

BLACKROCK MUNIYIELD QUALITY FUND III, INC
Form N-Q
December 22, 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: 07/31/2012

Date of reporting period: 10/31/2011

Item 1 – Schedule of Investments

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| | | |
|---|--------|------------|
| California Statewide Communities Development Authority, RB (AGM): | | |
| St. Joseph Health System, Series E, 5.25%, 7/01/47 | 5,000 | 5,036,800 |
| Sutter Health, Series D, 5.05%, 8/15/38 | 300 | 301,518 |
| City of Redding California, COP, Refunding, Series A (AGM), 5.00%, 6/01/30 | 1,900 | 1,986,564 |
| City of San Jose California, RB, Series A-1, AMT, 5.75%, 3/01/34 | 2,300 | 2,401,062 |
| City of San Jose California, Refunding RB, Series A, AMT (AMBAC), 5.50%, 3/01/32 | 11,965 | 12,118,272 |
| Coast Community College District, GO, Election of 2002, Series C (AGM), 6.19%, 8/01/33 (b) | 8,100 | 2,153,304 |
| County of Sacramento California, RB, Senior Series A (AGM), 5.00%, 7/01/41 | 14,500 | 14,753,895 |
| Dublin Unified School District California, GO, CAB, Election of 2004, Series D, 6.47%, 8/01/34 (b) | 5,000 | 1,174,450 |
| Fairfield-Suisun Unified School District California, GO, Election of 2002 (NPFGC), 5.50%, 8/01/28 | 5,800 | 6,165,516 |
| Long Beach Unified School District, GO, Election of 2008, Series B, 6.16%, 8/01/34 (b) | 5,000 | 1,257,600 |
| Los Angeles Community College District California, GO, Election of 2001, Series A (AGM), 5.00%, 8/01/32 | 1,200 | 1,259,136 |
| Mendocino-Lake Community College District, GO, Election of 2006, Series A (NPFGC), 5.00%, 8/01/31 | 1,485 | 1,524,412 |

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) |
| 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 |

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RB Revenue Bonds
S/F Single-Family
Syncora Syncora Guarantee

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Schedule of Investments (continued)

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

| | Par (000) | Value |
|--|--------------|--------------|
| Municipal Bonds | | |
| California (concluded) | | |
| Norwalk-La Mirada Unified School District California, GO, Refunding, CAB, Election of 2002, Series E (AGC), 6.46%, 8/01/38 (b) | \$ 7,620 | \$ 1,391,031 |
| Oceanside Unified School District California, GO, Series A (AGC), 5.25%, 8/01/33 | 2,500 | 2,637,700 |
| Port of Oakland, Refunding RB, Series M (NPFGC), 5.38%, 11/01/27 | 8,030 | 8,062,923 |
| Poway Unified School District, GO, CAB, School Facilities Improvement, District, 2008 Election, Series B, 6.25%, 8/01/36 (b) | 10,000 | 2,180,100 |
| Riverside County Public Financing Authority, Tax Allocation Bonds, Redevelopment Projects (Syncora), 5.00%, 10/01/35 | 10,000 | 8,350,200 |
| San Bernardino Community College District, GO, Election of 2002, Series C (AGM), 5.00%, 8/01/31 | 2,165 | 2,226,529 |
| San Joaquin County Transportation Authority, RB, Limited Tax, Measure K, Series A, 6.00%, 3/01/36 | 1,830 | 2,089,659 |
| San Marcos Unified School District, GO, Election of 2010, Series A: 5.00%, 8/01/34 | 1,800 | 1,873,170 |
| 5.00%, 8/01/38 | 1,600 | 1,658,624 |
| State of California, GO, Series 2007-2 (NPFGC), 5.50%, 4/01/30 | 10 | 10,516 |
| Stockton Public Financing Authority California, RB, Parking & Capital Projects (NPFGC), 5.25%, 9/01/34 | 5,000 | 5,019,200 |
| Walnut Valley Unified School District, GO, Capital Appreciation, Election of 2007, Series B, 6.15%, 8/01/36 (b) | 6,545 | 1,461,564 |
| West Valley-Mission Community College District, GO, Election of 2004, Series A (AGM), 5.00%, 8/01/30 | 3,600 | 3,738,348 |
| | | 124,612,307 |
| Connecticut 0.2% | | |
| Connecticut State Health & Educational Facilities Authority, RB, Hartford Healthcare, Series A, 5.00%, 7/01/32 | 1,830 | 1,839,626 |
| Florida 16.3% | | |
| Broward County School Board Florida, COP, Series A (AGM), 5.25%, 7/01/33 | 15,000 | 15,483,750 |
| City of Orlando Florida, RB, Senior, 6th Cent Contract Payments, Series A (AGC), 5.25%, 11/01/38 | 12,850 | 12,876,214 |
| | 5,000 | 5,359,850 |

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Collier County School Board, COP (AGM),

