3,900 | 3,920,007 |
| Texas State Turnpike Authority, RB, First Tier, Series A (AMBAC): 5.50%, 8/15/39 | 5,500 | 5,155,535 |
| 5.00%, 8/15/42 | 6,900 | 5,899,293 |
| | | <u>125,993,284</u> |
| Utah 2.4% | | |
| Utah Transit Authority, Refunding RB, CAB, Sub-Series A (b): (AGC), 5.41%, 6/15/20 | 15,930 | 10,633,912 |
| (NPFGC), 4.88%, 6/15/23 | 5,000 | 2,693,250 |
| (NPFGC), 5.22%, 6/15/24 | 13,930 | 7,015,287 |
| | | <u>20,342,449</u> |
| Vermont 0.3% | | |
| Vermont HFA, HRB, Series 12B, AMT (AGM), 6.30%, 11/01/19 | 275 | 280,464 |
| Vermont HFA, Refunding RB, Multiple Purpose, Series C, AMT (AGM), 5.50%, 11/01/38 (c) | 2,385 | 2,403,150 |
| | | <u>2,683,614</u> |
| Washington 4.7% | | |
| Chelan County Public Utility District No. 1, RB, Chelan Hydro System, Series A, AMT (AMBAC), 5.45%, 7/01/37 | 3,030 | 2,895,680 |
| Chelan County Public Utility District No. 1, Refunding RB, Chelan Hydro System, Series C, AMT (NPFGC), 5.65%, 7/01/32 | 6,000 | 6,011,580 |
| Radford Court Properties Washington, RB (NPFGC), 5.75%, 6/01/32 | 10,000 | 10,000,200 |

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| | | |
|--|-------|-------------------|
| Seattle Housing Authority Washington, RB, Capital Fund Program, High Rise Rehabilitation, Series III, AMT (AGM), 5.15%, 11/01/27 | 6,255 | 6,189,885 |
| Washington Health Care Facilities Authority, RB, Series A: Providence Health & Services, 5.00%, 10/01/39 | 1,125 | 998,899 |
| Providence Health & Services, 5.25%, 10/01/39 | 2,725 | 2,513,785 |
| Providence Health System (NPFGC), 5.25%, 10/01/21 | 5,575 | 5,654,723 |
| Washington Health Care Facilities Authority, Refunding RB, Catholic Health Initiatives, Series D, 6.38%, 10/01/36 | 5,400 | 5,654,340 |
| | | <u>39,919,092</u> |

| Municipal Bonds | Par (000) | Value |
|--|--------------|----------------------|
| Wisconsin 0.8% | | |
| Wisconsin Health & Educational Facilities Authority, RB: Ascension Health Senior Credit Group, 5.00%, 11/15/33 | \$ 3,745 | \$ 3,523,071 |
| SynergyHealth Inc., 6.00%, 11/15/32 | 3,395 | 3,411,636 |
| | | <u>6,934,707</u> |
| Total Municipal Bonds 118.6% | | <u>1,008,864,217</u> |

Municipal Bonds Transferred to Tender Option Bond Trusts (e)

| | | |
|--|--------|------------|
| Arizona 1.2% | | |
| Arizona School Facilities Board, COP (AGC), 5.13%, 9/01/21 | 10,000 | 10,432,700 |
| California 12.5% | | |
| Alameda County Joint Powers Authority, Refunding RB, Lease (AGM), 5.00%, 12/01/34 | 6,990 | 6,754,856 |
| California State University, RB, Systemwide, Series A (AGM), 5.00%, 11/01/33 | 7,996 | 7,542,884 |
| California State University, Refunding RB, Systemwide, Series A (AGM), 5.00%, 11/01/37 | 18,435 | 16,751,053 |
| City of Riverside California, RB, Issue D (AGM), 5.00%, 10/01/38 | 20,000 | 18,861,400 |
| | 7,500 | 7,456,800 |

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| | | |
|---|--------|-------------|
| Foothill-De Anza Community College District, GO, Election of 1999, Series C (NPFGC), 5.00%, 8/01/36 | | |
| Las Virgenes Unified School District California, GO, Series A (AGM), 5.00%, 8/01/31 | 10,000 | 9,824,210 |
| Los Angeles Community College District California, GO, Election of 2008, Series A, 6.00%, 8/01/33 | 5,248 | 5,664,810 |
| Orange County Sanitation District, COP, Series B (AGM), 5.00%, 2/01/37 | 10,780 | 10,838,104 |
| San Diego Community College District California, GO, Election of 2002, 5.25%, 8/01/33 | 1,047 | 1,064,358 |
| San Diego County Water Authority, COP, Refunding, Series 2008-A (AGM), 5.00%, 5/01/33 | 9,370 | 9,380,963 |
| San Francisco Bay Area Rapid Transit District, RB (AGM), 5.00%, 7/01/36 | 10,000 | 10,022,509 |
| University of California, RB, Series O, 5.75%, 5/15/34 | 2,205 | 2,346,407 |
| | | 106,508,354 |

