

BLACKROCK MUNIYIELD QUALITY FUND III, INC
Form N-CSR
October 03, 2012
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 811-06540

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: 07/31/2012

Item 1 – Report to Stockholders

July 31, 2012

Annual Report

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)

BlackRock MuniYield California Quality Fund, Inc. (MCA)

BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)

BlackRock MuniYield Quality Fund III, Inc. (MYI)

Not FDIC Insured § No

Bank Guarantee § May

Lose Value

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Dear Shareholder

About this time one year ago, financial markets fell into turmoil, triggered by Standard & Poor's historic downgrade of US government debt. Since then, asset prices have continued to move broadly in risk-on rallies and risk-off retreats driven by macro-level concerns, primarily the sovereign debt crisis in Europe and uncertainty about global economic growth.

Equity markets crumbled in the third quarter of 2011 as fearful investors fled riskier assets in favor of traditionally safe investments including US Treasuries and gold. In October, however, improving economic data and more concerted efforts among European leaders toward stemming the region's debt crisis drew investors back to the markets. Improving sentiment carried over into early 2012 as investors saw some relief from the world's financial woes. Volatility abated and risk assets (including stocks, commodities and high yield bonds) moved boldly higher through the first two months of 2012 while climbing Treasury yields pressured higher-quality fixed income assets.

Markets reversed course in the spring when Europe's debt problems boiled over once again. High levels of volatility returned as political instability in Greece threatened the country's membership in the euro zone. Spain faced severe deficit issues while the nation's banks clamored for liquidity. Yields on Spanish and Italian government debt rose to levels deemed unsustainable. European leaders conferred and debated vehemently over the need for fiscal integration among the 17 nations comprising the euro currency bloc as a means to resolve the crisis for the long term.

Alongside the drama in Europe, investors were discouraged by gloomy economic reports from various parts of the world. A slowdown in China, a key powerhouse for global growth, became particularly worrisome. In the United States, disappointing jobs reports dealt a crushing blow to sentiment. Risk assets sold off in the second quarter as investors again retreated to safe haven assets.

The summer brought a modest rebound in most asset classes. However, financial markets continued to swing sharply in both directions as investors reacted to mixed economic data as well as comments and policy actions or lack of action from central banks around the globe.

On the whole, higher quality investments outperformed riskier asset classes for the 12 months ended July 31, 2012 as investors continued to focus on safety. US Treasury bonds delivered the strongest returns, followed by tax-exempt municipal bonds. Some higher-risk investments, including US large-cap stocks and corporate bonds, managed to post gains for the one-year period, and while US small-cap stocks generated a slight gain for the 12-month period, they posted a marginal loss for the last 6 months. International and emerging equities, which experienced significant downturns in 2011, lagged other asset classes amid ongoing global uncertainty. US large-cap stocks and high yield bonds rallied higher in recent months as many investors increased their appetite for risk. Continued low short-term interest rates kept yields on money market securities near their all-time lows.

We know that investors continue to face a world of uncertainty and highly volatile markets, but we also believe these challenging times present many opportunities. We remain committed to working with you and your financial professional to identify actionable ideas for your portfolio. We encourage you to visit www.blackrock.com/newworld for more information.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

We know that investors continue to face a world of uncertainty and highly volatile markets, but we also believe these challenging times present many opportunities.

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of July 31, 2012

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	6-month	12-month
US large cap equities (S&P 500® Index)	6.25%	9.13%
US small cap equities (Russell 2000® Index)	(0.03)	0.19
International equities (MSCI Europe, Australasia, Far East Index)	(1.15)	(11.45)
Emerging market equities (MSCI Emerging Markets Index)	(4.83)	(13.93)
3-month Treasury bill (BofA Merrill Lynch 3-Month US Treasury Bill Index)	0.05	0.07
US Treasury securities (BofA Merrill Lynch 10- Year US Treasury Index)	4.31	15.58
US investment grade bonds (Barclays US Aggregate Bond Index)	2.88	7.25
Tax-exempt municipal bonds (S&P Municipal Bond Index)	3.22	10.70
US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index)	6.05	8.00

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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Municipal Market Overview

For the 12-Month Period Ended July 31, 2012

One year ago, the municipal bond market was rebounding from a prolonged weak period stemming from events in the fourth quarter of 2010. Municipals had suffered severe losses in late 2010 amid a steepening US Treasury yield curve, political uncertainty and a flood of inflated headlines about municipal finance troubles. A significant supply-demand imbalance had developed by the end of the year, leading to wider quality spreads and higher yields for municipal bonds heading into 2011.

Having lost confidence in municipals, retail investors retreated from the market, resulting in municipal mutual fund outflows totaling \$35.1 billion from the middle of November 2010 until the trend finally broke in June 2011. However, weak demand in the first half of 2011 was counterbalanced by lower supply. According to Thomson Reuters, total new issuance was down 32% in 2011 as compared to the prior year.

On August 5, 2011, Standard & Poor's (S&P) downgraded the US government's credit rating from AAA to AA+. While this led to the downgrade of approximately 11,000 municipal issues directly tied to the US debt rating, this represented a very small fraction of the municipal market and said nothing about the individual municipal credits themselves. In fact, demand for municipal bonds increased as severe volatility in US equities drove investors to more stable asset classes. The municipal market benefited from an exuberant Treasury market and continued muted new issuance. As supply remained constrained, demand from both traditional and non-traditional buyers was strong, pushing long-term municipal bond yields lower and sparking a curve-flattening trend that continued through year end. Ultimately, 2011 was one of the strongest performance years in municipal market history. The S&P Municipal Bond Index returned 10.62% in 2011, making municipal bonds a top-performing fixed income asset class for the year.

Strong demand carried over into 2012 as investors continued to search for yield in a low-rate environment. Municipal market supply-and-demand technicals typically strengthen considerably upon the conclusion of tax season as net negative supply takes hold. This theme remained intact for 2012. In the spring, a resurgence of concerns about Europe's financial crisis and weakening US economic data drove municipal bond yields lower and prices higher as investors were drawn to the asset class for its relatively low volatility in addition to the income and capital preservation it offers. The S&P Municipal Bond Index has gained 5.75% year-to-date.

Overall, the municipal yield curve flattened during the period from July 29, 2011 to July 31, 2012. As measured by Thomson Municipal Market Data, yields declined by 151 basis points (bps) to 2.84% on AAA-rated 30-year municipal bonds and by 101 bps to 1.66% on 10-year bonds, while yields on 5-year issues fell 51 bps to 0.65%. While the entire municipal curve flattened over the 12-month time period, the spread between 2- and 30-year maturities tightened by 140 bps, and in the 2- to 10-year range, the spread tightened by 90 bps.

The fundamental picture for municipalities continues to improve. Austerity has been the general theme across the country as states set their budgets, although a small number of states continue to rely on a kick-the-can approach to close their budget gaps, using aggressive revenue projections and accounting gimmicks. It has been over a year and a half since the fiscal problems plaguing state and local governments first became highly publicized. Thus far, the prophecy of widespread defaults across the municipal market has not materialized. Through the first half of 2012, approximately \$1.07 billion in par value of municipal bonds have entered into debt service default for the first time. This represents only 0.540% of total issuance for that period and 0.029% of total municipal bonds outstanding, as compared to 0.065% for the full year 2011. (Data provided by Bank of America Merrill Lynch.) BlackRock maintains the view that municipal bond defaults will remain in the periphery and the overall market is fundamentally sound. We continue to recognize that careful credit research and security selection remain imperative amid uncertainty in this economic environment.

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

Fund Summary as of July 31, 2012

BlackRock MuniHoldings Quality Fund II, Inc.

Fund Overview

BlackRock MuniHoldings Quality Fund II, Inc. s (MUE) (the Fund) investment objective is to provide shareholders with current income exempt from federal income taxes. The Fund seeks to achieve its investment objective by investing primarily in long-term, investment grade municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). Under normal market conditions, the Fund invests at least 80% of its assets in municipal obligations with remaining maturities of one year or more at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Performance

For the 12 months ended July 31, 2012, the Fund returned 32.85% based on market price and 23.64% based on net asset value (NAV). For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 29.37% based on market price and 20.77% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a discount to NAV to a premium by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund s long duration posture (greater sensitivity to interest rates) contributed positively to performance as the yield curve flattened (i.e., longer-term interest rates fell more than shorter rates) and bond prices moved higher on the long end of the municipal curve. The Fund s longer-dated holdings in the health, transportation and utilities sectors experienced the best price appreciation. The Fund used US Treasury financial futures contracts as a means of hedging interest rate risk. These positions had a slight negative impact on results as interest rates declined over the period.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions.

These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange (NYSE)	MUE
Initial Offering Date	February 26, 1999
Yield on Closing Market Price as of July 31, 2012 (\$15.55) ¹	5.67%
Tax Equivalent Yield ²	8.72%
Current Monthly Distribution per Common Share ³	\$0.0735
Current Annualized Distribution per Common Share ³	\$0.8820
Economic Leverage as of July 31, 2012 ⁴	39%

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

² Tax equivalent yield assumes the maximum federal tax rate of 35%.

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

⁴ Represents Variable Rate Muni Term Preferred Shares (VMTP Shares) and tender option bond trusts (TOBs) as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VMTP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 10.

The table below summarizes the changes in the Fund s market price and NAV per share:

	7/31/12	7/31/11	Change	High	Low
Market Price	\$ 15.55	\$ 12.46	24.80%	\$ 15.55	\$ 11.45
Net Asset Value	\$ 15.18	\$ 13.07	16.14%	\$ 15.25	\$ 13.07

The following charts show the sector and credit quality allocations of the Fund s long-term investments:

Sector Allocations

	7/31/12	7/31/11
County/City/Special District/School District	28%	26%
Transportation	21	19
Utilities	17	23
State	15	9
Health	10	9
Education	6	2
Housing	2	2
Tobacco	1	1
Corporate		9

Credit Quality Allocations⁵

	7/31/12	7/31/11
AAA/Aaa	16%	16%
AA/Aa	63	62
A	20	18
BBB/Baa	1	3
BB/Ba		1

⁵ Using the higher of S&P's or Moody's Investors Service (Moody's) ratings.

Fund Summary as of July 31, 2012

BlackRock MuniYield California Quality Fund, Inc.

Fund Overview

BlackRock MuniYield California Quality Fund, Inc. s (MCA) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal and California income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax) and California income taxes. Under normal market conditions, the Fund invests primarily in long-term municipal obligations that are investment grade quality at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Performance

For the 12 months ended July 31, 2012, the Fund returned 35.48% based on market price and 23.15% based on NAV. For the same period, the closed-end Lipper California Municipal Debt Funds category posted an average return of 30.47% based on market price and 21.65% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund s long duration posture (sensitivity to interest rate movements) had a positive impact on performance as interest rates generally declined amid the investor flight-to-quality in the US Treasury market. Leverage achieved through the use of tender option bonds while the municipal yield curve was historically steep boosted returns. The Fund s holdings of higher quality essential service revenue bonds contributed positively, as did holdings of select general obligation bonds and school district credits with stronger underlying fundamentals. Investments in the health, education, transportation and utilities sectors were particularly strong contributors. Additionally, purchases of zero-coupon bonds deemed undervalued added to the Fund s total return. The Fund used US Treasury financial futures contracts to hedge against rising interest rates. These positions had a modestly negative impact on returns as interest rates declined over the period.

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Fund Information

Symbol on NYSE	MCA
Initial Offering Date	October 30, 1992
Yield on Closing Market Price as of July 31, 2012 (\$16.59) ¹	5.50%
Tax Equivalent Yield ²	8.46%
Current Monthly Distribution per Common Share ³	\$0.0760
Current Annualized Distribution per Common Share ³	\$0.9120
Economic Leverage as of July 31, 2012 ⁴	39%

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

² Tax equivalent yield assumes the maximum federal tax rate of 35%.

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

⁴ Represents Variable Rate Demand Preferred Shares (VRDP Shares) and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 10.

The table below summarizes the changes in the Fund s market price and NAV per share:

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	7/31/12	7/31/11	Change	High	Low
Market Price	\$ 16.59	\$ 13.00	27.62%	\$ 16.59	\$ 12.60
Net Asset Value	\$ 16.60	\$ 14.31	16.00%	\$ 16.65	\$ 14.31

The following charts show the sector and credit quality allocations of the Fund's long-term investments:

Sector Allocations

	7/31/12	7/31/11
County/City/Special District/School District	42%	45%
Utilities	26	28
Education	10	10
Health	10	4
Transportation	8	8
State	4	1
Corporate		4

Credit Quality Allocations⁵

	7/31/12	7/31/11
AAA/Aaa	11%	11%
AA/Aa	76	79
A	13	10

⁵ Using the higher of S&P's or Moody's ratings.

Fund Summary as of July 31, 2012

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

BlackRock MuniYield Michigan Quality Fund II, Inc. s (MYM) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal and Michigan income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax) and Michigan income taxes. Under normal market conditions, the Fund invests primarily in long-term municipal obligations that are investment grade quality at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Performance

For the 12 months ended July 31, 2012, the Fund returned 25.76% based on market price and 19.01% based on NAV. For the same period, the closed-end Lipper Michigan Municipal Debt Funds category posted an average return of 23.86% based on market price and 17.29% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. Over the one-year period, the Fund benefited from the declining interest rate environment (bond prices rise as interest rates fall), the flattening of the yield curve (long interest rates fell more than short and intermediate rates) and tightening of credit spreads. The Fund s exposure to zero-coupon bonds and the health sector had a positive impact on performance as these holdings derived the greatest benefit from the decline in interest rates and spread tightening during the period. The Fund s strategy for hedging interest rate risk was a modest detractor from performance as the Fund held a short position in US Treasury futures while rates generally declined.

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These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on NYSE	MYM
Initial Offering Date	February 28, 1992
Yield on Closing Market Price as of July 31, 2012 (\$14.52) ¹	5.70%
Tax Equivalent Yield ²	8.77%
Current Monthly Distribution per Common Share ³	\$ 0.0690
Current Annualized Distribution per Common Share ³	\$ 0.8280
Economic Leverage as of July 31, 2012 ⁴	36%

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

² Tax equivalent yield assumes the maximum federal tax rate of 35%.

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

⁴ Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 10.

The table below summarizes the changes in the Fund s market price and NAV per share:

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	7/31/12	7/31/11	Change	High	Low
Market Price	\$ 14.52	\$ 12.28	18.24%	\$ 15.80	\$ 12.17
Net Asset Value	\$ 15.14	\$ 13.53	11.90%	\$ 15.18	\$ 13.53

The following charts show the sector and credit quality allocations of the Fund's long-term investments:

Sector Allocations

	7/31/12	7/31/11
County/City/Special District/School District	27%	23%
Health	18	14
Utilities	14	17
State	14	11
Education	12	9
Transportation	8	11
Housing	4	4
Corporate	3	11

Credit Quality Allocations⁵

	7/31/12	7/31/11
AAA/Aaa	1%	2%
AA/Aa	74	69
A	20	24
BBB/Baa	4	3
Not Rated	1	2 ₆

⁵ Using the higher of S&P's or Moody's ratings.

⁶ The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of July 31, 2011, the market value of these securities was \$5,295,911, representing 2% of the Fund's long-term investments.

Fund Summary as of July 31, 2012

BlackRock MuniYield New York Quality Fund, Inc.

Fund Overview

BlackRock MuniYield New York Quality Fund, Inc. s (MYN) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes and New York State and New York City personal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax) and New York State and New York City personal income taxes. Under normal market conditions, the Fund invests primarily in long-term municipal obligations that are investment grade quality at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Performance

For the 12 months ended July 31, 2012, the Fund returned 27.38% based on market price and 19.10% based on NAV. For the same period, the closed-end Lipper New York Municipal Debt Funds category posted an average return 23.42% based on market price and 16.21% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a discount to NAV to a premium by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The Fund s long duration posture (greater sensitivity to interest rates) contributed positively to performance as interest rates declined over the period. The Fund s holdings were concentrated on the long end of the yield curve, which benefited performance as the curve flattened and long-term interest rates declined more than rates on shorter-dated securities. Also having a positive impact were the Fund s heavy exposures to health and transportation, which were among the better performing sectors for the period. The Fund s lower quality holdings also enhanced results as credit spreads narrowed during the period. Conversely, the Fund s most significant credit exposure was in the tax-backed sector, which was one of the weaker performing sectors for the period. The strongest performing sector during the period was tobacco, to which the Fund held limited exposure.

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These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on NYSE	MYN
Initial Offering Date	February 28, 1992
Yield on Closing Market Price as of July 31, 2012 (\$15.11) ¹	5.64%
Tax Equivalent Yield ²	8.68%
Current Monthly Distribution per Common Share ³	\$0.0710
Current Annualized Distribution per Common Share ³	\$0.8520
Economic Leverage as of July 31, 2012 ⁴	38%

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

² Tax equivalent yield assumes the maximum federal tax rate of 35%.

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

⁴ Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 10.

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The table below summarizes the changes in the Fund's market price and NAV per share:

	7/31/12	7/31/11	Change	High	Low
Market Price	\$ 15.11	\$ 12.60	19.92%	\$ 15.12	\$ 12.10
Net Asset Value	\$ 15.07	\$ 13.44	12.13%	\$ 15.12	\$ 13.44

The following charts show the sector and credit quality allocations of the Fund's long-term investments:

Sector Allocations

	7/31/12	7/31/11
County/City/Special District/School District	30%	28%
Transportation	26	29
Education	13	11
State	10	11
Utilities	9	8
Health	6	5
Housing	3	3
Corporate	2	4
Tobacco	1	1

Credit Quality Allocations⁵

	7/31/12	7/31/11
AAA/Aaa	13%	12%
AA/Aa	48	54
A	29	21
BBB/Baa	9	10
BB/Ba	1	2
Not Rated ⁶		1

⁵ Using the higher of S&P's or Moody's ratings.

⁶ The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of July 31, 2012 and July 31, 2011, the market value of these securities was \$3,070,810, representing less than 1%, and \$3,909,236, representing 1%, respectively, of the Fund's long-term investments.

Fund Summary as of July 31, 2012

BlackRock MuniYield Quality Fund III, Inc.

Fund Overview

BlackRock MuniYield Quality Fund III, Inc. s (MYI) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). Under normal market conditions, the Fund invests primarily in long-term municipal obligations that are investment grade quality at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

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

Performance

For the 12 months ended July 31, 2012, the Fund returned 38.08% based on market price and 23.45% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 29.37% based on market price and 20.77% based on NAV. All returns reflect reinvestment of dividends. The Fund moved from a discount to NAV to a premium by period end, which accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. Over the one-year period, the Fund benefited from the declining interest rate environment (bond prices rise as interest rates fall), the flattening of the yield curve (long interest rates fell more than short and intermediate rates) and tightening of credit spreads. The Fund s exposure to zero-coupon bonds and the health sector had a positive impact on performance as these holdings derived the greatest benefit from the decline in interest rates and spread tightening during the period. The Fund s strategy for hedging interest rate risk was a modest detractor from performance as the Fund held a short position in US Treasury futures while rates generally declined.

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Fund Information

Symbol on NYSE	MYI
Initial Offering Date	March 27, 1992
Yield on Closing Market Price as of July 31, 2012 (\$15.81) ¹	5.46%
Tax Equivalent Yield ²	8.40%
Current Monthly Distribution per Common Share ³	\$0.0720
Current Annualized Distribution per Common Share ³	\$0.8640
Economic Leverage as of July 31, 2012 ⁴	37%

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

² Tax equivalent yield assumes the maximum federal tax rate of 35%.

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

⁴ Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 10.