5.00%, 2/15/23

County of Broward Florida, Water &

Sewer Utility, RB, Series A, 5.25%,

10/01/34

2,250

2,415,600

County of Lee Florida, Refunding RB,

Series A, AMT:

5.63%, 10/01/26

2,600

2,703,948

| | Par (000) | Value |
|---|--------------|--------------|
| Municipal Bonds | | |
| Florida (concluded) | | |
| County of Lee Florida, Refunding RB, Series A, AMT (concluded): 5.38%, 10/01/32 | \$ 3,440 | \$ 3,420,599 |
| County of Miami-Dade Florida, GO, Building Better Communities Program: Series B, 6.38%, 7/01/28 | 6,000 | 6,730,080 |
| Series B-1, 5.75%, 7/01/33 | 3,700 | 4,012,317 |
| County of Miami-Dade Florida, RB: Miami International Airport, AMT (NPFGC), 5.38%, 10/01/25 | 7,500 | 7,595,700 |
| Miami International Airport, AMT (NPFGC), 5.38%, 10/01/27 | 1,000 | 1,008,890 |
| Miami International Airport, Series A, AMT, (AGM), 5.50%, 10/01/41 | 19,020 | 19,258,891 |
| Water & Sewer System (AGM), 5.00%, 10/01/39 | 11,700 | 12,160,161 |
| County of Miami-Dade Florida, Refunding RB: Miami International Airport (AGC), 5.00%, 10/01/40 | 11,000 | 10,545,370 |
| Series C (BHAC), 6.00%, 10/01/23 (AGM), 5.00%, 7/01/35 | 20,095 | 23,465,735 |
| Highlands County Health Facilities Authority, RB, Adventist Health System/Sunbelt, Series B, 6.00%, 11/15/37 | 2,800 | 2,884,560 |
| Miami-Dade County School Board, COP, RB, Series B (AGC), 5.25%, 5/01/31 | 1,750 | 1,889,860 |
| Orange County School Board, COP, Series A (AGC), 5.50%, 8/01/34 | 1,290 | 1,352,888 |
| Sarasota County Public Hospital District, RB, Sarasota Memorial Hospital Project, Series A, 5.63%, 7/01/39 | 12,000 | 12,720,600 |
| | 5,135 | 5,228,919 |
| | | 151,113,932 |
| Georgia 1.9% | | |
| Burke County Development Authority, RB, Oglethorpe Power Corp., Vogtle Project, Series C, 5.70%, 1/01/43 | 6,450 | 6,676,911 |
| City of Atlanta Georgia, RB, General, Series B (AGM), 5.25%, 1/01/33 | 10,000 | 10,350,000 |
| Gwinnett County Hospital Authority, Refunding RB, Gwinnett Hospital System, Series D (AGM), 5.50%, 7/01/41 | 1,025 | 1,068,491 |
| | | 18,095,402 |
| Illinois 17.6% | | |

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| | | |
|--|-------|-----------|
| Chicago Board of Education, GO, Series A: | | |
| 5.50%, 12/01/39 (c) | 6,470 | 6,854,965 |
| Chicago Board of Education, GO, Refunding, CAB, School Reform, Series A (NPFGC), 4.79%, 12/01/22 (b) | 7,430 | 4,395,439 |
| Chicago Park District, GO, Harbor Facilities, Series C: 5.25%, 1/01/37 | 4,000 | 4,210,760 |

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Schedule of Investments (continued)

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

| | Par (000) | Value |
|--|--------------|--------------|
| Municipal Bonds | | |
| Illinois (concluded) | | |
| Chicago Park District, GO, Harbor Facilities, Series C (concluded): | | |
| 5.25%, 1/01/40 | \$ 1,505 | \$ 1,579,693 |
| Chicago Transit Authority, Sales Tax Revenue, RB, 5.25%, 12/01/36 (c) | 1,620 | 1,675,048 |
| City of Chicago Illinois, ARB, General, Third Lien, Series B-2, AMT (NPFGC), 5.25%, 1/01/27 | 10,000 | 10,070,400 |
| 6.00%, 1/01/27 | 26,230 | 27,267,921 |
| City of Chicago Illinois, GO, CAB, City Colleges (NPFGC) (b): | | |
| 5.75%, 1/01/29 | 5,000 | 1,889,450 |
| 6.16%, 1/01/33 | 7,950 | 2,201,117 |
| City of Chicago Illinois, RB: Second Lien, Series A (AMBAC), 5.00%, 11/01/36 | 3,500 | 3,516,905 |
| O Hare International Airport, General Third Lien, Series A, 5.75%, 1/01/39 | 9,000 | 9,822,690 |
| City of Chicago Illinois, Refunding RB, ARB, O Hare International Airport, General, Third Lien, Series C-2, AMT (AGM), 5.25%, 1/01/30 | 16,400 | 16,421,976 |
| Illinois Finance Authority, RB, Series A, 5.75%, 8/15/34 | 8,700 | 8,763,858 |
| Illinois Finance Authority, Refunding RB, Northwestern Memorial Hospital, Series A, 6.00%, 8/15/39 | 5,250 | 5,747,752 |
| Illinois Municipal Electric Agency, RB, Series A (NPFGC): | | |
| 5.00%, 2/01/35 | 19,775 | 20,259,290 |
| 5.25%, 2/01/35 | 15,000 | 15,519,750 |
| Illinois State Toll Highway Authority, RB, Series B: | | |
| 5.50%, 1/01/33 | 4,000 | 4,219,680 |
| (BHAC), 5.50%, 1/01/33 | 2,000 | 2,120,880 |
| Kane, Kendall, Etc. Counties Community College District No. 516 Illinois, GO, CAB, Series E (NPFGC), 5.26%, 12/15/25 (b) | 8,750 | 4,203,675 |
| Metropolitan Pier & Exposition Authority, RB, CAB, McCormick Place Expansion Project, Series A (NPFGC) (b): | | |
| 5.96%, 6/15/32 | 14,000 | 4,170,040 |
| 6.04%, 12/15/34 | 10,000 | 2,526,100 |
| Metropolitan Pier & Exposition Authority, Refunding RB, CAB, McCormick Place Expansion Project, Series B (AGM) (b): | | |
| 5.58%, 6/15/27 | 3,575 | 1,513,119 |
| 6.16%, 6/15/44 | 9,430 | 1,303,037 |