Colorado 0.3%

| | | |
|---|-------|-----------|
| Colorado Health Facilities Authority, Refunding RB, Catholic Healthcare, Series A, 5.50%, 7/01/34 | 2,469 | 2,472,358 |
|---|-------|-----------|

Connecticut 0.6%

| | | |
|--|-------|-----------|
| Connecticut State Health & Educational Facility Authority, RB, Yale University, Series T-1, 4.70%, 7/01/29 | 5,010 | 5,138,106 |
|--|-------|-----------|

Schedule of Investments (continued)

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

| Municipal Bonds Transferred to Tender Option Bond Trusts (e) | Par (000) | Value |
|---|--------------|-------------------|
| District of Columbia 0.9% | | |
| District of Columbia, RB, Series A, 5.50%, 12/01/30 | \$ 2,595 | \$ 2,822,374 |
| District of Columbia Water & Sewer Authority, RB, Series A, 6.00%, 10/01/35 | 4,281 | 4,684,646 |
| | | <u>7,507,020</u> |
| Florida 0.4% | | |
| Florida State Board of Education, GO, Series D, 5.00%, 6/01/37 | 3,299 | 3,327,769 |
| Georgia 1.2% | | |
| Metropolitan Atlanta Rapid Transit Authority, RB, Third Indenture, Series B (AGM), 5.00%, 7/01/37 | 10,000 | 9,898,447 |
| Hawaii 1.2% | | |
| Honolulu City & County Board of Water Supply, RB, Series A (NPFGC), 5.00%, 7/01/33 | 9,830 | 9,912,474 |
| Illinois 2.6% | | |
| City of Chicago Illinois, GO, Refunding, Series A (AGC), 5.25%, 1/01/24 | 11,000 | 11,191,070 |
| Illinois Finance Authority, RB, University of Chicago, Series B, 6.25%, 7/01/38 | 10,000 | 11,074,800 |
| | | <u>22,265,870</u> |
| Kentucky 0.7% | | |
| Kentucky State Property & Building Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/27 | 5,985 | 6,264,456 |
| Louisiana 1.2% | | |
| State of Louisiana, RB, Series A (AGM), 5.00%, 5/01/36 | 10,000 | 10,000,000 |
| Nevada 0.7% | | |
| Clark County Water Reclamation District, GO, Series B: 5.50%, 7/01/29 | 510 | 540,776 |
| 5.75%, 7/01/34 | 4,813 | 5,186,615 |

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| | | |
|--|----------------------|--------------|
| | | 5,727,391 |
| New Jersey 1.3% | | |
| Garden State Preservation Trust, RB, Election of 2005, Series A (AGM), 5.75%, 11/01/28 | 10,000 | 11,318,600 |
| New York 4.9% | | |
| New York City Municipal Water Finance Authority, RB, Series DD, 5.00%, 6/15/37 | 17,567 | 17,576,597 |
| Port Authority of New York & New Jersey, RB, Consolidated, 155th Series, AMT (AGM), 5.13%, 7/15/30 | 19,500 | 19,617,975 |
| Triborough Bridge & Tunnel Authority, RB, General, Series A-2, 5.25%, 11/15/34 | 4,500 | 4,603,905 |
| | | 41,798,477 |
| North Carolina 1.1% | | |
| North Carolina HFA, RB, Series 31-A, AMT, 5.25%, 7/01/38 | 9,956 | 9,418,535 |
| Municipal Bonds Transferred to Tender Option Bond Trusts (e) | Par (000) | Value |
| Ohio 0.7% | | |
| County of Montgomery Ohio, RB, Catholic Health, Series C-1 (AGM), 5.00%, 10/01/41 | \$ 4,990 | \$ 4,325,631 |
| State of Ohio, RB, Cleveland Clinic Health, Series B, 5.50%, 1/01/34 | 1,520 | 1,512,081 |
| | | 5,837,712 |
| South Carolina 0.5% | | |
| South Carolina State Housing Finance & Development Authority, Refunding RB, Series B-1, 5.55%, 7/01/39 | 4,698 | 4,752,654 |
| Texas 4.0% | | |
| Friendswood ISD Texas, GO, Schoolhouse (PSF-GTD), 5.00%, 2/15/37 | 12,955 | 13,140,325 |
| Houston ISD, GO, Schoolhouse (PSF- GTD), 5.00%, 2/15/33 | 10,000 | 10,262,100 |
| Texas State University Systems, Refunding RB, 5.25%, 3/15/26 | 10,000 | 10,596,600 |
| | | 33,999,025 |
| Virginia 0.5% | | |
| University of Virginia, Refunding RB, General, 5.00%, 6/01/40 | 3,950 | 4,042,114 |

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Washington 6.2%

| | | |
|---|--------|------------|
| Central Puget Sound Regional Transit Authority, RB, Series A (AGM), 5.00%, 11/01/34 | 16,770 | 17,169,126 |
| County of King Washington, RB (AGM), 5.00%, 1/01/37 | 15,785 | 15,800,469 |
| Port of Seattle Washington, Refunding RB, Series B, AMT (NPFGC), 5.20%, 7/01/29 | 20,565 | 19,882,890 |
| | | 52,852,485 |