The table below summarizes the changes in the Fund s market price and NAV per share:

	7/31/12	7/31/11	Change	High	Low
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Market Price	\$ 15.81	\$ 12.17	29.91%	\$ 15.82	\$ 11.86
Net Asset Value	\$ 15.32	\$ 13.19	16.15%	\$ 15.36	\$ 13.19

The following charts show the sector and credit quality allocations of the Fund's long-term investments:

Sector Allocations

	7/31/12	7/31/11
Transportation	27%	27%
State	23	10
Utilities	16	17
County/City/Special District/School District	12	24
Health	9	7
Education	8	9
Housing	4	5
Corporate	1	1

Credit Quality Allocations⁵

	7/31/12	7/31/11
AAA/Aaa	11%	7%
AA/Aa	64	65
A	22	21
BBB/Baa	3	3
Not Rated		4 ₆

⁵ Using the higher of S&P's or Moody's ratings.

⁶ The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of July 31, 2011, the market value of these securities was \$20,992,023, representing 1% of the Fund's long-term investments.

The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the yield and NAV of their common shares (Common Shares). However, these objectives cannot be achieved in all interest rate environments.

To obtain leverage, the Funds issue Variable Rate Demand Preferred Shares (VRDP Shares) or Variable Rate Muni Term Preferred Shares (VMTP Shares) and previously issued and had outstanding Auction Market Preferred Shares (AMPS) (VRDP Shares, VMTP Shares, and as applicable AMPS, are collectively referred to as Preferred Shares). Preferred Shares pay dividends at prevailing short-term interest rates, and the Funds invest the proceeds in long-term municipal bonds. In general, the concept of leveraging is based on the premise that the financing cost of assets to be obtained from leverage, which will be based on short-term interest rates, will normally be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the total assets of each Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Fund's shareholders will benefit from the incremental net income.

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

To illustrate these concepts, assume a Fund's Common Shares capitalization is \$100 million and it issues Preferred Shares for an additional \$50 million, creating a total value of \$150 million available for investment in long-term municipal bonds. If prevailing short-term interest rates are 3% and long-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund pays dividends on the \$50 million of Preferred Shares based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with assets received from Preferred Shares issuance earn income based on long-term interest rates. In this case, the dividends paid to holders of Preferred Shares (Preferred Shareholders) are significantly lower than the income earned on the Fund's long-term investments, and therefore the Common Shareholders are the beneficiaries of the incremental net income.

If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental net income pickup will be reduced or eliminated completely. Furthermore, if prevailing short-term interest rates rise above long-term interest rates, the yield curve has a negative slope. In this case, the Fund pays higher short-term interest rates whereas the Fund's total portfolio earns income based on lower long-term interest rates.

Furthermore, the value of the Funds' portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the redemption value of the Funds' Preferred Shares does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Funds' NAVs positively or negatively in addition to the impact on Fund performance from leverage from Preferred Shares discussed above.

The Funds may also leverage their assets through the use of TOBs, as described in Note 1 of the Notes to Financial Statements. TOB investments generally will provide the Funds with economic benefits in periods of declining short-term interest rates, but expose the Funds to risks during periods of rising short-term interest rates similar to those associated with Preferred Shares issued by the Funds, as described above. Additionally, fluctuations in the market value of municipal bonds deposited into the TOB trust may adversely affect each Fund's NAV per share.

The use of leverage may enhance opportunities for increased income to the Funds and Common Shareholders, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes in the Funds' NAVs, market prices and dividend rates than comparable portfolios without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the Funds' net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to Common Shareholders will be reduced. Each Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause a Fund to incur losses. The use of leverage may limit each Fund's ability to invest in certain types of securities or use certain types of hedging strategies, such as in the case of certain restrictions imposed by rating agencies that rate the Preferred Shares issued by the Funds. Each Fund will incur expenses in connection with the use of leverage, all of which are borne by Common Shareholders and may reduce income to the Common Shares.

Under the Investment Company Act of 1940, as amended (the 1940 Act), the Funds are permitted to issue senior securities in the form of equity securities (e.g., Preferred Shares) up to 50% of their total managed assets (each Fund's total assets less the sum of its accrued liabilities). In addition, each Fund voluntarily limits its economic leverage to 45% of its total managed assets. As of July 31, 2012, the Funds had economic leverage from Preferred Shares and/or TOBs as a percentage of their total managed assets as follows:

	Percent of Economic Leverage
MUE	39%
MCA	39%
MYM	36%
MYN	38%
MYI	37%

Derivative Financial Instruments

The Funds may invest in various derivative financial instruments, including financial futures contracts, as specified in Note 2 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to hedge market and/or interest rate risks. Derivative financial instruments involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The Funds' ability to use a derivative financial instrument successfully depends on the investment advisor's ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation a Fund can realize on an investment, may result in lower dividends paid to shareholders or may cause a Fund to hold an investment that it might otherwise sell. The Funds' investments in these instruments are discussed in detail in the Notes to Financial Statements.

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Schedule of Investments July 31, 2012

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
Alabama 2.1%		
Birmingham Special Care Facilities Financing Authority, RB, Children's Hospital (AGC), 6.00%, 6/01/39	\$ 5,225	\$ 6,100,971
Selma IDB, RB, International Paper Co. Project, Series A, 5.38%, 12/01/35	940	1,024,121
		7,125,092
Arizona 2.8%		
Arizona Board of Regents, Refunding COP, University of Arizona, Series C, 5.00%, 6/01/28	4,180	4,821,756
Arizona Board of Regents, Refunding RB, Arizona State University System, Series A: 5.00%, 6/01/42	1,705	1,954,339
5.00%, 7/01/42	2,460	2,806,712
		9,582,807
California 17.1%		
California Educational Facilities Authority, RB, University of Southern California, Series A, 5.25%, 10/01/38	5,050	6,031,114
California Health Facilities Financing Authority, RB: Stanford Hospital and Clinics, Series A, 5.00%, 8/15/42	2,770	3,059,853
Sutter Health, Series B, 6.00%, 8/15/42	2,865	3,440,865
California Statewide Communities Development Authority, RB, Kaiser Permanente, Series A, 5.00%, 4/01/42	2,345	2,566,790
City of San Jose California Airport, Refunding RB, Series A-1, AMT, 5.50%, 3/01/30	4,045	4,560,293
City of Sunnyvale California, Refunding RB, 5.25%, 4/01/40	2,800	3,230,584
County of Sacramento California, ARB, Senior Series A (AGC), 5.50%, 7/01/41	3,500	3,934,700
Emery Unified School District, GO, Election of 2010, Series A (AGM), 5.50%, 8/01/35	1,875	2,170,219
Los Angeles Community College District California, GO: Election of 2001, Series A (NPFGC), 5.00%, 8/01/32	5,000	5,636,700
Election of 2008, Series C, 5.25%, 8/01/39	2,500	2,914,850
Oceanside Unified School District California, GO, Series A (AGC), 5.25%, 8/01/33 (a)	1,675	1,880,539
Redondo Beach Unified School District, GO, Election of 2008, Series E, 5.50%, 8/01/34	2,670	3,179,142
San Bernardino Community College District, GO, Election of 2002, Series A, 6.25%, 8/01/33	2,165	2,600,057
San Francisco City & County Airports Commission, RB, Specialty Facility Lease, SFO Fuel, Series A, AMT (AGM), 6.10%, 1/01/20	1,250	1,253,712
Municipal Bonds		
California (concluded)		
State of California, GO, Refunding: Various Purpose, 5.00%, 9/01/41	\$ 5,760	\$ 6,281,971
	10	10,017

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Veterans, Series BZ, AMT (NPFGC), 5.35%,
12/01/21

University of California, Refunding RB, Limited Project, Series G, 5.00%, 5/15/37 (a)	1,500	1,733,490
Ventura County Community College District, GO, Election of 2002, Series C, 5.50%, 8/01/33	3,175	3,776,631
		58,261,527

Colorado 1.1%

Colorado Health Facilities Authority, RB, Hospital, NMC, Inc. Project, Series B (AGM), 6.00%, 5/15/26	3,300	3,909,609
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Florida 9.2%

City of Jacksonville Florida, RB, Series A, 5.25%, 10/01/26	2,000	2,403,880
County of Lee Florida, Refunding ARB, Series A, AMT, 5.38%, 10/01/32	2,500	2,752,575
County of Miami-Dade Florida, Refunding RB, Miami International Airport, Series A, AMT (AGM): 5.25%, 10/01/41	4,610	4,937,495
5.50%, 10/01/41	4,180	4,543,200
Orange County School Board, COP, Series A (AGC), 5.50%, 8/01/34	7,600	8,791,604
Tohopekaliga Water Authority, Refunding RB, Series A, 5.25%, 10/01/36	6,965	8,055,301
		31,484,055

Idaho 0.1%

Idaho Housing & Finance Association, RB, S/F Mortgage, Series E, AMT, 6.00%, 1/01/32	230	230,375
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Illinois 13.1%

Chicago Board of Education Illinois, GO, Series A, 5.50%, 12/01/39	3,405	3,969,617
Chicago Board of Education Illinois, GO, Refunding, Chicago School Reform Board, Series A (NPFGC), 5.50%, 12/01/26	895	1,112,915
Chicago Transit Authority, RB: Federal Transit Administration Section 5309, Series A (AGC), 6.00%, 6/01/26	3,400	4,021,418
Sales Tax Receipts, 5.25%, 12/01/36	1,060	1,211,103
Sales Tax Receipts, 5.25%, 12/01/40	3,135	3,576,502

Portfolio Abbreviations

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

ACA	American Capital Access Corp.
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.
BOCES	Board of Cooperative Educational Services
CAB	Capital Appreciation Bonds
COP	Certificates of Participation
EDA	Economic Development Authority
ERB	Education Revenue Bonds
EDC	Economic Development Corp.
FHA	Federal Housing Administration
GAB	Grant Anticipation Bonds
GO	General Obligation Bonds

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HDA	Housing Development Authority
HFA	Housing Finance Agency
IDB	Industrial Development Board
IDRB	Industrial Development Revenue Bonds
ISD	Independent School District
LRB	Lease Revenue Bonds
MRB	Mortgage Revenue Bonds
NPFGC	National Public Finance Guarantee Corp.
PILOT	Payment in Lieu of Taxes
PSF-GTD	Permanent School Fund Guaranteed
Q-SBLF	Qualified School Bond Loan Fund
RB	Revenue Bonds
S/F	Single-Family
SONYMA	State of New York Mortgage Agency
Syncora	Syncora Guarantee

See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
Illinois (concluded)		
City of Chicago Illinois, ARB, O Hare International Airport, General, Third Lien:		
Series A, 5.75%, 1/01/39	\$ 2,000	\$ 2,357,480
Series C, 6.50%, 1/01/41	9,085	11,153,473
City of Chicago Illinois, Refunding ARB, O Hare International Airport, General, Third Lien, Series C (AGM), 5.25%, 1/01/35	1,695	1,897,807
City of Chicago Illinois, Refunding RB, Sales Tax, Series A, 5.25%, 1/01/38	1,310	1,503,854
Cook County Forest Preserve District, GO, Series C, 5.00%, 12/15/32	965	1,100,476
Cook County Forest Preserve District, GO, Refunding, Limited Tax Project, Series B, 5.00%, 12/15/32	455	518,877
Metropolitan Pier & Exposition Authority, Refunding RB, McCormick Place Project, Series B, 5.00%, 12/15/28	3,400	3,936,248
Railsplitter Tobacco Settlement Authority, RB:		
5.50%, 6/01/23	2,350	2,742,262
6.00%, 6/01/28	670	779,686
State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/28	4,000	4,641,200
		44,522,918
Indiana 2.8%		
Indiana Municipal Power Agency, RB, Series A (NPFGC), 5.00%, 1/01/42	6,300	6,784,974
Indianapolis Local Public Improvement Bond Bank, Refunding RB, Waterworks Project, Series A (AGC), 5.50%, 1/01/38	2,370	2,689,760
		9,474,734
Kansas 0.3%		
Sedgwick & Shawnee Counties Kansas, MRB, Series A-2, AMT (Ginnie Mae), 6.20%, 12/01/33	1,035	1,081,575
Kentucky 3.7%		
Kentucky Turnpike Authority, RB, Economic Development Road, Revitalization Projects, Series A, 5.00%, 7/01/28	10,430	12,676,726
Massachusetts 0.4%		
Massachusetts Development Finance Agency, RB, Wellesley College, Series J, 5.00%, 7/01/42	1,125	1,314,630
Michigan 5.6%		
City of Detroit Michigan, RB, Series B:		
Second Lien (NPFGC), 5.50%, 7/01/29	4,170	4,614,439
Senior Lien (AGM), 7.50%, 7/01/33	1,330	1,671,943
City of Detroit Michigan, Refunding RB, Senior Lien, Series C-1 (AGM), 7.00%, 7/01/27	4,180	5,012,029
Hudsonville Public Schools, GO, School Building & Site (Q-SBLF), 5.25%, 5/01/41	3,420	3,867,575
Royal Oak Hospital Finance Authority Michigan, Refunding RB, William Beaumont Hospital, 8.25%, 9/01/39	3,115	4,018,070
		19,184,056

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Minnesota 0.7%			
City of Minneapolis Minnesota, Refunding RB, Fairview Health Services, Series B (AGC), 6.50%, 11/15/38	1,975		2,367,136
Nevada 2.5%			
County of Clark Nevada, RB: Las Vegas-McCarran International Airport, Series A (AGM), 5.25%, 7/01/39	6,510		7,297,970
Subordinate Lien, Series A-2 (NPFGC), 5.00%, 7/01/36	1,300		1,376,232
			8,674,202
		Par (000)	Value
Municipal Bonds			
New Jersey 6.1%			
New Jersey EDA, RB, Motor Vehicle Surcharge, Series A (NPFGC), 5.25%, 7/01/33	\$ 7,775	\$	8,322,982
New Jersey Health Care Facilities Financing Authority, RB, Virtua Health (AGC), 5.50%, 7/01/38	3,400		3,783,520
New Jersey Transportation Trust Fund Authority, RB, Transportation System: Series A, 5.50%, 6/15/41	3,030		3,541,525
Series A (AGC), 5.63%, 12/15/28	2,930		3,466,629
Series B, 5.25%, 6/15/36	1,500		1,728,315
			20,842,971
New York 9.3%			
Hudson New York Yards Infrastructure Corp., RB, Series A, 5.75%, 2/15/47	940		1,101,746
Metropolitan Transportation Authority, RB, Series E, 5.00%, 11/15/42	810		910,448
New York City Municipal Water Finance Authority, Refunding RB: Fiscal 2009, Series EE, 5.25%, 6/15/40	6,930		7,993,824
Second General Resolution, Series EE, 5.38%, 6/15/43	2,220		2,611,319
New York City Transitional Finance Authority, RB: Future Tax Secured, Sub-Series C, 5.00%, 11/01/39	2,760		3,147,670
Sub-Series S-2A, 5.00%, 7/15/30	4,045		4,710,686
New York State Dormitory Authority, RB, Series B: 5.00%, 3/15/37	5,750		6,657,925
5.00%, 3/15/42	2,365		2,721,429
New York State Thruway Authority, RB, Series I, 5.00%, 1/01/37	1,740		1,970,185
			31,825,232
North Carolina 1.9%			
North Carolina HFA, RB, Home Ownership, Series 14A, AMT (AMBAC), 5.35%, 1/01/22	865		865,000
North Carolina Medical Care Commission, RB, Duke University Health System, Series A, 5.00%, 6/01/32	3,400		3,918,874
North Carolina Medical Care Commission, Refunding RB, WakeMed, Series A, 5.00%, 10/01/31	1,420		1,611,231
			6,395,105
Pennsylvania 0.7%			
Philadelphia Hospitals & Higher Education Facilities Authority, Refunding RB, Children's Hospital, Series D, 5.00%, 7/01/32	1,940		2,238,256
Puerto Rico 1.2%			
Puerto Rico Sales Tax Financing Corp., RB, First Sub-Series A, 6.38%, 8/01/39	3,500		4,146,205
South Carolina 3.9%			
City of North Charleston South Carolina, RB, 5.00%, 6/01/35	2,265		2,553,538

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South Carolina State Public Service Authority,
Refunding RB, Series A:

Santee Cooper, 5.50%, 1/01/38	2,500	2,978,325
(AMBAC), 5.00%, 1/01/42	7,000	7,883,400
		13,415,263

Texas 21.2%

City of Austin Texas, Refunding RB, Series A (AGM), 5.00%, 11/15/28	1,300	1,528,072
City of Houston Texas, Refunding RB, Combined, First Lien, Series A (AGC), 6.00%, 11/15/35	6,700	8,169,645
Dallas Area Rapid Transit, Refunding RB, Senior Lien, 5.25%, 12/01/38	5,655	6,408,133
Harris County Health Facilities Development Corp., Refunding RB, Memorial Hermann Healthcare System, Series B, 7.25%, 12/01/35	1,000	1,214,470
Katy ISD Texas, GO, Refunding, School Building, Series A (PSF-GTD), 5.00%, 2/15/42	1,890	2,204,949

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
Texas (concluded)		
Lamar Texas Consolidated ISD, GO, Refunding, School House, Series A, 5.00%, 2/15/45	\$ 2,055	\$ 2,382,628
North Texas Tollway Authority, RB, Special Projects System, Series A, 5.50%, 9/01/41	7,000	8,314,810
North Texas Tollway Authority, Refunding RB, First Tier System:		
Series A (NPFGC), 5.63%, 1/01/33	10,975	12,248,210
Series A (NPFGC), 5.75%, 1/01/40	11,575	12,958,560
Series B (NPFGC), 5.75%, 1/01/40	1,000	1,119,530
Series K-2 (AGC), 6.00%, 1/01/38	1,000	1,158,090
Tarrant County Cultural Education Facilities Finance Corp., Refunding RB, Christus Health, Series A (AGC), 6.50%, 7/01/37	3,000	3,503,760
Texas State Turnpike Authority, RB, First Tier, Series A (AMBAC), 5.00%, 8/15/42	3,295	3,295,857
Texas Tech University, Refunding RB, Improvement Financing, 14th Series A, 5.00%, 8/15/29	2,000	2,379,100
University of Texas System, Refunding RB, Financing System, Series B, 5.00%, 8/15/43	4,575	5,376,037
		72,261,851
Virginia 1.9%		
Virginia Public School Authority, RB, School Financing, 6.50%, 12/01/35	2,195	2,736,836
Virginia Resources Authority, RB, 5.00%, 11/01/42	3,110	3,628,312
		6,365,148
Washington 2.7%		
City of Seattle Washington, Refunding RB, Series A, 5.25%, 2/01/36	2,400	2,804,472
State of Washington, GO:		
Motor Vehicle Tax, Senior 520, 5.00%, 6/01/41	3,600	4,100,976
Various Purpose, Series B, 5.25%, 2/01/36	1,865	2,190,014
		9,095,462
Wisconsin 1.0%		
Wisconsin Health & Educational Facilities Authority, RB, Ascension Health, Series D, 5.00%, 11/15/41	3,125	3,470,281
Total Municipal Bonds 111.4%		379,945,216
Municipal Bonds Transferred to Tender Option Bond Trusts (b)		
Alabama 1.2%		
Mobile Board of Water & Sewer Commissioners, RB (NPFGC), 5.00%, 1/01/31	3,750	3,981,713
California 1.7%		
Sequoia Union High School District California, GO, Refunding, Election of 2004, Series B (AGM), 5.50%, 7/01/35	5,189	5,679,055
Colorado 2.9%		
Colorado Health Facilities Authority, RB, Catholic Health, Series C-3 (AGM), 5.10%, 10/01/41	9,410	10,050,445