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| | | |
|---|-------|-------------|
| Railsplitter Tobacco Settlement Authority, RB, 6.00%, 6/01/28 | 1,700 | 1,767,694 |
| Regional Transportation Authority, RB, Series C (NPFGC), 7.75%, 6/01/20 | 1,000 | 1,227,440 |
| | | 163,248,679 |

| | Par (000) | Value |
|---|--------------|--------------|
| Municipal Bonds | | |
| Indiana 3.1% | | |
| City of Indianapolis Indiana, Refunding RB, Second Lien, Series B (AGC), 5.25%, 8/15/27 | \$ 5,000 | \$ 5,325,250 |
| Indiana Finance Authority, RB, Wastewater Utility, 5.25%, 10/01/38 | 2,900 | 3,093,865 |
| Indiana Municipal Power Agency, RB: Series A (NPFGC), 5.00%, 1/01/37 | 4,750 | 4,864,712 |
| Series B, 5.75%, 1/01/34 | 1,050 | 1,078,476 |
| Series B, 6.00%, 1/01/39 | 5,000 | 5,457,950 |
| Indianapolis Local Public Improvement Bond Bank, Refunding RB, Waterworks Project, Series A: 5.75%, 1/01/38 | 2,900 | 3,141,918 |
| (AGC), 5.25%, 1/01/29 | 1,350 | 1,449,819 |
| (AGC), 5.50%, 1/01/38 | 4,250 | 4,574,998 |
| | | 28,986,988 |
| Iowa 1.4% | | |
| Iowa Finance Authority, RB, Series A (AGC), 5.63%, 8/15/37 | 12,650 | 13,287,054 |
| Kentucky 1.3% | | |
| Kentucky State Property & Buildings Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/28 | 4,000 | 4,298,720 |
| Louisville & Jefferson County Metropolitan Sewer District Kentucky, RB, Series A (NPFGC), 5.25%, 5/15/37 | 7,000 | 7,449,960 |
| | | 11,748,680 |
| Louisiana 1.0% | | |
| Jefferson Parish Hospital Service District No. 1, Refunding RB, Ref-w Jefferson Med Ctr, Series A (AGM), 6.00%, 1/01/39 | 2,150 | 2,251,609 |
| New Orleans Aviation Board Louisiana, RB, New Orleans Aviation, Series A, AMT (AGM), 5.25%, 1/01/32 | 6,605 | 6,750,971 |
| | | 9,002,580 |
| Massachusetts 4.5% | | |
| Massachusetts HFA, RB: S/F Housing, Series 128 AMT (AGM), 4.88%, 12/01/38 (d) | 8,260 | 8,192,186 |
| Series B, 7.00%, 12/01/38 | 3,440 | 3,815,682 |
| Massachusetts HFA, Refunding RB: Housing Development, Series B (NPFGC), 5.40%, 12/01/28 | 1,835 | 1,835,312 |
| Rental Housing, Series A AMT (AGM), 5.15%, 7/01/26 | 15,490 | 15,634,057 |
| Series C, AMT, 5.35%, 12/01/42 | 3,100 | 3,123,188 |
| Massachusetts Port Authority, Refunding RB, BOSFUEL Project, AMT | 9,425 | 9,207,188 |

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(NPFGC), 5.00%, 7/01/38

41,807,613

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Schedule of Investments (continued)