Wisconsin 0.4%

| | | |
|--|-------|-----------|
| Wisconsin Health & Educational Facilities Authority, Refunding RB, Froedtert & Community Health Inc., 5.25%, 4/01/39 | 3,959 | 3,623,909 |
|--|-------|-----------|

| | | |
|---|--|-------------|
| Total Municipal Bonds Transferred to Tender Option Bond Trusts 43.1% | | 367,098,456 |
|---|--|-------------|

| | | |
|--|--|---------------|
| Total Long-Term Investments (Cost \$1,398,801,082) 161.7% | | 1,375,962,673 |
|--|--|---------------|

Short-Term Securities

Shares

| | | |
|---|------------|------------|
| FFI Institutional Tax-Exempt Fund, 0.23% (f)(g) | 14,517,531 | 14,517,531 |
|---|------------|------------|

| | | |
|---|--|------------|
| Total Short-Term Securities (Cost \$14,517,531) 1.7% | | 14,517,531 |
|---|--|------------|

Schedule of Investments (continued)

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

| | Value |
|--|-----------------------|
| Total Investments | |
| (Cost \$1,413,318,613*) 163.4% | \$ 1,390,480,204 |
| Other Assets Less Liabilities 1.5% | 12,877,593 |
| Liability for Trust Certificates, Including Interest Expense and Fees Payable (23.0)% | (195,709,798) |
| Preferred Shares, at Redemption Value (41.9)% | (356,499,833) |
| Net Assets Applicable to Common Shares 100.0% | \$ 851,148,166 |

* The cost and unrealized appreciation (depreciation) of investments as of April 30, 2011, as computed for federal income tax purposes, were as follows:

| | |
|-------------------------------|------------------|
| Aggregate cost | \$ 1,217,790,235 |
| Gross unrealized appreciation | \$ 20,842,749 |
| Gross unrealized depreciation | (43,681,158) |
| Net unrealized depreciation | \$ (22,838,409) |

- (a) Represents a step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate shown reflects the current yield as of report date.
- (b) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (c) Variable rate security. Rate shown is as of report date.
- (d) When-issued security. Unsettled when-issued transactions were as follows:

| Counterparty | Value | Unrealized Appreciation |
|---------------------|--------------|-------------------------|
| Merrill Lynch & Co. | \$ 3,653,352 | \$ 62,958 |

- (e) Securities represent bonds transferred to a tender option bond trust in exchange for which the Fund acquired residual interest certificates. These securities serve as collateral in a financing transaction.

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

| Affiliate | Shares Held at July 31, 2010 | Net Activity | Shares Held at April 30, 2011 | Income |
|-----------------------------------|------------------------------|--------------|-------------------------------|-----------|
| FFI Institutional Tax-Exempt Fund | 11,426,470 | 3,091,061 | 14,517,531 | \$ 16,404 |

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

Financial futures contracts sold as of April 30, 2011 were as follows:

| Contracts | Issue | Exchange | Expiration | Notional Value | Unrealized Depreciation |
|-----------|----------------------------|------------------------|------------|----------------|-------------------------|
| 470 | 10-Year U.S. Treasury Bond | Chicago Board of Trade | June 2011 | \$ 55,701,451 | \$ (1,234,643) |

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

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

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

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

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to the Fund's most recent financial statements as contained in its semi-annual report.

Schedule of Investments (concluded)

BlackRock MuniYield Quality Fund III, Inc. (MYI)

The following tables summarize the inputs used as of April 30, 2011 in determining the fair valuation of the Fund's investments and derivative financial instruments:

| Valuation Inputs | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|---------------|------------------|---------|------------------|
| Assets: | | | | |
| Investments: | | | | |
| Long-Term Investments ¹ | | \$ 1,375,962,673 | | \$ 1,375,962,673 |
| Short-Term Securities | \$ 14,517,531 | | | 14,517,531 |
| Total | \$ 14,517,531 | \$ 1,375,962,673 | | \$ 1,390,480,204 |

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

| Valuation Inputs | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|---------|---------|----------------|
| Derivative Financial Instruments ² | | | | |
| Liabilities: | | | | |
| Interest rate contracts | \$ (1,234,643) | | | \$ (1,234,643) |

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

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Item 2 – Controls and Procedures

2(a) – The registrant’s principal executive and principal financial officers or persons performing similar functions have concluded that the registrant’s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the “1940 Act”)) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

2(b) – There were no changes in the registrant’s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant’s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant’s internal control over financial reporting.

Item 3 – Exhibits

Certifications – Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock MuniYield Quality Fund III, Inc.

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer of
BlackRock MuniYield Quality Fund III, Inc.

Date: June 24, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock MuniYield Quality Fund III, Inc.

Date: June 24, 2011

By: /s/ Neal J. Andrews
Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock MuniYield Quality Fund III, Inc.

Date: June 24, 2011