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District of Columbia 0.6%		
District of Columbia Water & Sewer Authority, Refunding RB, Series A, 6.00%, 10/01/35	1,700	2,069,739
Florida 7.5%		
City of St. Petersburg Florida, Refunding RB (NPFGC), 5.00%, 10/01/35	6,493	7,106,245
County of Miami-Dade Florida, GO, Building Better Communities Program, Series B-1, 6.00%, 7/01/38	12,500	14,563,000
Municipal Bonds Transferred to Tender Option Bond Trusts (b)	Par (000)	Value
Florida (concluded)		
County of Miami-Dade Florida, RB, Transit System, Sales Surtax, 5.00%, 7/01/42 (a)	\$ 1,650	\$ 1,851,415
Lee County Housing Finance Authority, RB, Multi-County Program, Series A-2, AMT (Ginnie Mae), 6.00%, 9/01/40	2,055	2,190,651
		25,711,311
Georgia 2.0%		
Augusta-Richmond County Georgia, Water & Sewer, RB (AGM), 5.25%, 10/01/34	6,290	6,786,218
Illinois 6.8%		
City of Chicago Illinois, ARB, O Hare International Airport, Series A, 5.00%, 1/01/38	15,000	16,090,200
City of Chicago Illinois, Refunding RB: Water System, 5.00%, 11/01/42	2,439	2,776,436
Water System, Second Lien (AGM), 5.25%, 11/01/33	3,969	4,452,512
		23,319,148
Kentucky 0.8%		
Kentucky State Property & Building Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/27	2,304	2,675,502
Massachusetts 3.3%		
Massachusetts School Building Authority, RB: Dedicated Sales Tax, Senior Series B, 5.00%, 10/15/41	5,080	5,869,635
Series A (AGM), 5.00%, 8/15/30	4,994	5,527,109
		11,396,744
Nevada 6.6%		
Clark County Water Reclamation District, GO: Limited Tax, 6.00%, 7/01/38	10,000	12,334,400
Series B, 5.50%, 7/01/29	8,247	10,220,218
		22,554,618
New Jersey 1.2%		
New Jersey State Housing & Mortgage Finance Agency, RB, S/F Housing, Series CC, 5.25%, 10/01/29	3,861	4,264,300
New York 10.0%		
New York City Municipal Water Finance Authority, Refunding RB, Series FF, 5.00%, 6/15/45	5,958	6,832,422
New York City Transitional Finance Authority, RB: Building Aid Revenue, Fiscal 2009, Series S-3, 5.25%, 1/15/39	2,300	2,598,206
Future Tax Secured, Sub-Series E-1, 5.00%, 2/01/42	2,919	3,370,259
New York Liberty Development Corp., RB, 1 World Trade Center Port Authority Construction, 5.25%, 12/15/43	7,515	8,668,177
New York Liberty Development Corp., Refunding RB, 4 World Trade Center Project, 5.75%, 11/15/51	4,400	5,205,860
Sales Tax Asset Receivable Corp., Refunding RB, Series A (AMBAC), 5.25%, 10/15/27	6,751	7,399,019

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		34,073,943
Puerto Rico 1.0%		
Puerto Rico Sales Tax Financing Corp., Refunding RB, Sales Tax, Series C, 5.25%, 8/01/40	3,020	3,353,665
Texas 1.7%		
Waco Educational Finance Corp., Refunding RB, Baylor University, 5.00%, 3/01/43	4,995	5,727,467
Utah 0.8%		
City of Riverton Utah Hospital, RB, IHC Health Services Inc., 5.00%, 8/15/41	2,504	2,736,921

See Notes to Financial Statements.

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Schedule of Investments (concluded)

BlackRock MuniHoldings Quality Fund II, Inc. (MUE)
(Percentages shown are based on Net Assets)

Municipal Bonds Transferred to Tender Option Bond Trusts (b)	Par (000)	Value
Washington 3.9%		
City of Bellevue Washington, GO, Refunding (NPFGC), 5.50%, 12/01/14 (c)	\$ 6,883	\$ 7,700,643
University of Washington, Refunding RB, Series A, 5.00%, 7/01/41	4,694	5,472,148
		13,172,791
Total Municipal Bonds Transferred to Tender Option Bond Trusts 52.0%		177,553,580
Total Investments (Cost \$506,170,498) 163.4%		557,498,796
Other Assets Less Liabilities 1.1%		3,602,773
Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable (26.1)%		(88,957,167)
VMTP Shares, at Liquidation Value (38.4)%		(131,000,000)
Net Assets Applicable to Common Shares 100.0%		\$ 341,144,402

(a) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation (Depreciation)
JPMorgan Chase & Co.	\$ 1,851,415	\$ 17,242
Pershing LLC	\$ 1,733,490	\$ (3,681)
Stifel Nicolaus & Co.	\$ 1,880,539	\$ 220,134

(b) 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. See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to TOBs.

(c) US government securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date indicated, typically at a premium to par.

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

Affiliate	Shares Held at July 31, 2011	Net Activity	Shares Held at July 31, 2012	Income
FFI Institutional Tax-Exempt Fund	13,223,965	(13,223,965)		\$ 1,465

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

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

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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 into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments is based on the pricing transparency of the investment and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the Fund's investments categorized in the disclosure hierarchy as of July 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments ¹		\$ 557,498,796		\$ 557,498,796

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

Certain of the Fund's liabilities are held at carrying amount, which approximates fair value for financial statement purposes. As of July 31, 2012, such liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Liabilities:				
Bank overdraft		\$ (1,860,269)		\$ (1,860,269)
TOB trust certificates		(88,920,856)		(88,920,856)
VMTP Shares		(131,000,000)		(131,000,000)
Total		\$ (221,781,125)		\$ (221,781,125)

There were no transfers between levels during the year ended July 31, 2012.

See Notes to Financial Statements.

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Schedule of Investments July 31, 2012

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

	Par (000)	Value
Municipal Bonds		
California 87.1%		
Corporate 0.5%		
City of Chula Vista California, Refunding RB, San Diego Gas & Electric, Series A, 5.88%, 2/15/34	\$ 2,435	\$ 2,874,396
County/City/Special District/School District 30.7%		
Bay Area Governments Association, Refunding RB, California Redevelopment Agency Pool, Series A (AGM), 6.00%, 12/15/24	255	259,710
California State Public Works Board, RB, Various Capital Projects, Sub-Series I-1, 6.13%, 11/01/29	3,110	3,723,167
Chabot-Las Positas Community College District, GO, CAB, Series C (AMBAC), 5.31%, 8/01/37 (a)	10,000	2,699,700
County of Kern California, COP, Capital Improvements Projects, Series A (AGC), 6.00%, 8/01/35	2,000	2,344,220
Desert Community College District, GO, CAB, Election of 2004, Series C (AGM), 5.48%, 8/01/46 (a)	5,000	794,550
Fairfield-Suisun Unified School District California, GO, Election of 2002 (NPFGC), 5.50%, 8/01/28	2,500	2,694,925
Fremont Unified School District Alameda County California, GO, Series A (NPFGC), 5.50%, 8/01/12 (b)	10,755	10,862,550
Grossmont Healthcare District, GO, Election of 2006, Series B, 6.13%, 7/15/40	2,500	3,068,075
Grossmont Union High School District, GO, Election of 2008, Series C, 5.50%, 8/01/33	1,855	2,229,766
Los Angeles Community Redevelopment Agency California, RB, Bunker Hill Project, Series A (AGM), 5.00%, 12/01/27	7,000	7,547,680
Los Angeles County Metropolitan Transportation Authority, Refunding RB, Proposition A, First Tier, Senior Series A (AMBAC), 5.00%, 7/01/27	4,000	4,410,080
Los Angeles Municipal Improvement Corp., Refunding RB, Real Property, Series B (AGC), 5.50%, 4/01/39	2,025	2,277,943
Merced Union High School District, GO, CAB, Election of 2008, Series C (a):		
5.17%, 8/01/33	2,500	855,900
5.22%, 8/01/36	4,000	1,160,240
Ohlone Community College District, GO, Election of 2010, Series A, 5.25%, 8/01/41	8,140	9,415,294
Orange County Sanitation District, COP, Series A, 5.00%, 2/01/35	2,500	2,816,875
Orange County Water District, COP, Refunding, 5.25%, 8/15/34	9,045	10,520,782
Orchard School District California, GO, Election of 2001, Series A (AGC), 5.00%, 8/01/34	7,490	8,439,582
Oxnard Union High School District California, GO, Refunding, Series A (NPFGC), 6.20%, 8/01/30	9,645	10,776,069
Pittsburg Unified School District, GO, Election of 2006, Series B (AGM):		
5.50%, 8/01/34	2,000	2,284,480
5.63%, 8/01/39	4,500	5,136,255
Port of Oakland, Refunding RB, Series M (NPFGC), 5.38%, 11/01/27	5,000	5,039,250
Redlands Unified School District California, GO, Election of 2008 (AGM), 5.25%, 7/01/33	5,000	5,605,600

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San Diego County Water Authority, COP, Refunding, Series 2008-A (AGM), 5.00%, 5/01/38	4,895	5,373,046
San Jose Financing Authority, RB: Civic Center Project, Series B (AMBAC), 5.00%, 6/01/32	11,400	11,436,366
Convention Center Expansion & Renovation Project, 5.75%, 5/01/36	2,570	2,882,769
Convention Center Expansion & Renovation Project, 5.75%, 5/01/42	4,500	5,227,740
San Juan Unified School District, GO, Election of 2002 (AGM), 5.00%, 8/01/34	6,475	7,316,297

	Par (000)	Value
Municipal Bonds		
California (continued)		
County/City/Special District/School District (concluded)		
San Leandro Unified School District California, GO, Election of 2010, Series A, 5.75%, 8/01/41	\$ 3,000	\$ 3,570,870
Snowline Joint Unified School District, COP, Refunding, Refining Project (AGC), 5.75%, 9/01/38	5,600	6,460,160
Walnut Valley Unified School District, GO, Election of 2007, Series B, 5.75%, 8/01/41	7,680	9,082,291
West Contra Costa Unified School District California, GO: Election of 2010, Series A, 5.25%, 8/01/41	6,140	6,993,951
Election of 2002, Series B (AGM), 5.00%, 8/01/32	6,690	6,690,000
Westminster Redevelopment Agency California, Tax Allocation Bonds, Subordinate, Commercial Redevelopment Project No. 1 (AGC), 6.25%, 11/01/39	4,300	5,225,188
		175,221,371

Education 5.5%		
Anaheim City School District California, GO, Election of 2010 (AGM), 6.25%, 8/01/40	3,750	4,600,425
California Municipal Finance Authority, RB, Emerson College, 6.00%, 1/01/42	2,500	2,949,250
Gavilan Joint Community College District, GO, Election of 2004, Series D: 5.50%, 8/01/31	2,165	2,632,965
5.75%, 8/01/35	8,400	10,217,592
Rio Hondo Community College District California, GO, CAB, Election of 2004, Series C, 4.97%, 8/01/37 (a)	12,005	3,516,745
University of California, Refunding RB, Limited Project, Series G, 5.00%, 5/15/37 (c)	6,440	7,442,450
		31,359,427

Health 15.3%		
ABAG Finance Authority for Nonprofit Corps, Refunding RB, Sharp Healthcare, Series A, 6.00%, 8/01/30	2,270	2,795,596
California Health Facilities Financing Authority, RB: Children s Hospital, Series A, 5.25%, 11/01/41	8,000	8,851,040
Providence Health Services, Series B, 5.50%, 10/01/39	4,105	4,688,238
Stanford Hospital and Clinics, Series A, 5.00%, 8/15/51	6,500	7,128,810
Sutter Health, Series A, 5.25%, 11/15/46	10,000	10,603,200
Sutter Health, Series B, 6.00%, 8/15/42	7,715	9,265,715
California Health Facilities Financing Authority, Refunding RB, Catholic Healthcare West, Series A: 6.00%, 7/01/34	2,130	2,519,108
6.00%, 7/01/39	5,500	6,489,670
California Statewide Communities Development Authority, RB:		

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Health Facility, Memorial Health Services, Series A, 6.00%, 4/01/13 (b)	3,685	3,827,831
Kaiser Permanente, Series A, 5.00%, 4/01/42	15,000	16,418,700
Kaiser Permanente, Series B, 5.25%, 3/01/45	3,845	4,060,359
Sutter Health, Series A, 6.00%, 8/15/42	4,085	4,906,085
California Statewide Communities Development Authority, Refunding RB, Catholic Healthcare West, Series D (BHAC), 5.50%, 7/01/31	865	992,968
City of Newport Beach California, RB, Hoag Memorial Hospital Presbyterian, 6.00%, 12/01/40	3,825	4,707,389
		87,254,709

See Notes to Financial Statements.

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Schedule of Investments (continued)

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

	Par (000)	Value
Municipal Bonds		
California (continued)		
Housing 0.0%		
California Rural Home Mortgage Finance Authority, RB, Mortgage-Backed Securities Program, AMT (Ginnie Mae):		
Series A, 6.35%, 12/01/29 (d)	\$ 60	\$ 61,570
Series B, 6.25%, 12/01/31	50	50,514
County of San Bernardino California, Refunding RB, Home Mortgage-Backed Securities, Series A-1, AMT (Ginnie Mae), 6.25%, 12/01/31	95	103,241
		215,325
State 6.4%		
California State Public Works Board, RB, Department of Education, Riverside Campus Project, Series B, 6.50%, 4/01/34		
	3,670	4,435,782
State of California, GO, Various Purpose:		
6.00%, 3/01/33	7,000	8,622,880
6.00%, 4/01/38	16,500	19,480,890
6.00%, 11/01/39	3,375	4,030,155
		36,569,707
Transportation 12.5%		
City of San Jose California Airport, Refunding RB, Series A-1, AMT, 6.25%, 3/01/34		
	1,400	1,660,442
County of Orange California, RB, Series B, 5.75%, 7/01/34		
	5,000	5,648,450
County of Sacramento California, RB, Airport System:		
Senior Series B, AMT (AGM), 5.25%, 7/01/33	7,550	8,154,000
Subordinated and Passenger Facility Charges/Grant, Series C (AGC), 5.75%, 7/01/39	5,455	6,199,225
Los Angeles Department of Airports, RB, Los Angeles International Airport, Senior Series A:		
5.25%, 5/15/29	3,760	4,348,440
5.25%, 5/15/39	2,785	3,137,999
Los Angeles Harbor Department, RB, Series B:		
5.25%, 8/01/34	5,530	6,347,942
5.25%, 8/01/39	2,480	2,813,213
San Diego County Regional Airport Authority, RB, Series B, 5.00%, 7/01/40		
	6,350	6,962,076
San Francisco City & County Airports Commission, RB:		
Series E, 6.00%, 5/01/39	9,650	11,413,055
Special Facility Lease, SFO Fuel, Series A, AMT (AGM), 6.10%, 1/01/20		
	1,000	1,002,970
Special Facility Lease, SFO Fuel, Series A, AMT (AGM), 6.13%, 1/01/27		
	985	987,187
San Francisco City & County Airports Commission, Refunding RB, Second Series 34E, AMT (AGM):		
5.75%, 5/01/24	5,000	5,822,250
5.75%, 5/01/25	3,500	4,040,050
San Joaquin County Transportation Authority, Refunding RB, Limited Tax, Series A, 6.00%, 3/01/36		
	2,400	2,939,184
		71,476,483

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Utilities 16.2%		
Anaheim Public Financing Authority, RB, Electric System Distribution Facilities, Series A, 5.38%, 10/01/36	5,000	5,883,450
City of Los Angeles California, Refunding RB, Sub-Series A:		
5.00%, 6/01/28	2,000	2,335,040
5.00%, 6/01/32	3,000	3,452,130
Dublin-San Ramon Services District, Refunding RB, 6.00%, 8/01/41	4,000	4,871,000
East Bay Municipal Utility District, RB, Series A (NPFGC), 5.00%, 6/01/37	4,000	4,571,920

	Par (000)	Value
Municipal Bonds		
California (concluded)		
Utilities (concluded)		
East Bay Municipal Utility District, Refunding RB, Sub-Series A:		
5.00%, 6/01/30	\$ 5,000	\$ 5,970,400
5.00%, 6/01/37	10,000	11,429,800
(AMBAC), 5.00%, 6/01/33	3,000	3,425,970
Imperial Irrigation District, Refunding RB, Electric System, Series B, 5.13%, 11/01/38	5,500	6,010,455
Los Angeles Department of Water & Power, Refunding RB, Series A:		
5.25%, 7/01/39	8,000	9,362,320
5.00%, 7/01/41 (c)	5,760	6,569,741
Power System, Sub-Series A-2 (NPFGC), 5.00%, 7/01/27	15,000	15,525,000
San Diego Public Facilities Financing Authority, Refunding RB, Senior Series A, 5.25%, 5/15/34	1,000	1,150,480
San Francisco City & County Public Utilities Commission, RB, Sub-Series A, 5.00%, 11/01/34	10,000	11,688,600
		92,246,306
Total Municipal Bonds in California		497,217,724

Puerto Rico 0.4%		
State 0.4%		
Puerto Rico Sales Tax Financing Corp., Refunding RB, CAB, Senior Series C, 5.43%, 8/01/39 (a)	8,750	2,059,575
Total Municipal Bonds		499,277,299

Municipal Bonds Transferred to Tender Option Bond Trusts (e)		
California 76.1%		
County/City/Special District/School District 38.1%		
Arcadia Unified School District California, GO, Election of 2006, Series A (AGM), 5.00%, 8/01/37	7,925	8,521,887
Desert Community College District California, GO, Series C (AGM), 5.00%, 8/01/37	12,150	13,158,936
Fremont Unified School District Alameda County California, GO, Election of 2002, Series B (AGM), 5.00%, 8/01/30	15,997	17,708,360
Los Angeles Community College District California, GO: Election of 2001, Series A (AGM), 5.00%, 8/01/32	12,000	13,528,080
Election of 2001, Series A (NPFGC), 5.00%, 8/01/32	26,438	29,804,088
Election of 2003, Series E (AGM), 5.00%, 8/01/31	7,497	8,355,163
Election of 2003, Series F-1, 5.00%, 8/01/33	12,000	13,554,840
Election of 2008, Series A, 6.00%, 8/01/33	9,596	11,685,182
Los Angeles County Metropolitan Transportation Authority, Refunding RB, Proposition A, First Tier,	6,828	7,527,814

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Senior Series A (AMBAC), 5.00%, 7/01/35 Los Angeles County Sanitation Districts Financing Authority, Refunding RB, Capital Project 14 (BHAC), 5.00%, 10/01/34	4,998	5,501,065
Los Angeles Unified School District California, GO, Series I, 5.00%, 1/01/34	5,000	5,650,300
Ohlone Community College District, GO, Series B (AGM), 5.00%, 8/01/30	19,998	21,907,760
Poway Unified School District, GO, Election of 2002, Improvement District 02, Series 1-B (AGM), 5.00%, 8/01/30	10,000	10,878,400

See Notes to Financial Statements.