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

| | Par (000) | Value |
|---|--------------|--------------|
| Municipal Bonds | | |
| Michigan 10.1% | | |
| City of Detroit Michigan, RB, Series B (AGM): | | |
| Senior Lien, 7.50%, 7/01/33 | \$ 1,800 | \$ 2,133,882 |
| Second Lien, 6.25%, 7/01/36 | 1,075 | 1,205,387 |
| Second Lien, 7.00%, 7/01/36 | 500 | 589,125 |
| City of Detroit Michigan, Refunding RB: | | |
| Series C (NPFGC), 5.00%, 7/01/22 | 4,540 | 4,617,952 |
| Senior Lien, Series D (AGM), 5.00%, 7/01/23 | 9,085 | 9,258,433 |
| Senior Lien, Series C-1 (AGM), 7.00%, 7/01/27 | 1,500 | 1,755,600 |
| Series D (NPFGC), 5.00%, 7/01/33 | 5,000 | 5,001,700 |
| Kalamazoo Hospital Finance Authority, RB, Bronson Methodist Hospital (AGM), 5.25%, 5/15/36 | 1,160 | 1,186,402 |
| Lansing Board of Water & Light Utilities, RB, Series A, 5.50%, 7/01/41 | 3,185 | 3,505,666 |
| Michigan State Building Authority, Refunding RB, Facilities Program: | | |
| Series I, (AGC), 5.25%, 10/15/24 | 1,750 | 1,930,740 |
| Series I, (AGC), 5.25%, 10/15/25 | 3,250 | 3,565,737 |
| Series II-A, (AGM), 5.25%, 10/15/36 | 8,040 | 8,565,896 |
| Series I-A, 5.38%, 10/15/36 | 2,075 | 2,231,434 |
| Series I, 6.25%, 10/15/38 | 3,125 | 3,487,937 |
| Series II-A, 5.38%, 10/15/41 | 1,900 | 2,033,760 |
| Michigan State Finance Authority, Refunding RB, Trinity Health Credit Group, 5.00%, 12/01/39 | 11,600 | 11,530,168 |
| Michigan State HDA, RB, Series C, 5.50%, 12/01/28 | 2,900 | 2,953,447 |
| Michigan Strategic Fund, Refunding RB, Detroit Edison Co. Project, Series A (Syncora), 5.50%, 6/01/30 | 5,000 | 5,009,450 |
| State of Michigan, RB, GAN (AGM): | | |
| 5.25%, 9/15/22 | 10,000 | 11,041,800 |
| 5.25%, 9/15/26 | 6,650 | 7,145,691 |
| Wayne County Airport Authority, Refunding RB, AMT (AGC), 5.38%, 12/01/32 | 5,000 | 5,027,550 |
| | | 93,777,757 |
| Minnesota 0.7% | | |
| City of Minneapolis Minnesota, Refunding RB, Fairview Health Services, Series B (AGC), 6.50%, 11/15/38 | 5,500 | 6,167,810 |
| Nevada 3.9% | | |
| City of Las Vegas Nevada, GO, Limited Tax, Performing Arts Center, 6.00%, 4/01/34 | 2,250 | 2,508,750 |

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| | | |
|---|--------|------------|
| County of Clark Nevada, RB: Las Vegas-McCarran International Airport, Series A (AGC), 5.25%, 7/01/39 | 5,170 | 5,389,156 |
| Subordinate Lien, Series A-2 (NPFGC), 5.00%, 7/01/30 | 20,000 | 20,207,400 |

| | Par (000) | Value |
|---|--------------|--------------|
| Municipal Bonds | | |
| Nevada (concluded) | | |
| Las Vegas Convention & Visitors Authority, RB (AMBAC), 5.00%, 7/01/37 | \$ 8,500 | \$ 8,526,265 |
| | | 36,631,571 |

| | | |
|---|--------|------------|
| New Jersey 4.3% | | |
| New Jersey EDA, RB, Cigarette Tax, 5.75%, 6/15/34 | 4,000 | 3,773,040 |
| New Jersey EDA, Refunding RB, School Facilities Construction, Series N-1: (AMBAC), 5.50%, 9/01/24 | 10,000 | 11,421,200 |
| (NPFGC), 5.50%, 9/01/28 | 1,685 | 1,892,946 |
| New Jersey Higher Education Student Assistance Authority, RB, Series 1, AMT: 5.50%, 12/01/25 | 1,250 | 1,284,012 |
| 5.50%, 12/01/26 | 1,800 | 1,833,390 |
| 5.75%, 12/01/28 | 200 | 206,320 |
| 5.88%, 12/01/33 | 6,895 | 7,168,456 |
| New Jersey Transportation Trust Fund Authority, RB, Transportation Systems: Series A, (NPFGC), 5.75%, 6/15/25 | 4,250 | 4,913,467 |
| Series C, CAB (AGC), 5.16%, 12/15/25 (b) | 15,735 | 7,664,204 |
| | | 40,157,035 |