Schedule of Investments (continued)

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

Municipal Bonds Transferred to Tender Option Bond Trusts (e) California (concluded)	Par (000)	Value
County/City/Special District/School District (concluded)		
San Bernardino Community College District California, GO, Election of 2002, Series C (AGM), 5.00%, 8/01/31	\$ 7,550	\$ 8,459,775
San Diego County Water Authority, COP, Series A (AGM), 5.00%, 5/01/30	7,350	7,784,826
San Francisco Bay Area Rapid Transit District, Refunding RB, Series A (NPFGC), 5.00%, 7/01/30	19,630	21,583,185
San Francisco Bay Area Transit Financing Authority, Refunding RB, Series A (NPFGC), 5.00%, 7/01/34	10,497	11,541,584
		217,151,245
Education 11.4%		
California State University, Refunding RB, Systemwide, Series C (NPFGC), 5.00%, 11/01/35	20,000	22,064,400
Los Rios Community College District, GO, Election of 2008, Series A, 5.00%, 8/01/35	11,000	12,429,230
University of California, RB: Limited Project, Series D (AGM), 5.00%, 5/15/41	8,000	8,961,920
Series L, 5.00%, 5/15/40	7,398	8,297,594
Series O, 5.75%, 5/15/34	11,190	13,455,565
		65,208,709
Transportation 1.0%		
City of Los Angeles California Department of Airports, Refunding RB, Senior, Los Angeles International Airport, Series A, 5.00%, 5/15/40	4,999	5,611,360
Utilities 25.6%		
City of Napa California, RB (AMBAC), 5.00%, 5/01/35	9,070	9,837,776
East Bay Municipal Utility District, RB, Sub-Series A (NPFGC), 5.00%, 6/01/35	15,000	16,525,500
East Bay Municipal Utility District, Refunding RB, Sub-Series A (AMBAC), 5.00%, 6/01/37	7,990	9,103,247
Los Angeles Department of Water & Power, RB, Power System: Sub-Series A-1 (AGM), 5.00%, 7/01/37	13,525	15,231,262
Sub-Series A-1 (AMBAC), 5.00%, 7/01/37	5,029	5,663,788
Sub-Series A-2 (AGM), 5.00%, 7/01/35	7,500	8,470,350
Metropolitan Water District of Southern California, RB: Series A, 5.00%, 7/01/37	15,000	17,094,450
Series B-1 (NPFGC), 5.00%, 10/01/33	7,175	7,573,489
Rancho Water District Financing Authority, Refunding RB, Series A (AGM), 5.00%, 8/01/34	9,277	10,262,102
San Diego County Water Authority, COP, Refunding, Series 2008-A (AGM), 5.00%, 5/01/33	8,510	9,449,844
San Diego County Water Authority, COP, Series A (AGM), 5.00%, 5/01/31	10,000	10,564,400
San Francisco City & County Public Utilities Commission, RB, Water System Improvement Program, Sub-Series A, 5.00%, 11/01/37	22,997	26,406,403
		146,182,611

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Total Municipal Bonds Transferred to Tender Option Bond Trusts 76.1%	434,153,925
Total Long-Term Investments (Cost \$853,456,251) 163.6%	933,431,224

Short-Term Securities	Shares	Value
BIF California Municipal Money Fund, 0.00% (f)(g)	4,870,908	\$ 4,870,908
Total Short-Term Securities (Cost \$4,870,908) 0.8%		4,870,908
Total Investments (Cost \$858,327,159) 164.4%		938,302,132
Liabilities in Excess of Other Assets (0.2)%		(1,257,439)
Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable (35.0)%		(199,985,472)
VRDP Shares, at Liquidation Value (29.2)%		(166,500,000)
Net Assets Applicable to Common Shares 100.0%		\$ 570,559,221

- (a) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (b) US government securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date indicated, typically at a premium to par.
- (c) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation (Depreciation)
Wells Fargo & Co.	\$ 6,569,741	\$ 13,766
Barclays Plc	\$ 7,442,450	\$ (15,649)

- (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. See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to TOBs.
- (f) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the 1940 Act, as amended, were as follows:

Affiliate	Shares Held at July 31, 2011	Net Activity	Shares Held at July 31, 2012	Income
BIF California Municipal Money Fund	15,276,406	(10,405,498)	4,870,908	

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

For Fund compliance purposes, the Fund's sector classifications refer to any one or more of the sector sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such sector sub-classifications or reporting ease.

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

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

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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)

See Notes to Financial Statements.

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Schedule of Investments (concluded)

BlackRock MuniYield California Quality Fund, Inc. (MCA)

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments is based on the pricing transparency of the investment and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the Fund's investments categorized in the disclosure hierarchy as of July 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments ¹		\$ 933,431,224		\$ 933,431,224
Short-Term Securities	\$ 4,870,908			4,870,908
Total	\$ 4,870,908	\$ 933,431,224		\$ 938,302,132

¹ See above Schedule of Investments for values in each sector.

Certain of the Fund's liabilities are held at carrying amount, which approximates fair value for financial statement purposes. As of July 31, 2012, such liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Liabilities:				
TOB trust certificates		\$ (199,873,663)		\$ (199,873,663)
VRDP Shares		(166,500,000)		(166,500,000)
Total		\$ (366,373,663)		\$ (366,373,663)

There were no transfers between levels during the year ended July 31, 2012.

See Notes to Financial Statements.

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Schedule of Investments July 31, 2012

BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
Michigan 126.0%		
Corporate 4.2%		
Dickinson County EDC, Michigan, Refunding RB, International Paper Co. Project, Series A, 5.75%, 6/01/16	\$ 2,500	\$ 2,508,175
Monroe County EDC, Michigan, Refunding RB, Detroit Edison Co. Project, Series AA (NPFGC), 6.95%, 9/01/22	3,805	5,136,674
		7,644,849
County/City/Special District/School District 37.6%		
Adrian City School District Michigan, GO (AGM), 5.00%, 5/01/14 (a)	2,400	2,594,832
Anchor Bay School District, GO, Refunding (Q-SBLF):		
4.13%, 5/01/25	2,000	2,204,320
4.25%, 5/01/26	1,145	1,261,515
4.38%, 5/01/27	640	706,067
4.00%, 5/01/28	760	806,056
4.38%, 5/01/28	400	436,884
4.00%, 5/01/29	380	400,056
4.50%, 5/01/29	605	662,167
Bay City School District Michigan, GO, School Building & Site (AGM), 5.00%, 5/01/36	200	211,022
Brighton Area School District, GO, School Building, Series I (Q-SBLF) (c):		
4.25%, 5/01/37	2,280	2,337,410
4.00%, 5/01/42	860	862,236
Charter Township of Canton Michigan, GO, Capital Improvement (AGM):		
5.00%, 4/01/25	1,250	1,380,588
5.00%, 4/01/26	1,250	1,373,375
5.00%, 4/01/27	500	547,055
City of Jackson, GO, Capital Appreciation Downtown Development (AGM), 4.80%, 6/01/26 (b)	2,710	1,406,056
City of Oak Park Michigan, GO, Street Improvement (NPFGC), 5.00%, 5/01/30	600	641,796
Comstock Park Public Schools, GO, School Building & Site, Series B (Q-SBLF):		
5.50%, 5/01/36	450	517,307
5.50%, 5/01/41	830	953,463
County of Genesee Michigan, GO (NPFGC):		
Refunding, Series A, 5.00%, 5/01/19	400	434,712
Water Supply System, 5.13%, 11/01/33	500	510,255
County of St. Clair, GO, Limited Tax Refunding, 5.00%, 4/01/28	915	1,060,046
Dearborn Brownfield Redevelopment Authority, GO, Limited Tax, Redevelopment, Series A (AGC), 5.50%, 5/01/39	2,000	2,253,880
Detroit City School District Michigan, GO, School Building & Site Improvement (NPFGC) (a):		
Series A, 5.38%, 5/01/13	1,480	1,537,025
Series B, 5.00%, 5/01/13	1,600	1,657,152
Eaton Rapids Public Schools Michigan, GO, School Building & Site (AGM), 5.25%, 5/01/14 (a)	2,000	2,172,180

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Flint EDC, RB, Michigan Department of Human Services Office Building, 5.25%, 10/01/41	1,880	2,005,208
Fraser Public School District, GO, School Building & Site (AGM), 5.00%, 5/01/25	1,255	1,372,518
Gibraltar School District Michigan, GO, School Building & Site Improvement (NPFGC) (a):		
5.00%, 5/01/14	3,065	3,313,817
5.00%, 5/01/14	585	632,812

	Par (000)	Value
Municipal Bonds		
Michigan (continued)		
County/City/Special District/School District (concluded)		
Goodrich Area School District, GO, School Building & Site (Q-SBLF):		
5.50%, 5/01/32	\$ 400	\$ 471,044
5.50%, 5/01/36	800	925,528
5.50%, 5/01/41	1,000	1,149,570
Grand Rapids Building Authority Michigan, RB, Series A (AMBAC) (a):		
5.50%, 10/01/12	535	539,751
5.50%, 10/01/12	130	131,154
Gull Lake Community School District, GO, Refunding (AGM), 4.00%, 5/01/26	500	535,050
Harper Creek Community School District Michigan, GO, Refunding (AGM), 5.00%, 5/01/22	1,000	1,112,180
Harper Woods School District Michigan, GO, Refunding, School Building & Site (NPFGC), 5.00%, 5/01/34	10	10,279
Howell Public Schools, Refunding, GO (Q-SBLF), 4.50%, 5/01/29	660	731,346
Hudsonville Public Schools, GO, School Building & Site (Q-SBLF), 5.25%, 5/01/41	2,650	2,996,806
Jonesville Community Schools Michigan, GO, Refunding (NPFGC), 5.00%, 5/01/29	1,085	1,142,407
L Anse Creuse Public Schools Michigan, GO, School Building & Site (AGM):		
5.00%, 5/01/25	1,000	1,096,200
5.00%, 5/01/26	1,050	1,151,010
5.00%, 5/01/35	2,000	2,083,240
Lincoln Consolidated School District Michigan, GO, Refunding (NPFGC), 4.63%, 5/01/28	2,325	2,457,967
Livonia Public Schools School District Michigan, GO, Refunding, Series A (NPFGC), 5.00%, 5/01/24	500	531,000
Ludington Area School District Michigan, GO (NPFGC), 5.25%, 5/01/23	1,440	1,507,363
New Lothrop Area Public Schools Michigan, GO, School Building & Site (AGM), 5.00%, 5/01/35	1,200	1,259,676
Parchment School District, County of Kalamazoo, State of Michigan, GO, School Building and Site, 5.00%, 5/01/25	590	687,675
Reed City Public Schools Michigan, GO, School Building & Site (AGM), 5.00%, 5/01/14 (a)	1,000	1,082,100
Romulus Community Schools, GO, Unlimited Tax, Refunding:		
4.13%, 5/01/25	715	779,750
4.25%, 5/01/26	740	807,717
4.25%, 5/01/27	725	784,392
4.50%, 5/01/29	630	687,021
(AGM), 4.00%, 5/01/24	500	544,925
(AGM), 4.38%, 5/01/28	1,335	1,448,528
	1,000	1,081,730

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Southfield Public Schools Michigan, GO, School Building & Site, Series B (AGM), 5.00%, 5/01/14 (a)		
Sparta Area Schools Michigan, GO, School Building & Site (NPFGC), 5.00%, 5/01/14 (a)	1,000	1,080,260
Thornapple Kellogg School District Michigan, GO, School Building & Site (NPFGC), 5.00%, 5/01/32	1,500	1,676,895
Van Dyke Public Schools Michigan, GO, School Building & Site (AGM), 5.00%, 5/01/28	750	832,830
Zeeland Public Schools Michigan, GO, School Building & Site (NPFGC), 5.00%, 5/01/29	1,230	1,300,762
		68,877,966

See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM)
 (Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
Michigan (continued)		
Education 12.4%		
Ferris State University, Refunding RB, General (AGM):		
4.50%, 10/01/23	\$ 1,360	\$ 1,503,698
4.50%, 10/01/24	1,595	1,751,517
4.50%, 10/01/25	1,405	1,534,204
Lake Superior State University, Refunding RB (AGM):		
4.00%, 11/15/26	475	497,287
4.00%, 11/15/27	285	296,896
4.00%, 11/15/28	190	196,707
4.00%, 11/15/29	250	257,428
4.00%, 11/15/30	190	194,589
Michigan Higher Education Facilities Authority, RB, Limited Obligation, Hillsdale College Project, 5.00%, 3/01/35		
	1,030	1,046,882
Michigan Higher Education Student Loan Authority, RB, Student Loan (AMBAC):		
Series XVII-I, 5.20%, 3/01/24	2,515	2,573,071
Series XVII-P, 4.88%, 3/01/30	2,700	2,748,195
Series XVII-Q, AMT, 5.00%, 3/01/31	500	515,225
Michigan State University, Refunding RB, General, Series C:		
5.00%, 2/15/40	3,770	4,202,607
5.00%, 2/15/44	1,000	1,107,000
Michigan Technological University, Refunding RB, General, Series A, 5.00%, 10/01/34		
	1,000	1,124,220
Saginaw Valley State University Michigan, Refunding RB, General (NPFGC), 5.00%, 7/01/24		
	1,450	1,498,923
Western Michigan University, Refunding RB, General, 5.25%, 11/15/40		
	1,400	1,588,034
		22,636,483
Health 25.9%		
Dickinson County Healthcare System, Refunding RB (ACA), 5.80%, 11/01/24		
	2,170	2,170,043
Flint Hospital Building Authority Michigan, Refunding RB, Hurley Medical Center (ACA):		
6.00%, 7/01/20	570	581,582
Series A, 5.38%, 7/01/20	385	385,504
Kalamazoo Hospital Finance Authority, RB, Bronson Methodist Hospital (AGM), 5.25%, 5/15/36		
	2,750	3,041,885
Kent Hospital Finance Authority Michigan, Refunding RB, Spectrum Health, Series A, 5.00%, 11/15/29		
	3,000	3,399,870
Michigan State Finance Authority, Refunding RB, Trinity Health Credit:		
5.00%, 12/01/31	1,900	2,169,040
5.00%, 12/01/35	1,900	2,118,766
Michigan State Hospital Finance Authority, RB: Ascension Health Senior Credit Group, 5.00%, 11/15/25		
	2,300	2,611,949
McLaren Health Care, Series C, 5.00%, 8/01/35		
	1,585	1,727,143

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MidMichigan Obligation Group, Series A, 5.00%, 4/15/26	380	396,940
MidMichigan Obligation Group, Series A (AMBAC), 5.50%, 4/15/18	1,000	1,002,730
Trinity Health Credit, Series A, 5.00%, 12/01/16 (a)	145	171,641
Trinity Health Credit, Series A, 5.00%, 12/01/26	855	937,849

	Par (000)	Value
Municipal Bonds		
Michigan (continued)		
Health (concluded)		
Michigan State Hospital Finance Authority, Refunding RB:		
5.38%, 12/01/12 (a)	\$ 1,000	\$ 1,017,280
5.38%, 12/01/12 (a)	185	188,197
6.25%, 12/01/28	570	676,824
Hospital, Crittenton, Series A, 5.63%, 3/01/27	1,300	1,312,519
Hospital, Oakwood Obligation Group, Series A, 5.00%, 7/15/21	400	442,852
Hospital, Oakwood Obligation Group, Series A, 5.00%, 7/15/25	2,470	2,658,486
Hospital, Oakwood Obligation Group, Series A, 5.00%, 7/15/37	3,340	3,508,636
Hospital, Sparrow Obligated, 5.00%, 11/15/31	1,595	1,693,683
McLaren Health Care, 5.75%, 5/15/38	1,500	1,677,885
McLaren Health Care, Series A, 5.00%, 6/01/35	860	944,719
Trinity Health Credit, Series A, 6.13%, 12/01/23	940	1,134,430
Trinity Health Credit, Series C, 5.38%, 12/01/12 (a)	1,765	1,795,393
Trinity Health Credit, Series C, 4.00%, 12/01/32	3,040	3,157,709
Trinity Health Credit, Series C, 6.50%, 12/01/33	1,400	1,692,320
Royal Oak Hospital Finance Authority Michigan, Refunding RB, William Beaumont Hospital, 8.25%, 9/01/39	1,000	1,289,910
Sturgis Building Authority, RB, Sturgis Hospital Project (NPFGC), 4.75%, 10/01/34	3,525	3,598,990
		47,504,775

Housing 3.4%

Michigan State HDA, RB:		
Deaconess Tower, AMT (Ginnie Mae), 5.25%, 2/20/48	1,000	1,038,580
Series A, 4.75%, 12/01/25	2,675	2,954,698
Series A (NPFGC), 5.30%, 10/01/37	20	20,017
Michigan State HDA, Refunding RB, Series A, 6.05%, 10/01/41	2,000	2,211,200
		6,224,495

State 14.3%

Michigan Municipal Bond Authority, Refunding RB, Local Government, Charter County Wayne, Series B (AGC), 5.38%, 11/01/24		
	125	146,491
Michigan State Building Authority, Refunding RB, Facilities Program:		
Series A, 5.50%, 10/15/45	750	864,585
Series H (AGM), 5.00%, 10/15/26	3,000	3,439,650
Series I 6.25%, 10/15/38	2,350	2,751,098
Series I (AGC), 5.25%, 10/15/24	2,000	2,395,800
Series I (AGC), 5.25%, 10/15/25	1,500	1,791,420
Series I (AGC), 5.25%, 10/15/26	400	476,816
Series II (NPFGC), 5.00%, 10/15/29	2,000	2,082,960
Michigan State Finance Authority, RB, Local Government Loan Program, Series F, 5.25%, 10/01/41	2,510	2,718,581
Michigan Strategic Fund, Refunding RB, Cadillac Place Office Building Project, 5.25%, 10/15/31	1,000	1,134,970

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State of Michigan, RB, GAB (AGM), 5.25%, 9/15/27	3,250	3,615,917
State of Michigan Trunk Line Revenue, RB, Fund:	750	884,775
5.00%, 11/15/29	750	884,775
5.00%, 11/15/33	1,150	1,336,220
5.00%, 11/15/36	2,220	2,563,900
		26,203,183

See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
Michigan (concluded)		
Transportation 11.0%		
Wayne County Airport Authority, RB, Detroit Metropolitan		
Wayne County Airport, AMT (NPFGC):		
5.25%, 12/01/25	\$ 4,475	\$ 4,700,898
5.25%, 12/01/26	3,700	3,872,531
5.00%, 12/01/34	3,550	3,606,339
Wayne County Airport Authority, Refunding RB, AMT (AGC):		
5.75%, 12/01/26	3,060	3,360,920
5.38%, 12/01/32	4,300	4,585,563
		20,126,251
Utilities 17.2%		
City of Detroit Michigan, RB:		
Second Lien, Series B (AGM), 7.00%, 7/01/36		
	2,000	2,430,760
Senior Lien, Series A (NPFGC), 5.00%, 7/01/34		
	4,000	4,018,320
City of Detroit Michigan, Refunding RB, Second Lien, Series C (AGM), 5.00%, 7/01/29		
	6,275	6,534,848
City of Grand Rapids Michigan, Refunding RB, Series A (NPFGC), 5.50%, 1/01/22		
	1,500	1,907,055
City of Port Huron Michigan, RB, Water Supply:		
5.25%, 10/01/31	190	210,216
5.63%, 10/01/40	500	557,340
City of Wyoming Michigan, RB, Sewer System (NPFGC), 5.00%, 6/01/30		
	5,300	5,749,440
Lansing Board of Water & Light Utilities System, RB, Series A:		
5.00%, 7/01/27	1,210	1,418,737
5.00%, 7/01/31	2,600	3,015,142
5.00%, 7/01/37	1,270	1,447,139
5.50%, 7/01/41	2,000	2,369,680
Michigan Municipal Bond Authority, RB, Clean Water Revolving Fund:		
Pooled Project, 5.00%, 10/01/27	760	903,374
Subordinate, 5.00%, 10/01/27	750	866,805
		31,428,856
Total Municipal Bonds in Michigan		230,646,858
Guam 2.0%		
State 2.0%		
Government of Guam Business Privilege Tax Revenue, RB, Series A, 5.13%, 1/01/42		
	1,800	1,997,802
Territory of Guam, Limited Obligation Bonds, RB, Section 30, Series A, 5.63%, 12/01/29		
	850	955,366
Territory of Guam, RB, Series B-1, 5.00%, 1/01/37		
	715	788,917
Total Municipal Bonds in Guam		3,742,085
Puerto Rico 7.4%		
State 5.7%		
Puerto Rico Sales Tax Financing Corp., Refunding RB: CAB, Series A (NPFGC), 5.57%, 8/01/43 (b)		
	12,500	2,277,125

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CAB, Series A (NPFGC), 5.64%, 8/01/46 (b)	30,000	4,548,300
First Sub-Series C (AGM), 5.13%, 8/01/42	3,200	3,490,144
		10,315,569

Transportation 1.3%

Puerto Rico Highway & Transportation Authority, Refunding RB, Series CC (AGC), 5.50%, 7/01/31	2,000	2,437,380
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	Par (000)	Value
Municipal Bonds		
Puerto Rico (concluded)		
Utilities 0.4%		
Puerto Rico Electric Power Authority, RB, Series WW, 5.50%, 7/01/38	\$ 680	\$ 722,201
Total Municipal Bonds in Puerto Rico		13,475,150
Total Municipal Bonds 135.4%		247,864,093

**Municipal Bonds Transferred to
Tender Option Bond Trusts (d)**

Michigan 18.4%		
County/City/Special District/School District 4.1%		
Lakewood Public Schools Michigan, GO, School Building & Site (AGM), 5.00%, 5/01/37	3,970	4,434,093
Portage Public Schools Michigan, GO, School Building & Site (AGM), 5.00%, 5/01/31	2,850	3,112,656
		7,546,749
Education 6.2%		
Saginaw Valley State University, Refunding RB, General (AGM), 5.00%, 7/01/31	2,500	2,742,150
Wayne State University, Refunding RB, General (AGM), 5.00%, 11/15/35	7,793	8,507,066
		11,249,216
Health 1.0%		
Michigan Finance Authority, Refunding RB, Trinity Health Credit Group, 5.00%, 12/01/39	1,650	1,827,523
Housing 2.5%		
Michigan HDA, RB, Rental Housing, Series A, 6.00%, 10/01/45	4,280	4,655,656
Utilities 4.6%		
City of Grand Rapids Michigan, RB, Sanitary Sewer System (NPFGC), 5.00%, 1/01/34	6,898	7,331,571
Detroit Water and Sewerage Department, Refunding RB, Series A, 5.25%, 7/01/39	1,012	1,067,239
		8,398,810
Total Municipal Bonds Transferred to Tender Option Bond Trusts 18.4%		33,677,954
Total Long-Term Investments (Cost \$261,085,347) 153.8%		281,542,047

	Shares	
Short-Term Securities		
BIF Michigan Municipal Money Fund, 0.00% (e)(f)	6,554,292	6,554,292
Total Short-Term Securities (Cost \$6,554,292) 3.6%		6,554,292
Total Investments (Cost \$267,639,639) 157.4%		288,096,339
Liabilities in Excess of Other Assets (0.6)%		(995,904)
Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable (9.1)%		(16,724,768)
VRDP Shares, at Liquidation Value (47.7)%		(87,300,000)
Net Assets Applicable to Common Shares 100.0%		\$ 183,075,667

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM)

- (a) US government securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date indicated, typically at a premium to par.
- (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:

Counterparty	Value	Unrealized Appreciation
Stifel Nicolaus & Co.	\$ 3,199,646	\$ 23,560

- (d) 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. See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to TOBs.
- (e) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the 1940 Act, as amended, were as follows:

Affiliate	Shares Held at July 31, 2011	Net Activity	Shares Held at July 31, 2012	Income
BIF Michigan Municipal Money Fund	3,018,268	3,536,024	6,554,292	

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

For Fund compliance purposes, the Fund's sector classifications refer to any one or more of the sector sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such sector sub-classifications for reporting ease.

Fair Value Measurements Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement 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 into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments is based on the pricing transparency of the investment and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

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The following table summarizes the Fund's investments categorized in the disclosure hierarchy as of July 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments ¹		\$ 281,542,047		\$ 281,542,047
Short-Term Securities	\$ 6,554,292			6,554,292
Total	\$ 6,554,292	\$ 281,542,047		\$ 288,096,339

¹ See above Schedule of Investments for values in each sector.

Certain of the Fund's assets and liabilities are held at carrying amount, which approximates fair value for financial statement purposes. As of July 31, 2012, such assets and liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Liabilities:				
TOB trust certificates		\$ (16,718,184)		\$ (16,718,184)
VRDP Shares		(87,300,000)		(87,300,000)
Total		\$ (104,018,184)		\$ (104,018,184)

There were no transfers between levels during the year ended July 31, 2012.

See Notes to Financial Statements.

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Schedule of Investments July 31, 2012

BlackRock MuniYield New York Quality Fund, Inc. (MYN)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
New York 105.7%		
Corporate 3.7%		
New York City Industrial Development Agency, Refunding RB, Terminal One Group Association Project, AMT, 5.50%, 1/01/24 (a)	\$ 1,500	\$ 1,585,365
New York Liberty Development Corp., RB, Goldman Sachs Headquarters, 5.25%, 10/01/35	3,400	3,925,300
New York State Energy Research & Development Authority, Refunding RB, Brooklyn Union Gas/Keyspan, Series A, AMT (NPFGC), 4.70%, 2/01/24	4,750	5,026,592
Suffolk County Industrial Development Agency New York, RB, Keyspan, Port Jefferson, AMT, 5.25%, 6/01/27	4,625	4,768,375
Suffolk County Industrial Development Agency New York, Refunding RB, Ogden Martin System Huntington, AMT (AMBAC), 6.25%, 10/01/12	6,470	6,531,983
		21,837,615
County/City/Special District/School District 31.2%		
Amherst Development Corp., Refunding RB, University at Buffalo Foundation Faculty-Student Housing Corp., Series A (AGM), 4.63%, 10/01/40	2,000	2,152,640
Buffalo & Erie County Industrial Land Development Corp., Refunding RB, Buffalo State College Foundation Housing Corp. Project, Series A, 5.38%, 10/01/41	1,040	1,191,330
City of New York New York, GO: Series A-1, 5.00%, 8/01/35	1,950	2,242,344
Sub-Series D-1, 5.00%, 10/01/33	8,350	9,730,339
City of New York New York, GO, Refunding: Series E, 5.00%, 8/01/27	1,070	1,258,299
Series I, 5.00%, 8/01/32	490	576,906
County of Onondaga New York, RB, Syracuse University Project: 5.00%, 12/01/30	1,190	1,395,144
5.00%, 12/01/36	1,150	1,325,858
Dutchess County Resource Recovery Agency New York, RB, Solid Waste System, Series A (NPFGC), 5.40%, 1/01/13	1,700	1,735,054
Erie County Industrial Development Agency, RB, School District of Buffalo Project, Series A: 5.25%, 5/01/31	2,305	2,689,820
5.25%, 5/01/32	1,000	1,160,290
Hudson New York Yards Infrastructure Corp., RB, Series A: 5.00%, 2/15/47	750	791,025
(AGC), 5.00%, 2/15/47	4,300	4,564,751
(AGM), 5.00%, 2/15/47	4,580	4,861,991
(NPFGC), 4.50%, 2/15/47	17,525	18,017,102
(NPFGC), 5.00%, 2/15/47	550	583,864
(NPFGC), 5.00%, 2/15/47	3,415	3,601,801
New York City Industrial Development Agency, RB, PILOT: CAB, Yankee Stadium (AGC), 4.87%, 3/01/39 (b)	5,000	1,392,900
CAB, Yankee Stadium (AGC), 5.01%, 3/01/43 (b)	4,330	954,462
	8,800	8,952,944

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Queens Baseball Stadium (AMBAC), 5.00%, 1/01/36		
Queens Baseball Stadium (AMBAC), 5.00%, 1/01/39	1,750	1,777,615
Yankee Stadium (AGC), 6.38%, 1/01/39	1,000	1,178,190
Yankee Stadium (NPFGC), 5.00%, 3/01/36	2,250	2,342,520
Yankee Stadium (NPFGC), 5.00%, 3/01/46	9,650	9,951,176
New York City Transitional Finance Authority, RB: Building Aid Revenue, Series S-1, 4.00%, 7/15/42	1,385	1,406,606
Fiscal 2008, Series S-1, 4.50%, 1/15/38	1,700	1,784,592
Fiscal 2009, Series S-1 (AGC), 5.50%, 7/15/38	6,000	6,868,740
Fiscal 2009, Series S-4 (AGC), 5.50%, 1/15/39	1,500	1,732,860
Future Tax Secured, Series C (NPFGC), 5.00%, 2/01/33	12,395	13,117,381

	Par (000)	Value
Municipal Bonds		
New York (continued)		
County/City/Special District/School District (concluded)		
New York City Transitional Finance Authority, RB (concluded):		
Future Tax Secured, Series E (NPFGC), 5.25%, 2/01/13 (c)	\$ 2,445	\$ 2,507,176
Future Tax Secured, Series E (NPFGC), 5.25%, 2/01/22	55	56,276
Series S-2 (AGM), 5.00%, 1/15/37	5,000	5,394,600
Series S-2 (NPFGC), 4.25%, 1/15/34	5,980	6,178,416
New York City Transitional Finance Authority, Refunding RB, Future Tax Secured Revenue, Series A (NPFGC):		
5.00%, 11/15/12 (c)	70	70,977
5.00%, 11/15/26	930	933,348
New York Convention Center Development Corp., RB, Hotel Unit Fee Secured (AMBAC):		
5.00%, 11/15/30	1,500	1,582,140
5.00%, 11/15/35	11,600	12,153,900
5.00%, 11/15/44	14,470	15,133,449
New York Liberty Development Corp., Refunding RB:		
4 World Trade Center Project, 5.00%, 11/15/31	2,570	2,943,524
4 World Trade Center Project, 5.75%, 11/15/51	3,460	4,093,699
7 World Trade Center Project, Class 2, 5.00%, 9/15/43	3,900	4,303,845
North Country Development Authority, Refunding RB (AGM), 6.00%, 5/15/15	630	675,505
Sales Tax Asset Receivable Corp., Refunding RB, Series A (AMBAC), 5.00%, 10/15/32	11,200	12,189,072
St. Lawrence County Industrial Development Agency, RB, Clarkson University Project, 5.38%, 9/01/41	500	571,975
Syracuse Industrial Development Agency New York, RB, Carousel Center Project, Series A, AMT (Syncora), 5.00%, 1/01/36	3,400	3,432,028
Tompkins County Industrial Development Agency, RB, Civic Facility Cornell University Project, Series A, 5.00%, 7/01/37	675	774,097
Town of Huntington New York, GO, Refunding (AMBAC), 5.50%, 4/15/13	455	472,035
Town of North Hempstead New York, GO, Refunding, Series B (NPFGC):		
6.40%, 4/01/13	1,745	1,813,840
6.40%, 4/01/17	555	688,150
		185,306,596

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Education 16.4%

City of Troy New York, Refunding RB, Rensselaer Polytechnic, Series A, 5.13%, 9/01/40	5,725	6,340,895
Madison County Industrial Development Agency New York, RB, Colgate University Project, Series A (AMBAC):		
5.00%, 7/01/30	5,410	5,795,949
5.00%, 7/01/35	2,675	2,843,284
Monroe County Industrial Development Corp., RB, University of Rochester Project, Series B, 4.50%, 7/01/35	3,885	4,183,368
New York City Industrial Development Agency, Refunding RB, Nightingale-Bamford School (AMBAC), 5.25%, 1/15/18	1,275	1,297,772
New York City Transitional Finance Authority, RB, Fiscal 2009, Series S-4 (AGC), 5.50%, 1/15/33	5,500	6,413,770
New York City Trust for Cultural Resources, Refunding RB: Carnegie Hall, Series A, 4.75%, 12/01/39	3,550	3,858,602
Museum of Modern Art, Series 1A, 5.00%, 4/01/31	1,000	1,155,000
New York State Dormitory Authority, LRB, State University Dormitory Facilities, Series A:		
5.00%, 7/01/35	800	911,384
5.00%, 7/01/40	2,035	2,284,796

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Schedule of Investments (continued)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
New York (continued)		
Education (concluded)		
New York State Dormitory Authority, RB: Convent of the Sacred Heart (AGM), 5.75%, 11/01/40	\$ 2,075	\$ 2,472,425
Fordham University, Series A, 5.00%, 7/01/28	325	375,515
Fordham University, Series A, 5.50%, 7/01/36	1,550	1,801,100
General Purpose, Series A, 4.50%, 3/15/35	2,000	2,194,500
Haverstraw King s Daughters Public Library, 4.00%, 7/01/28	565	607,076
Haverstraw King s Daughters Public Library, 4.00%, 7/01/29	585	625,213
Haverstraw King s Daughters Public Library, 4.00%, 7/01/30	610	646,710
Mount Sinai School of Medicine, 5.13%, 7/01/39	665	733,003
New School (AGM), 5.50%, 7/01/43	4,050	4,611,735
New York University, Series 1 (AMBAC), 5.50%, 7/01/40	4,580	6,234,754
New York University, Series B, 5.00%, 7/01/34	1,000	1,135,430
New York University, Series B, 5.00%, 7/01/37	600	700,014
New York University, Series B, 5.00%, 7/01/42	3,500	4,031,615
New York University, Series C, 5.00%, 7/01/38	2,000	2,209,620
New York State Dormitory Authority, Refunding RB:		
Cornell University, Series A, 5.00%, 7/01/40	1,000	1,143,010
Mount Sinai School of Medicine at NYU (NPFGC), 5.00%, 7/01/35	7,100	7,560,506
New York University, Series A, 5.00%, 7/01/37	4,775	5,570,945
Rockefeller University, Series B, 4.00%, 7/01/38	3,085	3,277,041
State University Educational Facilities, Series A, 5.00%, 5/15/29	1,000	1,186,240
Rensselaer County Industrial Development Agency New York, RB, Polytechnic Institute, Series B (AMBAC), 5.50%, 8/01/22	1,255	1,259,593
Schenectady County Capital Resource Corp, Refunding RB: 5.00%, 7/01/32	1,120	1,303,568
4.25%, 7/01/33	865	921,926
Tompkins County Development Corp., RB, Ithaca College Project (AGM): 5.50%, 7/01/33	500	582,645
5.25%, 7/01/36	860	974,234
Troy Industrial Development Authority, RB, Rensselaer Polytechnic Institute Project, Series E, 5.20%, 4/01/37	2,280	2,534,288
Trust for Cultural Resources, Refunding RB:		
American Museum of Natural History, Series A (NPFGC), 5.00%, 7/01/36	4,750	5,081,122
American Museum of Natural History, Series A (NPFGC), 5.00%, 7/01/44	500	534,855
Carnegie Hall, Series A, 5.00%, 12/01/39	2,150	2,374,460
		97,767,963
Health 9.5%		
Dutchess County Industrial Development Agency, RB, Vassar Brothers Medical Center (AGC):		

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5.50%, 4/01/30	250	284,095
5.50%, 4/01/34	490	556,086
Monroe County Industrial Development Corp., Refunding RB, Unity Hospital of Rochester Project (FHA), 5.50%, 8/15/40	4,650	5,364,658
New York City Health & Hospital Corp., Refunding RB, Health System, Series A, 5.00%, 2/15/30	2,200	2,486,968
New York State Dormitory Authority, MRB, Montefiore Hospital (NPFGC), 5.00%, 8/01/33	1,500	1,558,890

	Par (000)	Value
Municipal Bonds		
New York (continued)		
Health (concluded)		
New York State Dormitory Authority, RB:		
Healthcare, Series A, 5.00%, 3/15/38	\$ 2,000	\$ 2,287,200
Hudson Valley Hospital (BHAC), 5.00%, 8/15/36	6,500	7,049,835
New York & Presbyterian Hospital (AGM), 5.00%, 8/15/36	5,000	5,169,200
New York University Hospitals Center, Series A, 5.75%, 7/01/31	3,450	4,016,283
New York University Hospitals Center, Series A, 6.00%, 7/01/40	1,100	1,292,005
North Shore-Long Island Jewish Health System, Series A, 5.50%, 5/01/37	2,075	2,359,856
North Shore-Long Island Jewish Health System, Series C, 4.25%, 5/01/39	1,500	1,523,895
North Shore-Long Island Jewish Health System, Series D, 4.25%, 5/01/39	1,950	1,976,345
North Shore-Long Island Jewish Health System, Series D, 5.00%, 5/01/39	640	697,690
New York State Dormitory Authority, Refunding RB:		
New York University Hospitals Center, Series A, 5.00%, 7/01/36	1,500	1,589,655
North Shore-Long Island Jewish Obligated Group, Series A, 5.00%, 5/01/32	4,000	4,477,440
North Shore-Long Island Jewish Obligated Group, Series A, 5.25%, 5/01/34	9,220	10,516,055
Saint Luke s Roosevelt Hospital (FHA), 4.90%, 8/15/31	2,900	3,070,810
		56,276,966
Housing 3.7%		
Monroe County Industrial Development Agency, IDR, Southview Towers Project, AMT (SONYMA):		
6.13%, 2/01/20	855	857,505
6.25%, 2/01/31	1,125	1,127,385
New York City Housing Development Corp., RB, AMT:		
Series A-1-A, 5.00%, 11/01/30	750	781,095
Series A-1-A, 5.45%, 11/01/46	1,335	1,381,031
Series C, 5.00%, 11/01/26	1,500	1,565,745
Series C, 5.05%, 11/01/36	2,000	2,073,160
Series H-1, 4.70%, 11/01/40	1,340	1,366,894
Series H-2-A, 5.20%, 11/01/35	840	875,977
Series H-2-A, 5.35%, 5/01/41	600	635,214
New York Mortgage Agency, Refunding RB, AMT:		
Homeowner Mortgage, Series 97, 5.50%, 4/01/31	750	750,840
Series 133, 4.95%, 10/01/21	520	544,081
Series 143, 4.85%, 10/01/27	1,100	1,143,285
Series 143, 4.90%, 10/01/37	872	898,472
Series 143 (NPFGC), 4.85%, 10/01/27	2,485	2,606,666
New York State HFA, RB:		

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Affordable Housing, Series B, 3.45%, 11/01/32 (d)	640	637,478
Affordable Housing, Series B, 4.00%, 11/01/47 (d)	1,000	995,080
State Philips Housing, Series A, AMT (Fannie Mae), 4.65%, 11/15/38	1,500	1,539,120
Yonkers Industrial Development Agency New York, RB, Monastery Manor Associates LP Project, AMT (SONYMA), 5.25%, 4/01/37	2,445	2,528,961
		22,307,989