| | | |
|---|--------|------------|
| New York 2.6% | | |
| City of New York, New York, GO, Series J, 5.25%, 5/15/24 | 10,000 | 10,875,800 |
| Hudson Yards Infrastructure Corp., RB, 5.75%, 2/15/47 | 1,920 | 2,033,107 |
| New York City Transitional Finance Authority, RB, Fiscal 2009, Series S-4, 5.50%, 1/15/34 | 7,250 | 7,900,832 |
| New York State Dormitory Authority, ERB, Series B, 5.25%, 3/15/38 | 3,250 | 3,522,123 |
| | | 24,331,862 |

| | | |
|--|-------|-----------|
| North Carolina 0.6% | | |
| North Carolina Medical Care Commission, RB, Novant Health Obligation, Series A, 4.75%, 11/01/43 | 6,175 | 5,672,108 |

| | | |
|--|-------|-----------|
| Ohio 0.6% | | |
| County of Lucas Ohio, Refunding RB, Promedica Healthcare, Series A, 6.50%, 11/15/37 | 3,000 | 3,415,260 |
| Ohio Higher Educational Facility Commission, Refunding RB, Summa Health System, 2010 Project (AGC), 5.25%, 11/15/40 | 2,450 | 2,473,618 |
| | | 5,888,878 |

| | | |
|---------------------------------------|--|--|
| Pennsylvania 2.8% | | |
| Pennsylvania Turnpike Commission, RB: | | |

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Series A (AMBAC), 5.50%,
12/01/31

15,600

16,716,180

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Schedule of Investments (continued)

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

| | Par (000) | Value |
|--|--------------|--------------|
| Municipal Bonds | | |
| Pennsylvania (concluded) | | |
| Pennsylvania Turnpike Commission, RB (concluded): | | |
| Subordinate, Special Motor License Fund, 6.00%, 12/01/36 | \$ 2,575 | \$ 2,970,262 |
| Sub-Series C (AGC), 6.25%, 6/01/38 | 5,695 | 6,496,970 |
| | | 26,183,412 |
| Puerto Rico 2.9% | | |
| Puerto Rico Public Buildings Authority, Refunding RB, Government Facilities, Series M-3 (NPFGC): | | |
| 6.00%, 7/01/27 | 3,720 | 3,937,062 |
| 6.00%, 7/01/28 | 1,780 | 1,873,539 |
| Puerto Rico Sales Tax Financing Corp., RB, First Sub-Series A: | | |
| 5.75%, 8/01/37 | 2,000 | 2,096,540 |
| 6.38%, 8/01/39 | 10,195 | 11,299,526 |
| 5.50%, 8/01/42 | 5,155 | 5,313,001 |
| Puerto Rico Sales Tax Financing Corp., Refunding RB: | | |
| First Sub-Series C, 6.00%, 8/01/39 | 1,180 | 1,281,858 |
| Series A, (NPFGC), 6.35%, 8/01/41 (b) | 7,500 | 1,167,825 |
| | | 26,969,351 |
| South Carolina 0.5% | | |
| South Carolina Jobs-EDA, Refunding RB, Palmetto Health, Series A (AGM), 6.50%, 8/01/39 | | |
| | 3,600 | 3,939,624 |
| South Carolina State Housing Finance & Development Authority, Refunding RB, Series A-2, AMT (AGM), 6.35%, 7/01/19 | | |
| | 285 | 289,001 |
| | | 4,228,625 |
| Tennessee 0.5% | | |
| Memphis Center City Revenue Finance Corp., RB, Pyramid and Pinch Distribution, Series B (AGM), 5.25%, 11/01/30 | | |
| | 3,120 | 3,314,532 |
| Tennessee Housing Development Agency, Refunding RB, Homeownership Program, Series A, AMT (AGM), 5.35%, 1/01/26 | | |
| | 1,350 | 1,350,540 |
| | | 4,665,072 |
| Texas 13.4% | | |
| City of Houston Texas, RB, Combined, First Lien, Series A (AGM), 5.00%, 11/15/36 | | |
| | 10,000 | 10,411,800 |

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City of Houston Texas, Refunding RB,
Combined, First Lien, Series A (AGC):

| | | |
|-----------------|-------|-----------|
| 6.00%, 11/15/35 | 5,700 | 6,507,234 |
| 5.38%, 11/15/38 | 3,650 | 3,956,490 |