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
New York (continued)		
State 6.7%		
New York State Dormitory Authority, ERB, Series C, 5.00%, 12/15/31	\$ 6,230	\$ 7,084,195
New York State Dormitory Authority, RB: Master BOCES Program Lease, (AGC), 5.00%, 8/15/28	1,750	1,986,023
Mental Health Services Facilities, Series B, 5.25%, 2/15/14 (c)	1,570	1,684,940
School Districts Financing Program, Series C (AGM), 5.00%, 10/01/37	4,050	4,388,418
School Districts Financing Program, Series E (NPFGC), 5.75%, 10/01/30	6,900	6,954,786
New York State Dormitory Authority, Refunding RB: Saint John's University, Series A, 5.00%, 7/01/27 (d)	430	508,548
School Districts Financing Program, Series A (AGM), 5.00%, 10/01/35	550	597,597
New York State Thruway Authority, RB: Second General, Series B, 5.00%, 4/01/27	1,500	1,688,400
Series A (AMBAC), 5.00%, 4/01/26	4,380	4,921,499
New York State Urban Development Corp., RB: Personal Income Tax, Series C-1 (NPFGC), 5.00%, 3/15/13 (c)	3,000	3,090,270
State Personal Income Tax, Series A, 3.50%, 3/15/28	1,500	1,584,615
State Personal Income Tax, State Facilities, Series A-1 (NPFGC), 5.00%, 3/15/14 (c)	5,000	5,382,900
		39,872,191
Tobacco 1.2%		
Tobacco Settlement Financing Corp. New York, RB: Series A-1 (AMBAC), 5.25%, 6/01/20	5,000	5,200,700
Series B-1C, 5.50%, 6/01/22	1,900	1,980,218
		7,180,918
Transportation 23.6%		
Metropolitan Transportation Authority, RB: Series 2008C, 6.50%, 11/15/28	3,200	4,112,352
Series E, 5.00%, 11/15/42	395	443,984
Transportation, Series A, 5.00%, 11/15/27	1,000	1,168,110
Transportation, Series D, 5.25%, 11/15/41	4,000	4,571,280
Metropolitan Transportation Authority, Refunding RB: Series A (AGM), 5.00%, 11/15/32	1,015	1,027,332
Series A (NPFGC), 5.13%, 11/15/22	1,390	1,406,902
Series B, 5.00%, 11/15/34	1,500	1,692,945
Transportation, Series D, 5.25%, 11/15/29	1,000	1,158,420
Transportation, Series F (NPFGC), 5.25%, 11/15/12 (c)	6,235	6,326,779
New York Liberty Development Corp., RB, 1 World Trade Center Port Authority Construction: 5.00%, 12/15/41	6,000	6,800,760
5.25%, 12/15/43	3,500	4,037,075

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New York State Thruway Authority, RB:		
Series F (AMBAC), 5.00%, 1/01/30	6,000	6,498,000
Series I, 5.00%, 1/01/37	3,685	4,172,489
Series I, 4.13%, 1/01/42	1,850	1,879,563
Series I, 5.00%, 1/01/42	2,250	2,536,020
New York State Thruway Authority, Refunding RB,		
Series G (AGM):		
4.75%, 1/01/29	7,250	7,895,975
4.75%, 1/01/30	9,000	9,801,900
5.00%, 1/01/30	2,000	2,208,680
5.00%, 1/01/32	1,030	1,137,470

Municipal Bonds	Par (000)	Value
New York (concluded)		
Transportation (concluded)		
Niagara Falls Bridge Commission, Refunding RB, Bridge System, Series A (AGC), 4.00%, 10/01/19	\$ 1,900	\$ 2,110,824
Niagara Frontier Transportation Authority New York, RB, Buffalo Niagara International Airport, Series B (NPFGC), 5.50%, 4/01/19	2,705	2,738,001
Port Authority of New York & New Jersey, RB:		
124th Series, AMT (NPFGC), 5.00%, 8/01/36	500	501,480
163rd Series, 5.00%, 7/15/35	2,500	2,866,750
JFK International Air Terminal, Special Project, Series 6, AMT (NPFGC), 6.25%, 12/01/13	4,425	4,563,193
JFK International Air Terminal, Special Project, Series 6, AMT (NPFGC), 6.25%, 12/01/14	7,380	7,735,864
JFK International Air Terminal, Special Project, Series 6, AMT (NPFGC), 5.75%, 12/01/22	10,160	10,163,048
JFK International Air Terminal, Special Project, Series 6, AMT (NPFGC), 5.75%, 12/01/25	3,500	3,500,700
Triborough Bridge & Tunnel Authority, RB:		
Sub-Series A (NPFGC), 5.25%, 11/15/30	6,000	6,312,900
Subordinate Bonds (AMBAC), 5.00%, 11/15/28	1,965	2,067,730
Triborough Bridge & Tunnel Authority, Refunding RB:		
Series C, 5.00%, 11/15/38	2,000	2,301,960
Series E (NPFGC), 5.25%, 11/15/23	6,500	6,585,605
Series E (NPFGC), 5.00%, 11/15/32	19,675	19,891,032
		140,215,123
Utilities 9.7%		
Buffalo Sewer Authority New York, Refunding RB, Series F (NPFGC), 6.00%, 7/01/13	1,175	1,226,301
Long Island Power Authority, RB:		
General, Series A (AGM), 5.00%, 5/01/36	3,775	4,231,662
Series A (AMBAC), 5.00%, 9/01/29	7,000	7,508,060
Long Island Power Authority, Refunding RB:		
General, Series A (AGC), 6.00%, 5/01/33	1,500	1,804,530
General, Series B (AGM), 5.00%, 12/01/35	4,000	4,238,360
Series A (AGC), 5.75%, 4/01/39	1,015	1,186,484
New York City Municipal Water Finance Authority, RB, Series B, 5.00%, 6/15/36	2,000	2,238,300
New York City Municipal Water Finance Authority, Refunding RB:		
Second General Resolution, Fiscal 2011, Series BB, 5.00%, 6/15/31	1,000	1,158,260
Second General Resolution, Series FF, 5.00%, 6/15/31	1,500	1,737,390
Series D (AGM), 5.00%, 6/15/37	9,000	9,957,240
Series DD, 5.00%, 6/15/32	6,750	7,749,540
Series DD (AGM), 4.50%, 6/15/39	1,000	1,058,070

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Series FF, 4.00%, 6/15/45	1,975	2,025,204
Series FF, 5.00%, 6/15/45	2,100	2,408,154
New York State Environmental Facilities Corp., Refunding RB:		
Revolving Funds, New York City Municipal Water, 5.00%, 6/15/36	2,100	2,437,386
Revolving Funds, New York City Municipal Water, Series B, 5.00%, 6/15/33	1,040	1,206,400
New York State Power Authority, Refunding RB, Series A, 5.00%, 11/15/38	4,920	5,712,366
		57,883,707
Total Municipal Bonds in New York		628,649,068

See Notes to Financial Statements.

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Schedule of Investments (continued)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Municipal Bonds		
Guam 1.0%		
Transportation 0.7%		
Guam International Airport Authority, Refunding RB, Series C, AMT (NPFGC):		
5.25%, 10/01/21	\$ 2,240	\$ 2,243,920
5.25%, 10/01/22	2,050	2,053,321
		4,297,241
Utilities 0.3%		
Guam Power Authority, Refunding RB, Series A (AGM), 5.00%, 10/01/37	1,380	1,511,500
Total Municipal Bonds in Guam		5,808,741
Puerto Rico 11.4%		
Housing 0.7%		
Puerto Rico Housing Finance Authority, Refunding RB, Subordinate, Capital Fund Modernization, 5.13%, 12/01/27	3,500	3,879,505
State 6.9%		
Commonwealth of Puerto Rico, GO, Refunding (NPFGC):		
Public Improvement, Series A, 5.50%, 7/01/20	2,000	2,276,660
Sub-Series C-7, 6.00%, 7/01/27	2,000	2,254,800
Sub-Series C-7, 6.00%, 7/01/28	4,775	5,364,426
Puerto Rico Commonwealth Infrastructure Financing Authority, RB, CAB, Series A (NPFGC), 5.57%, 7/01/31 (b)	22,030	7,792,452
Puerto Rico Infrastructure Financing Authority, RB, CAB, Series A (AMBAC) (b):		
5.98%, 7/01/35	3,900	1,010,256
6.10%, 7/01/43	8,000	1,247,440
Puerto Rico Public Buildings Authority, Refunding RB, Government Facilities Series M-3 (NPFGC), 6.00%, 7/01/28	2,850	3,216,339
Puerto Rico Sales Tax Financing Corp., RB, First Sub-Series A:		
5.63%, 8/01/30	2,000	2,118,120
5.75%, 8/01/37	7,150	7,999,920
(AGM), 5.00%, 8/01/40	2,100	2,264,535
Puerto Rico Sales Tax Financing Corp., Refunding RB:		
CAB, Series A (NPFGC), 5.55%, 8/01/41 (b)	12,800	2,615,808
CAB, Series A (NPFGC), 5.57%, 8/01/43 (b)	4,000	728,680
Senior Series C, 5.25%, 8/01/40	2,035	2,259,786
		41,149,222
Transportation 3.1%		
Puerto Rico Highway & Transportation Authority, RB:		
Series G (NPFGC), 5.25%, 7/01/13 (c)	655	685,025
Series G (NPFGC), 5.25%, 7/01/13 (c)	345	360,815
Series Y (AGM), 6.25%, 7/01/21	6,275	7,574,992
Puerto Rico Highway & Transportation Authority, Refunding RB (AGM):		
Series AA-1, 4.95%, 7/01/26	3,660	3,984,459
Series CC, 5.50%, 7/01/29	2,500	3,044,300

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Series CC, 5.50%, 7/01/31	2,500	3,046,725
		18,696,316
Utilities 0.7%		
Puerto Rico Electric Power Authority, RB, Series RR (NPFGC), 5.00%, 7/01/24	1,000	1,076,020
Puerto Rico Electric Power Authority, Refunding RB, Series VV (NPFGC), 5.25%, 7/01/30	3,000	3,357,420
		4,433,440
Total Municipal Bonds in Puerto Rico		68,158,483
Total Municipal Bonds 118.1%		702,616,292

Municipal Bonds Transferred to Tender Option Bond Trusts (e)	Par (000)	Value
New York 40.9%		
County/City/Special District/School District 16.6%		
City of New York New York, GO:		
Series J, 5.00%, 5/15/23	\$ 6,750	\$ 7,253,482
Sub-Series C-3 (AGC), 5.75%, 8/15/28	14,400	18,106,272
New York City Transitional Finance Authority, RB, Sub-Series D-1, 5.00%, 11/01/38	4,125	4,765,283
New York Convention Center Development Corp., RB, Hotel Unit Fee Secured (AMBAC), 5.00%, 11/15/35	20,000	20,955,000
New York Liberty Development Corp., Refunding RB:		
4 World Trade Center Project, 5.00%, 11/15/44	2,000	2,220,980
7 World Trade Center Project, 4.00%, 9/15/35	2,490	2,572,369
7 World Trade Center Project, 5.00%, 9/15/40	3,645	4,142,506
New York State Dormitory Authority, RB, State University Dormitory Facilities, Series A, 5.25%, 7/01/29	6,000	6,938,820
Sales Tax Asset Receivable Corp., Refunding RB, Series A (AMBAC):		
5.25%, 10/15/27	13,000	14,218,945
5.00%, 10/15/32	16,000	17,500,240
		98,673,897
Education 3.3%		
New York State Dormitory Authority, LRB, State University Dormitory Facilities, Series A, 5.00%, 7/01/35	5,198	6,001,271
New York State Dormitory Authority, RB, New York University, Series A:		
5.00%, 7/01/38	6,498	7,179,412
(AMBAC), 5.00%, 7/01/37	5,707	6,214,613
		19,395,296
State 2.7%		
New York State Dormitory Authority, ERB, Series B, 5.75%, 3/15/36	7,850	9,488,060
New York State Dormitory Authority, RB, Mental Health Services Facilities, Series C, AMT (AGM), 5.40%, 2/15/33	6,297	6,827,171
		16,315,231
Transportation 14.2%		
Hudson New York Yards Infrastructure Corp., RB, Series A, 5.75%, 2/15/47	9,739	11,414,992
Metropolitan Transportation Authority, RB, Series A (NPFGC), 5.00%, 11/15/31	3,901	4,377,863
New York Liberty Development Corp., RB, 1 World Trade Center Project, 5.25%, 12/15/43	18,000	20,762,100
New York State Thruway Authority, RB, Series G (AGM), 5.00%, 1/01/32	16,000	17,669,440
New York State Thruway Authority, Refunding RB, Series H (AGM), 5.00%, 1/01/37	10,000	10,888,400
Port Authority of New York & New Jersey, RB:		
	2,500	2,679,575

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Consolidated, 37th Series, AMT (AGM), 5.13%,
7/15/30

Consolidated, 169th Series, 5.00%, 10/15/25	7,990	9,357,868
Consolidated, 169th Series, AMT, 5.00%, 10/15/26	6,000	6,990,240
		84,140,478

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)
(Percentages shown are based on Net Assets)

Municipal Bonds Transferred to Tender Option Bond Trusts (e) New York (concluded)	Par (000)	Value
Utilities 4.1%		
New York City Municipal Water Finance Authority, RB, Fiscal 2009, Series A, 5.75%, 6/15/40	\$ 4,094	\$ 4,935,657
New York City Municipal Water Finance Authority, Refunding RB, Second General Resolution: Fiscal 2012, Series B, 5.00%, 6/15/44	3,991	4,582,778
Series HH, 5.00%, 6/15/32	9,900	11,549,439
Series FF-2, 5.50%, 6/15/40	2,759	3,250,377
		24,318,251
Total Municipal Bonds Transferred to Tender Option Bond Trusts 40.9%		242,843,153
Total Long-Term Investments (Cost \$872,069,136) 159.0%		945,459,445
Short-Term Securities		
	Shares	
BIF New York Municipal Money Fund 0.00%, (f)(g)	10,257,884	10,257,884
Total Short-Term Securities (Cost \$10,257,884) 1.7%		10,257,884
Total Investments (Cost \$882,327,020) 160.7%		955,717,329
Other Assets Less Liabilities 0.8%		4,805,047
Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable (19.8)%		(118,015,086)
VRDP Shares, at Liquidation Value (41.7)%		(247,700,000)
Net Assets Applicable to Common Shares 100.0%		\$ 594,807,290

(a) Variable rate security. Rate shown is as of report date.

(b) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.

(c) US government securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date indicated, typically at a premium to par.

(d) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation (Depreciation)
Morgan Stanley	\$ 508,548	\$ 5,409
JPMorgan Chase & Co.	\$ 1,632,558	\$ (7,442)

(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. See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to TOBs.

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

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Affiliate	Shares Held at July 31, 2011	Net Activity	Shares Held at July 31, 2012	Income
BIF New York Municipal Money Fund	14,521,616	(4,263,732)	10,257,884	\$ 132

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

For Fund compliance purposes, the Fund's sector classifications refer to any one or more of the sector sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such sector sub-classifications for reporting ease.

Fair Value Measurements Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement 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 into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments is based on the pricing transparency of the investment and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the Fund's investments categorized in the disclosure hierarchy as of July 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments ¹		\$ 945,459,445		\$ 945,459,445
Short-Term Securities	\$ 10,257,884			10,257,884
Total	\$ 10,257,884	\$ 945,459,445		\$ 955,717,329

¹ See above Schedule of Investments for values in each sector.

Certain of the Fund's liabilities are held at carrying amount, which approximates fair value for financial statement purposes. As of July 31, 2012, such liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Liabilities:				
TOB trust certificates		\$ (117,960,366)		\$ (117,960,366)
VRDP Shares		(247,700,000)		(247,700,000)
Total		\$ (365,660,366)		\$ (365,660,366)

There were no transfers between levels during the year ended July 31, 2012.

See Notes to Financial Statements.

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Schedule of Investments July 31, 2012

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

	Par (000)	Value
Municipal Bonds		
Alabama 0.4%		
Birmingham Special Care Facilities Financing Authority, RB, Children s Hospital (AGC), 6.00%, 6/01/39	\$ 3,605	\$ 4,209,378
Alaska 2.0%		
Alaska Housing Finance Corp, RB: Series A, 4.13%, 12/01/37	3,455	3,504,717
General Housing, Series B (NPFGC), 5.25%, 12/01/30	2,000	2,096,280
Alaska Industrial Development & Export Authority, RB, Providence Health Services, Series A, 5.50%, 10/01/41	2,690	3,106,358
Borough of Matanuska-Susitna Alaska, RB, Goose Creek Correctional Center (AGC), 6.00%, 9/01/28	10,150	12,332,555
		21,039,910
Arizona 0.5%		
Maricopa County & Phoenix Industrial Development Authorities, Refunding RB, S/F, Series A-2, AMT (Ginnie Mae), 5.80%, 7/01/40	1,040	1,071,595
State of Arizona, COP, Department of Administration, Series A (AGM), 5.00%, 10/01/27	3,725	4,244,563
		5,316,158
California 13.8%		
Alameda Corridor Transportation Authority, Refunding RB, CAB, Subordinate Lien, Series A (AMBAC), 5.40%, 10/01/24 (a)	10,000	10,777,000
California Health Facilities Financing Authority, Refunding RB: Saint Joseph Health System, Series A, 5.75%, 7/01/39	1,550	1,790,343
Sutter Health, Series B, 5.88%, 8/15/31	3,200	3,865,472
California HFA, RB, Home Mortgage, Series K, AMT, 5.50%, 2/01/42	3,340	3,457,267
California State University, RB, Systemwide, Series A: 5.50%, 11/01/39	1,525	1,747,299
(NPFGC), 5.00%, 11/01/32	9,865	10,151,677
California State University, Refunding RB, Systemwide, Series A (AGM), 5.00%, 11/01/37	3,545	4,025,028
California Statewide Communities Development Authority, RB: Kaiser Permanente, Series A, 5.00%, 4/01/42	4,030	4,411,157
Saint Joseph Health System, Series E (AGM), 5.25%, 7/01/47	4,000	4,358,320
City of Redding California, COP, Refunding, Series A (AGM), 5.00%, 6/01/30	1,900	2,094,408
City of San Jose California, Refunding ARB, AMT: Series A (AMBAC), 5.50%, 3/01/32	11,965	12,802,430
Series A-1, 5.75%, 3/01/34	2,300	2,643,965
Coast Community College District, GO, Refunding, Election of 2002, Series C (AGM), 5.41%, 8/01/33 (b)	8,100	2,638,656
	12,500	13,570,375

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County of Sacramento California, RB, Senior Series A (AGM), 5.00%, 7/01/41		
Dublin Unified School District California, GO, CAB, Election of 2004, Series D, 6.01%, 8/01/34 (b)	5,000	1,359,800
Fairfield-Suisun Unified School District California, GO, Election of 2002 (NPFGC), 5.50%, 8/01/28	5,800	6,252,226
Grossmont Union High School District, GO, CAB, Election of 2004, 4.69%, 8/01/31 (b)	5,110	2,117,840
Long Beach Unified School District, GO, Election of 2008, Series B, 4.90%, 8/01/34 (b)	5,000	1,724,750
Los Angeles Community College District California, GO, Election of 2001, Series A (AGM), 5.00%, 8/01/32	1,200	1,352,808
Norwalk-La Mirada Unified School District California, GO, Refunding, CAB, Election of 2002, Series E (AGC), 5.24%, 8/01/38 (b)	7,620	1,984,553
	Par (000)	Value
Municipal Bonds		
California (concluded)		
Oceanside Unified School District California, GO, Series A (AGC), 5.25%, 8/01/33	\$ 2,500	\$ 2,806,775
Port of Oakland, Refunding RB, Series M (NPFGC), 5.38%, 11/01/27	8,030	8,093,036
Poway Unified School District, GO, Refunding, CAB (b): School Facilities Improvement, 4.94%, 8/01/35	7,820	2,544,237
School Facilities Improvement, Election of 2008, Series B, 4.96%, 8/01/36	10,000	3,085,500
Rio Hondo Community College District California, GO, CAB, Election of 2004, Series C, 4.99%, 8/01/38 (b)	12,940	3,591,626
San Bernardino Community College District, GO, Election of 2002, Series C (AGM), 5.00%, 8/01/31	2,165	2,425,883
San Diego Unified School District California, GO, Refunding, CAB, Series R-1, 4.64%, 7/01/31 (b)	3,485	1,464,223
San Joaquin County Transportation Authority, Refunding RB, Limited Tax, Measure K, Series A, 6.00%, 3/01/36	1,830	2,241,128
San Marcos Unified School District, GO, Election of 2010, Series A:		
5.00%, 8/01/34	1,800	2,036,592
5.00%, 8/01/38	1,600	1,789,168
State of California, GO:		
5.50%, 3/01/40	1,020	1,170,909
5.00%, 10/01/41	2,555	2,788,246
Series 2007-2 (NPFGC), 5.50%, 4/01/30	10	10,582
State of California, GO, Refunding:		
5.00%, 2/01/38	4,000	4,386,480
Various Purpose, 5.00%, 9/01/41	2,700	2,944,674
Various Purpose, 5.00%, 4/01/42	2,000	2,189,160
Walnut Valley Unified School District, GO, CAB, Election of 2007, Series B, 4.94%, 8/01/36 (b)	6,545	2,029,408
West Valley-Mission Community College District, GO, Refunding, Election of 2004, Series A (AGM), 5.00%, 8/01/30	3,600	4,026,420
		142,749,421
Connecticut 0.2%		
Connecticut HFA, Refunding RB, Sub-Series E-2, 5.00%, 11/15/31	1,910	2,077,774
Florida 14.1%		
Broward County School Board Florida, COP, Series A (AGM), 5.25%, 7/01/33	13,100	14,824,484
Broward County Water & Sewer Utility, Refunding RB, Series A, 5.25%, 10/01/34	2,250	2,686,657

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City of Jacksonville, Refunding RB, Transportation, Series A, 5.00%, 10/01/30	770	881,527
Collier County School Board, COP (AGM), 5.00%, 2/15/23	5,000	5,621,000
County of Lee Florida, Refunding RB, Series A, AMT: 5.63%, 10/01/26	2,600	2,960,074
5.38%, 10/01/32	3,440	3,787,543
County of Miami-Dade Florida, GO, Building Better Communities Program:		
Series B, 6.38%, 7/01/28	6,000	7,245,540
Series B-1, 5.75%, 7/01/33	3,700	4,275,979
County of Miami-Dade Florida, RB, Water & Sewer System (AGM), 5.00%, 10/01/39	11,700	13,051,116

See Notes to Financial Statements.