| | Par (000) | Value |
|---|--------------|---------------|
| Municipal Bonds | | |
| Texas (concluded) | | |
| Dallas-Fort Worth International Airport Facilities Improvement Corp., Refunding RB, Joint Series A, AMT (NPFGC), 5.63%, 11/01/26 | \$ 12,210 | \$ 12,222,088 |
| Dallas ISD, GO, School Building (PSF- GTD), 6.38%, 2/15/34 | 10,000 | 12,032,000 |
| Grand Prairie ISD Texas, GO, Refunding, CAB, 5.84%, 8/15/28 (b) | 10,000 | 3,807,700 |
| Harris County Hospital District, RB, Senior Lien, Series A (NPFGC), 5.25%, 2/15/37 | 5,950 | 6,034,490 |
| Harris County-Houston Sports Authority, Refunding RB, Senior Lien, Series G (NPFGC), 5.25%, 11/15/30 | 5,000 | 4,658,100 |
| Judson ISD Texas, GO, School Building (AGC), 5.00%, 2/01/37 | 10,000 | 10,292,000 |
| North Texas Tollway Authority, Refunding RB, First Tier, System: | | |
| First Tier Series A, 6.00%, 1/01/28 | 6,275 | 6,951,006 |
| Series A, (NPFGC), 5.13%, 1/01/28 | 20,000 | 20,950,400 |
| Series B, (NPFGC), 5.75%, 1/01/40 | 10,000 | 10,419,900 |
| Texas Department of Housing & Community Affairs, MRB, Series A, AMT (NPFGC), 5.45%, 9/01/23 | 3,870 | 3,882,191 |
| Texas State Turnpike Authority, RB, First Tier, Series A (AMBAC): | | |
| 5.50%, 8/15/39 | 5,500 | 5,483,940 |
| 5.00%, 8/15/42 | 6,900 | 6,576,873 |
| | | 124,186,212 |
| Utah 1.6% | | |
| Utah Transit Authority, Refunding RB, CAB, Sub-Series A (b): | | |
| (AGC), 4.73%, 6/15/20 | 10,000 | 7,039,700 |
| (NPFGC), 4.11%, 6/15/24 | 13,930 | 7,725,996 |
| | | 14,765,696 |
| Vermont 0.3% | | |
| Vermont HFA, HRB, Series 12B, AMT (AGM), 6.30%, 11/01/19 | 255 | 260,113 |
| Vermont HFA, Refunding RB, Multiple Purpose, Series C, AMT (AGM), 5.50%, 11/01/38 (d) | 2,145 | 2,205,360 |
| | | 2,465,473 |
| Washington 1.1% | | |
| Washington Health Care Facilities Authority, RB, Series A, Providence Health & Services: | | |
| 5.00%, 10/01/39 | 1,125 | 1,130,321 |
| 5.25%, 10/01/39 | 2,725 | 2,793,807 |
| Washington Health Care Facilities Authority, Refunding RB, Catholic Health Initiatives, Series D, 6.38%, 10/01/36 | 5,400 | 6,067,440 |
| | | 9,991,568 |

Schedule of Investments (continued)

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

| | Par (000) | Value |
|---|--------------|----------------------|
| Municipal Bonds | | |
| Wisconsin 1.2% | | |
| Wisconsin Health & Educational Facilities Authority, RB: | | |
| Ascension Health Senior Credit Group, 5.00%, 11/15/33 | \$ 3,745 | \$ 3,870,083 |
| Froedtert & Community Health, Inc., 5.25%, 4/01/39 | 3,500 | 3,540,530 |
| SynergyHealth Inc., 6.00%, 11/15/32 | 3,395 | 3,462,323 |
| | | 10,872,936 |
| Total Municipal Bonds 110.6% | | 1,026,348,432 |
| Municipal Bonds Transferred to Tender | | |
| Option Bond (TOB) Trusts (e) | | |
| Arizona 1.6% | | |
| Arizona School Facilities Board, COP (AGC), 5.13%, 9/01/21) | 10,000 | 10,949,600 |
| Salt River Project Agricultural Improvement & Power District, RB, 5.00%, 7/01/16 | 3,500 | 3,669,925 |
| | | 14,619,525 |
| California 12.3% | | |
| Alameda County Joint Powers Authority, Refunding RB, Lease (AGM), 5.00%, 12/01/15 | 6,990 | 7,260,583 |
| California State University, RB (AGM): 5.00%, 5/01/15 | 18,435 | 18,834,773 |
| Systemwide, Series A, 5.00%, 11/01/33 | 7,996 | 8,265,164 |
| City of Riverside California, RB, Issue D (AGM), 5.00%, 4/01/16 | 20,000 | 20,552,000 |
| Foothill-De Anza Community College District, GO, Election of 1999, Series C (NPFGC), 5.00%, 8/01/36 | 7,500 | 7,734,600 |
| Las Virgenes Unified School District California, GO, Series A (AGM), 5.00%, 8/01/31 | 10,000 | 10,284,340 |
| Los Angeles Community College District, GO, Election of 2008, Series A, 6.00%, 8/01/33 | 5,248 | 5,982,015 |
| Orange County Sanitation District, COP, Series B (AGM), 5.00%, 2/01/15 | 10,780 | 11,243,755 |
| San Diego Community College District California, GO, Election of 2002, 5.00%, 2/01/17 | 1,047 | 1,140,616 |
| San Diego County Water Authority, COP, Refunding, Series 2008-A (AGM), 5.30%, 5/01/16 | 9,370 | 9,825,101 |
| San Francisco Bay Area Rapid Transit District, RB (AGM), 5.00%, 7/01/36 | 10,000 | 10,345,670 |
| | 2,205 | 2,467,660 |

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University of California, RB, Series O,
5.75%, 5/15/34

113,936,277

| Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (e) | Par (000) | Value |
|--|----------------------|--------------|
| Colorado 0.3% | | |
| Colorado Health Facilities Authority, Refunding RB, Catholic Healthcare, Series A, 5.50%, 7/01/34 | \$ 2,469 | 2,587,040 |
| Connecticut 0.6% | | |
| Connecticut State Health & Educational Facility Authority, RB, Yale University, Series T-1, 8.79%, 7/01/15 | 5,010 | 5,342,363 |
| District of Columbia 2.0% | | |
| District of Columbia, RB, Series A, 5.50%, 12/01/30) | 2,595 | 2,940,005 |
| District of Columbia Water & Sewer Authority, RB, Series A, 6.00%, 10/01/35 | 4,281 | 5,047,162 |
| Metropolitan Washington Airports Authority, RB, Drivers, Series 3967z, 5.00%, 4/01/16 | 10,000 | 10,158,200 |
| | | 18,145,367 |
| Florida 3.5% | | |
| City of Tallahassee, RB, 5.00%, 10/01/32 | 3,300 | 3,405,501 |
| Florida State Board of Education, GO, Series D, 5.00%, 6/01/37 | 3,299 | 3,481,913 |
| Highlands County Health Facilities Authority, RB, Series C, 5.25%, 11/15/36 | 5,400 | 5,480,946 |
| Miami-Dade County, RB, 5.00%, 7/01/31 | 19,800 | 20,295,000 |
| | | 32,663,360 |
| Georgia 1.2% | | |
| Metropolitan Atlanta Rapid Transit Authority, RB, Third Indenture, Series B (AGM), 5.00%, 7/01/37 | 10,000 | 10,333,064 |
| Hawaii 1.1% | | |
| Honolulu City & County Board of Water Supply, RB, Series A (NPFGC), 5.00%, 7/01/33 | 9,830 | 10,058,253 |
| Illinois 2.9% | | |
| City of Chicago, GO, Refunding, Series A (AGC), 5.25%, 1/01/24 | 11,000 | 11,670,230 |
| Illinois Finance Authority, RB, University of Chicago, Series B, 6.25%, 7/01/16 | 10,000 | 11,500,100 |
| State of Illinois, RB, Residual, Series 3283x, 5.25%, 6/15/34 | 3,499 | 3,661,924 |
| | | 26,832,254 |
| Kentucky 0.7% | | |
| Kentucky State Property & Building Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/27 | 5,985 | 6,472,236 |
| Louisiana 1.1% | | |
| State of Louisiana, RB, Series A (AGM), 5.00%, 5/01/36 | 10,000 | 10,316,700 |

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 (TOB) Trusts (e) | Par (000) | Value |
|--|--------------|------------|
| Nevada 0.6% | | |
| Clark County Water Reclamation District, GO, Series B: | | |
| 5.50%, 7/01/29 | \$ 510 | \$ 564,863 |
| 5.75%, 7/01/34 | 4,813 | 5,401,798 |
| | | 5,966,661 |
| New Jersey 1.3% | | |
| Garden State Preservation Trust, RB, Election of 2005, Series A (AGM), 5.75%, 5/01/24 | 10,000 | 12,422,500 |
| New York 4.7% | | |
| New York City Municipal Water Finance Authority, RB, Series DD, 5.00%, 6/15/31 | 17,567 | 18,496,211 |
| Port Authority of New York & New Jersey, RB, Consolidated, 155th Series, AMT (AGM), 5.13%, 1/15/13 | 19,500 | 20,099,430 |
| Triborough Bridge & Tunnel Authority, RB, General, Series A-2, 5.25%, 11/15/34 | 4,500 | 4,931,595 |
| | | 43,527,236 |
| North Carolina 1.1% | | |
| North Carolina HFA, RB, Series 31-A, AMT, 5.25%, 1/01/16 | 9,946 | 9,969,313 |
| Ohio 0.7% | | |
| Montgomery County, RB (AGM), 5.00%, 4/01/16 | 4,990 | 5,055,943 |
| State of Ohio, RB, Cleveland Clinic Health, Series B, 5.50%, 1/01/17 | 1,520 | 1,594,100 |
| | | 6,650,043 |
| South Carolina 0.5% | | |
| South Carolina State Housing Finance & Development Authority, Refunding RB, Series B-1, 5.55%, 1/01/16 | 4,618 | 4,776,077 |
| Texas 4.2% | | |
| Friendswood ISD Texas, GO, Schoolhouse (PSF-GTD), 5.00%, 2/15/37 | 12,955 | 13,639,156 |
| Houston ISD, GO, Schoolhouse (PSF- GTD), 5.00%, 2/15/15 | 10,000 | 10,540,100 |
| North East ISD, GO, 5.00%, 8/01/37 | 3,500 | 3,705,625 |
| Texas State University Systems, Refunding RB, 5.25%, 3/15/16 | 10,000 | 11,367,600 |
| | | 39,252,481 |
| Virginia 0.3% | | |
| University of Virginia, Refunding RB, General, 5.00%, 6/01/16 | 2,630 | 2,934,238 |
| Washington 5.9% | | |
| Central Puget Sound Regional Transit Authority, RB, Series A (AGM), 5.00%, 11/01/15 | 16,770 | 17,917,487 |