Schedule of Investments (continued)

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

	Par (000)	Value
Municipal Bonds		
Florida (concluded)		
County of Miami-Dade Florida, Refunding RB:		
Miami International Airport (AGC), 5.00%, 10/01/40	\$ 11,000	\$ 11,544,940
Miami International Airport, AMT (NPFGC), 5.38%, 10/01/25	7,500	7,530,750
Miami International Airport, AMT (NPFGC), 5.38%, 10/01/27	1,000	1,003,570
Miami International Airport, Series A, AMT (AGM), 5.50%, 10/01/41	19,020	20,672,648
Series C, (BHAC), 6.00%, 10/01/23	20,095	24,827,774
Transit System Sales Surtax (AGM), 5.00%, 7/01/35	2,800	3,057,012
Highlands County Health Facilities Authority, RB, Adventist Health System/Sunbelt, Series B, 6.00%, 11/15/37	1,750	2,053,800
Orange County School Board, COP, Series A (AGC), 5.50%, 8/01/34	12,000	13,881,480
Sarasota County Public Hospital District, RB, Sarasota Memorial Hospital Project, Series A, 5.63%, 7/01/39	5,135	5,650,965
		145,556,859
Georgia 1.7%		
Burke County Development Authority, Refunding RB, Oglethorpe Power Corp., Vogtle Project, Series C, 5.70%, 1/01/43	6,450	7,025,533
City of Atlanta Georgia, Refunding RB, General, Series B (AGM), 5.25%, 1/01/33	10,000	10,660,600
		17,686,133
Illinois 17.6%		
Chicago Board of Education Illinois, GO, Series A, 5.50%, 12/01/39	6,470	7,542,855
Chicago Park District, GO, Harbor Facilities, Series C: 5.25%, 1/01/37	4,000	4,512,600
5.25%, 1/01/40	1,505	1,701,388
Chicago Transit Authority, RB, Sales Tax Receipts, 5.25%, 12/01/36	1,620	1,850,931
City of Chicago Illinois, ARB:		
O Hare International Airport, General Third Lien, Series A, 5.75%, 1/01/39	9,000	10,608,660
O Hare International Airport, General, Third Lien, Series B-2, AMT (NPFGC), 5.25%, 1/01/27	10,000	10,302,500
O Hare International Airport, Third Lien, Series B-2, AMT (NPFGC), 6.00%, 1/01/27	26,230	27,790,160
City of Chicago Illinois, ARB Refunding, O Hare International Airport, General, Third Lien, Series C-2, AMT (AGM), 5.25%, 1/01/30	16,400	16,795,076
City of Chicago Illinois, GO, CAB, City Colleges (NPFGC) (b):		
4.45%, 1/01/29	4,000	1,942,080
4.77%, 1/01/33	7,950	3,036,582
	3,500	3,772,860

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City of Chicago Illinois, Refunding RB, Water System, Second Lien, Series A (AMBAC), 5.00%, 11/01/36		
Cook County Forest Preserve District, GO, Series C, 5.00%, 12/15/37	890	996,649
Cook County Forest Preserve District, GO, Refunding, Limited Tax Project, Series B, 5.00%, 12/15/37	775	867,868
Illinois Finance Authority, RB, Series A, 5.75%, 8/15/34	8,700	9,663,873
Illinois Finance Authority, Refunding RB, Northwestern Memorial Hospital, Series A, 6.00%, 8/15/39	5,250	6,173,423
Illinois Municipal Electric Agency, RB, Series A (NPFGC): 5.00%, 2/01/35	17,935	19,200,314
5.25%, 2/01/35	15,000	16,213,950
Illinois State Toll Highway Authority, RB, Series B: 5.50%, 1/01/33	4,000	4,433,120
(BHAC), 5.50%, 1/01/33	2,000	2,226,000

	Par (000)	Value
Municipal Bonds		
Illinois (concluded)		
Kane, Kendall, Etc. Counties Community College District No. 516 Illinois, GO, CAB, Series E (NPFGC), 4.86%, 12/15/25 (b)	\$ 5,000	\$ 2,632,200
Metropolitan Pier & Exposition Authority, RB, CAB, McCormick Place Expansion Project, Series A (NPFGC) (b): 4.21%, 12/15/26	9,600	5,275,008
4.66%, 6/15/32	14,000	5,604,900
4.79%, 12/15/34	41,880	14,523,984
Metropolitan Pier & Exposition Authority, Refunding RB, CAB, McCormick Place Expansion Project, Series B (AGM), 5.12%, 6/15/44 (b)	9,430	1,882,417
Railsplitter Tobacco Settlement Authority, RB, 6.00%, 6/01/28	1,700	1,978,307
Regional Transportation Authority, RB, Series C (NPFGC), 7.75%, 6/01/20	1,000	1,247,880
		182,775,585

Indiana 2.9%		
City of Indianapolis Indiana, Refunding RB, Second Lien, Series B (AGC), 5.25%, 8/15/27	5,000	5,597,750
Indiana Finance Authority Wastewater Utility, RB, Wastewater Utility, 5.25%, 10/01/38	2,900	3,356,460
Indiana Municipal Power Agency, RB: Series A (NPFGC), 5.00%, 1/01/37	3,850	4,136,517
Series B 5.75%, 1/01/34	1,050	1,110,480
Series B 6.00%, 1/01/39	5,000	5,831,400
Indianapolis Local Public Improvement Bond Bank, Refunding RB, Waterworks Project, Series A: 5.75%, 1/01/38	2,900	3,313,163
(AGC), 5.25%, 1/01/29	1,350	1,531,116
(AGC), 5.50%, 1/01/38	4,250	4,823,410
		29,700,296

Iowa 3.3%		
Iowa Finance Authority, RB, Series A (AGC), 5.63%, 8/15/37	12,650	14,364,707
Iowa Student Loan Liquidity Corp., RB, Senior Series A-2, AMT: 5.60%, 12/01/26	4,530	5,081,981
5.70%, 12/01/27	4,530	5,085,831
5.75%, 12/01/28	2,400	2,688,672
5.80%, 12/01/29	3,060	3,429,770
5.85%, 12/01/30	3,170	3,545,867
		34,196,828

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Kentucky 1.0%

Kentucky State Property & Buildings Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/28	4,000	4,625,000
Louisville & Jefferson County Metropolitan Sewer District Kentucky, RB, Series A (NPFGC), 5.25%, 5/15/37	5,000	5,378,200
		10,003,200

Louisiana 1.1%

New Orleans Aviation Board Louisiana, RB, New Orleans Aviation, Series A, AMT (AGM), 5.25%, 1/01/32	6,405	6,907,600
Parish of St. Charles Louisiana Gulf Opportunity Zone, RB, Valero Project, Series 2010, 4.00%, 12/01/40 (c)	4,270	4,517,276
		11,424,876

Maine 0.1%

Maine State Housing Authority, Refunding RB, Series B-1 AMT, 4.00%, 11/15/27	920	947,894
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See Notes to Financial Statements.

Schedule of Investments (continued)

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

	Par (000)	Value
Municipal Bonds		
Massachusetts 3.9%		
Massachusetts HFA, RB:		
S/F Housing, Series 128, AMT (AGM), 4.88%, 12/01/38 (c)	\$ 11,015	\$ 11,319,344
Series B, 7.00%, 12/01/38	3,150	3,628,233
Massachusetts HFA, Refunding RB:		
Housing Development, Series B (NPFGC), 5.40%, 12/01/28	1,835	1,837,055
Rental Housing, Series A, AMT (AGM), 5.15%, 7/01/26	12,005	12,187,836
Series C, AMT, 5.35%, 12/01/42	3,100	3,324,347
Massachusetts Port Authority, Refunding RB, BOSFUEL Project, AMT (NPFGC), 5.00%, 7/01/38	8,275	8,532,684
		40,829,499
Michigan 7.0%		
City of Detroit Michigan, RB, Series B (AGM):		
Second Lien, 6.25%, 7/01/36	1,075	1,255,181
Second Lien, 7.00%, 7/01/36	500	607,690
Senior Lien, 7.50%, 7/01/33	1,000	1,257,100
City of Detroit Michigan, Refunding RB:		
Senior Lien, Series C-1 (AGM), 7.00%, 7/01/27	1,500	1,798,575
Senior Lien, Series D, (AGM), 5.00%, 7/01/23	5,000	5,320,150
Series D (NPFGC), 5.00%, 7/01/33	5,000	5,101,250
Kalamazoo Hospital Finance Authority, RB, Bronson Methodist Hospital (AGM), 5.25%, 5/15/36		
	410	453,517
Lansing Board of Water & Light Utilities System, RB, Series A, 5.50%, 7/01/41		
	3,185	3,773,715
Michigan State Building Authority, Refunding RB, Facilities Program:		
Series I, 6.25%, 10/15/38	3,125	3,658,375
Series I (AGC), 5.25%, 10/15/24	1,750	2,096,325
Series I (AGC), 5.25%, 10/15/25	3,250	3,881,410
Series I-A, 5.38%, 10/15/36	2,075	2,391,168
Series II-A, 5.38%, 10/15/41	1,900	2,184,658
Series II-A (AGM), 5.25%, 10/15/36	8,040	9,213,679
Michigan State HDA, RB, Series C, 5.50%, 12/01/28	2,735	2,964,385
Michigan Strategic Fund, Refunding RB, Detroit Edison Co. Project, Series A (Syncora), 5.50%, 6/01/30		
	2,500	2,541,225
State of Michigan, RB, GAB (AGM):		
5.25%, 9/15/22	10,000	11,414,400
5.25%, 9/15/26	6,650	7,428,582
Wayne County Airport Authority, Refunding RB, AMT (AGC), 5.38%, 12/01/32		
	5,000	5,332,050
		72,673,435
Minnesota 0.6%		
City of Minneapolis Minnesota, Refunding RB, Fairview Health Services, Series B (AGC), 6.50%, 11/15/38		
	5,500	6,592,025
Mississippi 0.2%		
Medical Center Educational Building Corp., RB, University of Mississippi Medical Center Facilities and Expansion and Renovation Project, Series A,		
	2,000	2,254,780

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5.00%, 6/01/41		
Nebraska 0.3%		
Central Plains Energy Project Nebraska, RB, Gas Project No. 3, 5.25%, 9/01/37	2,825	2,997,692
Nevada 2.8%		
City of Las Vegas Nevada, GO, Limited Tax, Performing Arts Center, 6.00%, 4/01/34	2,250	2,650,545
County of Clark Nevada, RB: Las Vegas-McCarran International Airport, Series A (AGC), 5.25%, 7/01/39	5,170	5,795,777
Subordinate Lien, Series A-2 (NPFGC), 5.00%, 7/01/30	19,250	20,270,635
		28,716,957

	Par (000)	Value
Municipal Bonds		
New Jersey 4.8%		
New Jersey EDA, RB, Cigarette Tax, 5.75%, 6/15/34	\$ 4,000	\$ 4,398,280
New Jersey EDA, Refunding RB, School Facilities Construction, Series N-1: (AMBAC), 5.50%, 9/01/24 (NPFGC), 5.50%, 9/01/28	6,500 1,685	8,290,750 2,176,632
New Jersey Higher Education Student Assistance Authority, Refunding RB, Series 1, AMT: 5.50%, 12/01/25 5.50%, 12/01/26 5.75%, 12/01/28 5.88%, 12/01/33	1,250 1,800 200 6,895	1,441,400 2,058,696 229,884 7,756,048
New Jersey Transportation Trust Fund Authority, RB, Transportation System: CAB, Series A, 4.69%, 12/15/35 (b) CAB, Series C (AGC), 3.91%, 12/15/25 (b) Series A (NPFGC), 5.75%, 6/15/25 Series B, 5.25%, 6/15/36	18,525 10,000 4,000 4,970	6,266,081 5,959,000 5,173,240 5,726,484 49,476,495
New York 3.2%		
City of New York New York, GO, Series J, 5.25%, 5/15/24 Hudson New York Yards Infrastructure Corp., RB, 5.75%, 2/15/47	10,000 1,920	10,886,800 2,250,374
New York City Transitional Finance Authority, RB, Fiscal 2009, Series S-4, 5.50%, 1/15/34 New York State Dormitory Authority, ERB, Series B, 5.25%, 3/15/38 New York State Thruway Authority, RB, Series I, 5.00%, 1/01/37 Port Authority of New York & New Jersey, Refunding RB, Consolidated 172nd Series, AMT, 4.50%, 4/01/37	7,250 3,250 3,210 3,970	8,398,618 3,765,385 3,634,651 4,266,043 33,201,871
North Carolina 0.2%		
North Carolina Medical Care Commission, RB, Novant Health Obligation, Series A, 4.75%, 11/01/43	2,075	2,205,808
Ohio 0.6%		
County of Allen Ohio, Refunding RB, Catholic HealthCare Partners, Series A, 5.00%, 5/01/42 County of Lucas Ohio, Refunding RB, Promedica Healthcare, Series A, 6.50%, 11/15/37	2,030 3,000	2,214,710 3,748,830 5,963,540
Pennsylvania 2.6%		
Pennsylvania Turnpike Commission, RB: Series A (AMBAC), 5.50%, 12/01/31 Subordinate, Special Motor License Fund, 6.00%, 12/01/36	15,600 2,575	17,010,864 3,166,349

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Pennsylvania Turnpike Commission, Refunding RB, Sub-Series C (AGC), 6.25%, 6/01/38	5,695	6,957,980
		27,135,193
Puerto Rico 3.4%		
Puerto Rico Electric Power Authority, RB, Series A, 5.00%, 7/01/42	3,650	3,756,288
Puerto Rico Sales Tax Financing Corp., RB, First Sub-Series A:		
5.75%, 8/01/37	2,000	2,237,740
6.38%, 8/01/39	10,195	12,077,303
5.50%, 8/01/42	5,155	5,554,873
Puerto Rico Sales Tax Financing Corp., Refunding RB:		
CAB, Series A (NPFGC), 5.55%, 8/01/41 (b)	7,500	1,532,700
CAB, Series A (NPFGC), 5.56%, 8/01/42 (b)	3,190	616,276
CAB, Series C, 5.39%, 8/01/38 (b)	9,400	2,358,084
CAB, Series C, 5.43%, 8/01/39 (b)	24,000	5,649,120
First Sub-Series C, 6.00%, 8/01/39	1,180	1,353,260
		35,135,644

See Notes to Financial Statements.

Schedule of Investments (continued)

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

	Par (000)	Value
Municipal Bonds		
South Carolina 0.4%		
South Carolina Jobs-EDA, Refunding RB, Palmetto Health, Series A (AGM), 6.50%, 8/01/39	\$ 3,600	\$ 4,353,372
Tennessee 0.1%		
Memphis Center City Revenue Finance Corp., RB, Pyramid and Pinch Distribution, Series B (AGM), 5.25%, 11/01/30	485	575,569
Texas 11.9%		
City of Houston Texas, Refunding RB, Combined, First Lien, Series A:		
(AGC), 6.00%, 11/15/35	5,700	6,950,295
(AGC), 5.38%, 11/15/38	3,650	4,232,175
(AGM), 5.00%, 11/15/36	10,000	11,392,100
Dallas ISD, GO, School Building (PSF-GTD), 6.38%, 2/15/34	10,000	12,431,300
Dallas-Fort Worth International Airport Facilities Improvement Corp., Refunding RB, Joint Series A, AMT (NPFGC), 5.63%, 11/01/26	5,670	5,688,257
Grand Prairie ISD Texas, GO, Refunding, CAB, 5.38%, 8/15/28 (b)	10,000	4,265,800
Harris County Hospital District, Refunding RB, Senior Lien, Series A (NPFGC), 5.25%, 2/15/37	4,055	4,296,394
Judson ISD Texas, GO, School Building (AGC), 5.00%, 2/01/37	10,000	10,662,400
North Texas Tollway Authority, Refunding RB:		
First Tier, Series A, 6.00%, 1/01/28	6,275	7,410,336
First Tier, System, Series A (NPFGC), 5.13%, 1/01/28	20,000	22,226,000
First Tier, System, Series B (NPFGC), 5.75%, 1/01/40	10,000	11,195,300
Texas Department of Housing & Community Affairs, MRB, Series A, AMT (NPFGC), 5.45%, 9/01/23	3,805	3,811,202
Texas State Turnpike Authority, RB (AMBAC):		
CAB, 5.96%, 8/15/31 (b)	20,265	6,624,021
First Tier, Series A, 5.50%, 8/15/39	5,500	5,543,285
First Tier, Series A, 5.00%, 8/15/42	6,900	6,901,794
		123,630,659
Utah 1.5%		
Utah Transit Authority, Refunding RB, CAB, Sub-Series A (b):		
(AGC), 3.61%, 6/15/20	10,000	7,546,300
(NPFGC), 4.46%, 6/15/24	13,930	8,255,615
		15,801,915
Vermont 0.2%		
Vermont HFA, Refunding RB, Multiple Purpose, Series C, AMT (AGM), 5.50%, 11/01/38 (c)	1,880	2,000,771
Washington 1.1%		
Washington Health Care Facilities Authority, RB, Series A:		
5.00%, 10/01/39	1,125	1,221,795
5.25%, 10/01/39	2,725	3,023,769
5.00%, 8/15/44	1,020	1,107,149

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Washington Health Care Facilities Authority, Refunding RB, Catholic Health Initiatives, Series D, 6.38%, 10/01/36	5,400	6,460,776
		11,813,489

Wisconsin 0.8%

Wisconsin Health & Educational Facilities Authority, RB: Ascension Health Senior Credit Group, 5.00%, 11/15/33	3,745	4,151,745
SynergyHealth Inc., 6.00%, 11/15/32	3,395	3,551,747
		7,703,492