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| | | |
|--|--------|------------|
| County of King Washington, RB (AGM), 5.00%, 7/01/15 | 15,785 | 16,643,181 |
|--|--------|------------|

| Municipal Bonds Transferred to Tender Option Bond (TOB) Trust s (e) Washington (concluded) | Par (000) | Value |
|--|--------------|---------------|
| Port of Seattle Washington, Refunding RB, Series B, AMT (NPFGC), 5.20%, 1/01/12 | \$ 20,565 | \$ 20,697,051 |
| | | 55,257,719 |
| Wisconsin 1.6% | | |
| State of Wisconsin, RB, 6.00%, 5/01/17 | 10,000 | 11,188,700 |
| Wisconsin Health & Educational Facilities Authority, Refunding RB, Froedtert & Community Health, Inc., 5.25%, 4/01/39 | 3,959 | 4,004,980 |
| | | 15,193,680 |
| Total Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts 48.2% | | 447,256,387 |
| Total Long-Term Investments (Cost \$1,417,418,615) 158.8% | | 1,473,604,819 |

| Short-Term Securities | Shares | |
|--|------------|----------------|
| FFI Institutional Tax-Exempt Fund, 0.01% (f)(g) | 25,595,968 | 25,595,968 |
| Total Short-Term Securities (Cost \$25,595,968) 2.8% | | 25,595,968 |
| Total Investments (Cost \$1,443,014,583*) - 161.6% | | 1,499,200,787 |
| Other Assets Less Liabilities 1.1% | | 10,804,879 |
| Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable (24.3)% | | (225,762,101) |
| VRDP Shares, at Liquidation Value (38.4)% | | (356,400,000) |
| Net Assets Applicable to Common Shares 100.0% | | \$ 927,843,565 |

* The cost and unrealized appreciation (depreciation) of investments as of October 31, 2011, as computed for federal income tax purposes, were as follows:

| | |
|-------------------------------|------------------|
| Aggregate cost | \$ 1,220,228,393 |
| Gross unrealized appreciation | \$ 62,476,871 |
| Gross unrealized depreciation | (7,826,835) |
| Net unrealized appreciation | \$ 54,650,036 |

- (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 is as of report date.
- (b) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (c) When-issued security. Unsettled when-issued transactions were as follows:

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| Counterparty | Value | Unrealized Appreciation |
|---------------------|--------------|------------------------------------|
| JPMorgan Securities | \$ 1,668,487 | \$ 6,561 |
| Pershing LLC | \$ 6,697,485 | \$ 157,480 |

BLACKROCK MUNIYIELD QUALITY FUND III, INC.

OCTOBER 31, 2011

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Schedule of Investments (concluded)

BlackRock MuniYield Quality Fund III, Inc. (MYI)

- (d) Variable rate security. Rate shown is as of report date.
- (e) Securities represent bonds transferred to a TOB in exchange for which the Fund acquired residual interest certificates. These securities serve as collateral in a financing transaction.
- (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, 2011 | Net Activity | Shares Held at October 31, 2011 | Income |
|--|---------------------------------------|-----------------|--|--------|
| FFI Institutional Tax-Exempt Fund | 4,703,282 | 20,892,686 | 25,595,968 | \$ 454 |

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

Fair Value Measurements - Various inputs are used in determining the fair value of investments. These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial reporting purposes as follows:

Level 1 unadjusted 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)

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The categorization of a value determined for investments is based on the pricing transparency of the investment and does not necessarily correspond to the Fund's perceived risk of investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to the Fund's most recent financial statements as contained in its annual report.

The following table summarizes the inputs used as of October 31, 2011 in determining the fair valuation of the Fund's investments:

| Valuation Inputs | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------|------------------|---------|------------------|
| Assets: | | | | |
| Investments: | | | | |
| Long-Term Investments ¹ | | \$ 1,473,604,819 | | \$ 1,473,604,819 |
| Short-Term Securities | \$ 25,595,968 | | | 25,595,968 |
| Total | \$ 25,595,968 | \$ 1,473,604,819 | | \$ 1,499,200,787 |

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

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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 (principal executive officer) of
BlackRock MuniYield Quality Fund III, Inc.

Date: December 21, 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: December 21, 2011

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

Date: December 21, 2011