Total Municipal Bonds 104.3% 1,080,746,518

**Municipal Bonds Transferred to
Tender Option Bond Trusts (d)**

**Par
(000)**

Value

Arizona 1.5%

Arizona School Facilities Board, COP (AGC), 5.13%, 9/01/21	\$ 10,000	\$ 11,440,500
Salt River Project Agricultural Improvement & Power District, RB, Series A, 5.00%, 1/01/38	3,500	3,890,005
		15,330,505

California 11.7%

Alameda County Joint Powers Authority, Refunding RB, Lease (AGM), 5.00%, 12/01/34	6,990	7,612,879
California State University, RB, Systemwide, Series A (AGM): 5.00%, 11/01/33	7,996	8,746,524
5.00%, 11/01/37	18,435	20,931,954
City of Riverside California, RB, Issue D (AGM), 5.00%, 10/01/38	20,000	21,719,400
Foothill-De Anza Community College District, GO, Election of 1999, Series C (NPFGC), 5.00%, 8/01/36	7,500	8,250,975
Las Virgenes Unified School District California, GO, Series A (AGM), 5.00%, 8/01/31	10,000	10,799,897
Los Angeles Community College District California, GO, Refunding, Series A, 6.00%, 8/01/33	5,248	6,390,334
Orange County Sanitation District, COP, Series B (AGM), 5.00%, 2/01/37	10,780	12,050,315
San Diego Community College District California, GO, Election of 2002, 5.25%, 8/01/33	1,047	1,227,857
San Diego County Water Authority, COP, Refunding, Series 2008-A (AGM), 5.00%, 5/01/33	9,370	10,404,823
San Francisco Bay Area Rapid Transit District, RB (AGM), 5.00%, 7/01/36	10,000	10,707,251
University of California, RB, Series O, 5.75%, 5/15/34	2,205	2,651,432
		121,493,641

Colorado 0.3%

Colorado Health Facilities Authority, Refunding RB, Catholic Healthcare, Series A, 5.50%, 7/01/34	2,469	2,822,554
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Connecticut 0.6%

Connecticut State Health & Educational Facility Authority, RB, Yale University, Series T-1, 4.70%, 7/01/29	5,010	5,718,514
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District of Columbia 2.6%

District of Columbia, RB, Series A, 5.50%, 12/01/30	2,595	3,243,421
District of Columbia Water & Sewer Authority, Refunding RB, Series A, 6.00%, 10/01/35	4,281	5,210,872
Metropolitan Washington Airports Authority, RB, Series B, AMT (AMBAC), 5.00%, 10/01/32	10,000	10,717,500
Metropolitan Washington Airports Authority, Refunding RB, Series B AMT, 5.00%, 10/01/30	6,880	7,902,162

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		27,073,955
Florida 3.8%		
City of Tallahassee Florida, RB, Energy System (NPFGC), 5.00%, 10/01/32	3,300	3,570,864
County of Miami Dade Florida, RB (XLCA), 5.00%, 7/01/31	19,800	21,283,020
County of Miami-Dade Florida, RB, Transit System, Sales Surtax, 5.00%, 7/01/42 (e)	4,840	5,430,819
Florida State Board of Education, GO, Series D, 5.00%, 6/01/37	3,299	3,792,079
Highlands County Health Facilities Authority, RB, Adventist, Series C, 5.25%, 11/15/36 (c)	5,400	5,773,032
		39,849,814
Georgia 1.1%		
Metropolitan Atlanta Rapid Transit Authority, Refunding RB, Third Indenture, Series B (AGM), 5.00%, 7/01/37	10,000	11,346,170

See Notes to Financial Statements.

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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 (d)	Par (000)	Value
Hawaii 1.0%		
Honolulu City & County Board of Water Supply, RB, Series A (NPFGC), 5.00%, 7/01/33	\$ 9,830	\$ 10,710,277
Illinois 3.5%		
City of Chicago Illinois, GO, Refunding, Series A (AGC), 5.25%, 1/01/24	11,000	12,547,260
City of Chicago Illinois, RB:		
Motor Fuel Tax, Series A (AGC), 5.00%, 1/01/38	4,000	4,253,000
Sales Tax Revenue, Series A, 5.00%, 1/01/41	2,190	2,460,881
Illinois Finance Authority, RB, University of Chicago, Series B, 6.25%, 7/01/38	10,000	12,335,100
Metropolitan Pier & Exposition Authority, RB, McCormick Place Expansion Project, Series A, 5.00%, 6/15/42	720	800,481
State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/34	3,499	3,975,139
		36,371,861
Kentucky 0.7%		
Kentucky State Property & Building Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/27	5,985	6,949,356
Louisiana 1.1%		
State of Louisiana Gas & Fuels, RB, Series A (AGM), 5.00%, 5/01/36	10,000	11,063,100
Michigan 1.2%		
Michigan Finance Authority, Refunding RB, Trinity Health, 5.00%, 12/01/39	11,600	12,848,044
Nevada 0.6%		
Clark County Water Reclamation District, GO, Series B:		
5.50%, 7/01/29	510	631,795
5.75%, 7/01/34	4,813	6,059,190
		6,690,985
New Jersey 1.3%		
Garden State Preservation Trust, RB, Election of 2005, Series A (AGM), 5.75%, 11/01/28	10,000	13,456,100
New York 5.0%		
New York City Municipal Water Finance Authority, Refunding RB, Series DD, 5.00%, 6/15/37	17,567	19,869,482
Port Authority of New York & New Jersey, RB, 155th Series, AMT (AGM), 5.13%, 7/15/30	19,500	20,900,685
Port Authority of New York & New Jersey, RB, Consolidated, 143rd Series, 5.00%, 10/01/30	5,180	5,667,024
Triborough Bridge & Tunnel Authority, RB, General, Series A-2, 5.25%, 11/15/34	4,500	5,201,685
		51,638,876
North Carolina 1.0%		
North Carolina HFA, RB, Series 31-A, AMT, 5.25%, 7/01/38	9,466	9,864,767
Ohio 0.7%		
County of Montgomery Ohio, RB, Catholic Health, Series C-1 (AGM), 5.00%, 10/01/41	4,990	5,528,247
State of Ohio, RB, Cleveland Clinic Health, Series B, 5.50%, 1/01/34	1,520	1,726,963

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			7,255,210
Puerto Rico 0.7%			
Puerto Rico Sales Tax Financing Corp., Refunding RB, Senior Series C, 5.25%, 8/01/40	6,540		7,262,572
South Carolina 0.5%			
South Carolina State Housing Finance & Development Authority, Refunding RB, Series B-1, 5.55%, 7/01/39	4,428		4,759,605
Municipal Bonds Transferred to Tender Option Bond Trusts (d)	Par (000)		Value
South Dakota 0.2%			
South Dakota HDA, Refunding RB, Homeownership Mortgage, Series K, 5.05%, 5/01/36	\$ 2,234	\$	2,281,891
Texas 4.0%			
Friendswood ISD Texas, GO, Schoolhouse (PSF-GTD), 5.00%, 2/15/37	12,955		14,240,759
Houston ISD, GO, Schoolhouse (PSF-GTD), 5.00%, 2/15/33	10,000		11,393,300
North East ISD Texas, GO, School Building, Series A, 5.00%, 8/01/37	3,500		3,982,930
Texas State University Systems, Refunding RB, 5.25%, 3/15/26	10,000		11,919,300
			41,536,289
Virginia 0.4%			
University of Virginia, Refunding RB, General, 5.00%, 6/01/40	3,944		4,537,084
Washington 5.6%			
Central Puget Sound Regional Transit Authority, RB, Series A (AGM), 5.00%, 11/01/34	16,770		19,401,716
County of King Washington, RB (AGM), 5.00%, 1/01/37	15,785		17,884,749
Port of Seattle Washington, Refunding RB, Series B, AMT (NPFGC), 5.20%, 7/01/29	20,565		20,926,852
			58,213,317
Wisconsin 2.0%			
State of Wisconsin, Refunding RB, Series A, 6.00%, 5/01/36	10,000		12,427,900
Wisconsin Health & Educational Facilities Authority, Refunding RB, Froedtert & Community Health Inc., 5.25%, 4/01/39	7,459		8,275,745
			20,703,645
Total Municipal Bonds Transferred to Tender Option Bond Trusts 51.1%			529,778,132
Total Long-Term Investments (Cost \$1,450,143,620) 155.4%			1,610,524,650
Short-Term Securities	Shares		
FFI Institutional Tax-Exempt Fund, 0.01% (f)(g)	21,624,366		21,624,366
Total Short-Term Securities (Cost \$21,624,366) 2.1%			21,624,366
Total Investments (Cost \$1,471,767,986) 157.5%			1,632,149,016
Other Assets Less Liabilities 0.9%			9,529,604
Liability for Trust Certificates, Including Interest Expense and Fees Payable (24.0)%			(249,256,952)
VRDP Shares, at Liquidation Value (34.4)%			(356,400,000)
Net Assets Applicable to Common Shares 100.0%		\$	1,036,021,668

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- (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) Variable rate security. Rate shown is as of report date.
- (d) 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. See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to TOBs.

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock MuniYield Quality Fund III, Inc. (MYI)

(e) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty	Value	Unrealized Appreciation
JPMorgan Chase & Co.	\$ 5,430,819	\$ 50,578

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

Affiliate	Shares Held at July 31, 2011	Net Activity	Shares Held at July 31, 2012	Income
FFI Institutional Tax-Exempt Fund	4,703,282	16,921,084	21,624,366	\$ 4,632

(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 to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial statement 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 into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments is based on the pricing transparency of the investment and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the Fund's investments categorized in the disclosure hierarchy as of July 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments ¹		\$ 1,610,524,650		\$ 1,610,524,650
Short-Term Securities	\$ 21,624,366			21,624,366
Total	\$ 21,624,366	\$ 1,610,524,650		\$ 1,632,149,016

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¹ See above Schedule of Investments for values in each sector.

Certain of the Fund's liabilities are held at carrying amount, which approximates fair value for financial statement purposes. As of July 31, 2012, such liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Liabilities:				
TOB trust certificates		\$ (249,148,158)		\$ (249,148,158)
VRDP Shares		(356,400,000)		(356,400,000)
Total		\$ (605,548,158)		\$ (605,548,158)

There were no transfers between levels during the year ended July 31, 2012.

See Notes to Financial Statements.

Statements of Assets and Liabilities

		BlackRock MuniHoldings Quality Fund II, Inc. (MUE)	BlackRock MuniYield California Quality Fund, Inc. (MCA)	BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM)	BlackRock MuniYield New York Quality Fund, Inc. (MYN)	BlackRock MuniYield Quality Fund III, Inc. (MYI)
July 31, 2012						
Assets						
Investments at value unaffiliated	\$	557,498,796	\$ 933,431,224	\$ 281,542,047	\$ 945,459,445	\$ 1,610,524,650
Investments at value affiliated			4,870,908	6,554,292	10,257,884	21,624,366
Interest receivable		5,423,178	12,724,243	2,939,955	9,860,591	17,065,236
Investments sold receivable		12,185,131	2,911,935		70,000	1,851,983
Deferred offering costs		185,487	323,650	228,640	430,874	566,507
TOB trust receivable		825,000				2,420,000
Prepaid expenses		7,820	12,947	4,138	13,445	23,725
Total assets		576,125,412	954,274,907	291,269,072	966,092,239	1,654,076,467
Accrued Liabilities						
Bank overdraft		1,860,269				
Investments purchased payable		11,206,909	14,038,074	3,176,086	2,143,139	6,505,408
Income dividends payable Common Shares		1,651,336	2,611,451	834,424	2,801,669	4,870,135
Investment advisory fees payable		241,446	392,802	120,548	403,644	687,676
Officers and Directors fees payable		626	123,451	355	133,354	222,574
Interest expense and fees payable		36,311	111,809	6,584	54,720	108,794
Other accrued expenses payable		63,257	64,436	37,224	88,057	112,054
Total accrued liabilities		15,060,154	17,342,023	4,175,221	5,624,583	12,506,641
Other Liabilities						
TOB trust certificates		88,920,856	199,873,663	16,718,184	117,960,366	249,148,158
VMTP Shares, at liquidation value of \$100,000 per share ^{3,4}		131,000,000				
VRDP Shares, at liquidation value of \$100,000 per share ^{3,4}			166,500,000	87,300,000	247,700,000	356,400,000
Total other liabilities		219,920,856	366,373,663	104,018,184	365,660,366	605,548,158
Total liabilities		234,981,010	383,715,686	108,193,405	371,284,949	618,054,799
Net Assets Applicable to Common Shareholders	\$	341,144,402	\$ 570,559,221	\$ 183,075,667	\$ 594,807,290	\$ 1,036,021,668
Net Assets Applicable to Common Shareholders Consist of						
Paid-in capital ⁵	\$	299,504,939	\$ 492,292,542	\$ 162,518,767	\$ 533,755,221	\$ 951,356,862
Undistributed net investment income		4,768,337	8,249,950	1,900,424	8,756,672	15,519,850
Accumulated net realized loss		(14,457,172)	(9,958,244)	(1,800,224)	(21,094,912)	(91,236,074)
Net unrealized appreciation/depreciation		51,328,298	79,974,973	20,456,700	73,390,309	160,381,030
Net Assets Applicable to Common Shareholders	\$	341,144,402	\$ 570,559,221	\$ 183,075,667	\$ 594,807,290	\$ 1,036,021,668
Net asset value per Common Share	\$	15.18	\$ 16.60	\$ 15.14	\$ 15.07	\$ 15.32
¹ Investments at cost unaffiliated	\$	506,170,498	\$ 853,456,251	\$ 261,085,347	\$ 872,069,136	\$ 1,450,143,620
² Investments at cost affiliated			\$ 4,870,908	\$ 6,554,292	\$ 10,257,884	\$ 21,624,366
³ VMTP/VRDP Shares outstanding, par value \$0.10 per share		1,310	1,665	873	2,477	3,564
⁴ Preferred Shares authorized		8,180	12,665	4,833	14,637	26,364
⁵ Common Shares outstanding, 200 million shares authorized, \$ 0.10 par value		22,467,163	34,361,200	12,093,097	39,460,127	67,640,758

See Notes to Financial Statements.

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ANNUAL REPORT

JULY 31, 2012

Statements of Operations

Year Ended July 31, 2012	BlackRock MuniHoldings Quality Fund II, Inc. (MUE)	BlackRock MuniYield California Quality Fund, Inc. (MCA)	BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM)	BlackRock MuniYield New York Quality Fund, Inc. (MYN)	BlackRock MuniYield Quality Fund III, Inc. (MYI)
Investment Income					
Interest	\$ 23,931,955	\$ 39,575,850	\$ 12,658,265	\$ 41,945,315	\$ 73,799,532
Income affiliated	1,465	5,166		5,749	13,917
Total income	23,933,420	39,581,016	12,658,265	41,951,064	73,813,449
Expenses					
Investment advisory	2,866,478	4,468,544	1,362,443	4,561,611	7,793,199
Liquidity fees		1,146,979	601,389	1,706,347	2,455,156
Remarketing fees on					
Preferred Shares	85,164	149,850	78,570	222,930	320,760
Professional	119,117	138,778	79,233	139,002	183,233
Accounting services	91,439	130,349	81,280	144,651	194,630
Officer and Directors	44,775	77,783	23,499	82,085	138,410
Transfer agent	47,899	36,618	17,948	40,061	79,224
Custodian	29,281	38,505	16,159	39,458	64,277
Printing	16,714	40,416	26,044	27,651	29,309
Registration	9,280	11,752	9,245	13,479	23,241
Miscellaneous	52,856	164,552	86,618	193,074	267,265
Total expenses excluding interest expense, fees and amortization of					
offering costs	3,363,003	6,404,126	2,382,428	7,170,349	11,548,704
Interest expense, fees and amortization of offering costs ¹	1,471,194	2,243,015	595,165	2,157,251	3,654,413
Total expenses	4,834,197	8,647,141	2,977,593	9,327,600	15,203,117
Less fees waived by advisor	(174,809)	(17,070)	(1,544)	(20,899)	(12,765)
Total expenses after fees waived	4,659,388	8,630,071	2,976,049	9,306,701	15,190,352
Net investment income	19,274,032	30,950,945	9,682,216	32,644,363	58,623,097
Realized and Unrealized Gain (Loss)					
Net realized gain (loss) from:					
Investments	8,012,054	9,331,964	1,422,374	1,616,540	7,487,356
Financial futures contracts	(1,808,976)	(2,052,229)	(779,708)	(3,238,992)	(5,254,153)
	6,203,078	7,279,735	642,666	(1,622,452)	2,233,203
Net change in unrealized appreciation/depreciation on:					
Investments	41,534,236	71,266,940	19,479,015	66,727,494	139,643,306
Financial futures contracts	274,122		178,641	519,262	1,432,212
	41,808,358	71,266,940	19,657,656	67,246,756	141,075,518
Total realized and unrealized gain	48,011,436	78,546,675	20,300,322	65,624,304	143,308,721

Dividends to AMPS Shareholders From

Net investment income (130,644)

Net Increase in Net

Assets Applicable to

Common Shareholders

Resulting

from Operations

\$ 67,154,824 \$ 109,497,620 \$ 29,982,538 \$ 98,268,667 \$ 201,931,818

¹ Related to TOBs, VMTP Shares and/or VRDP Shares.

See Notes to Financial Statements.

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Statements of Changes in Net Assets

Increase (Decrease) in Net Assets Applicable to Common Shareholders:	BlackRock MuniHoldings Quality Fund II, Inc. (MUE) Year Ended July 31,		BlackRock MuniYield California Quality Fund, Inc. (MCA) Year Ended July 31,	
	2012	2011	2012	2011
Operations				
Net investment income	\$ 19,274,032	\$ 19,996,239	\$ 30,950,945	\$ 31,308,367
Net realized gain (loss)	6,203,078	(5,411,971)	7,279,735	(4,612,878)
Net change in unrealized appreciation/depreciation	41,808,358	(5,414,974)	71,266,940	(8,190,700)
Dividends to AMPS Shareholders from net investment income	(130,644)	(479,559)		(767,289)
Net increase in net assets applicable to Common Shareholders resulting from operations	67,154,824	8,689,735	109,497,620	17,737,500
Dividends to Common Shareholders From				
Net investment income	(19,801,506)	(19,768,276)	(30,736,093)	(29,808,341)
Capital Share Transactions				
Reinvestment of common dividends	434,788	767,545		
Net Assets Applicable to Common Shareholders				
Total increase (decrease) in net assets applicable to Common Shareholders	47,788,106	(10,310,996)	78,761,527	(12,070,841)
Beginning of year	293,356,296	303,667,292	491,797,694	503,868,535
End of year	\$ 341,144,402	\$ 293,356,296	\$ 570,559,221	\$ 491,797,694
Undistributed net investment income	\$ 4,768,337	\$ 5,432,633	\$ 8,249,950	\$ 7,842,146

Increase (Decrease) in Net Assets Applicable to Common Shareholders:	BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM) Year Ended July 31,		BlackRock MuniYield New York Quality Fund, Inc. (MYN) Year Ended July 31,	
	2012	2011	2012	2011
Operations				
Net investment income	\$ 9,682,216	\$ 10,384,846	\$ 32,644,363	\$ 34,301,968
Net realized gain (loss)	642,666	(8,833)	(1,622,452)	(7,030,663)
Net change in unrealized appreciation/depreciation	19,657,656	(3,139,760)	67,246,756	(10,452,591)
Dividends to AMPS Shareholders from net investment income		(376,980)		(1,105,803)
	29,982,538	6,859,273	98,268,667	15,712,911

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Net increase in net assets applicable to Common Shareholders resulting from operations

Dividends to Common Shareholders From

Net investment income	(10,519,402)	(10,355,821)	(33,617,202)	(33,574,394)
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Capital Share Transactions

Reinvestment of common dividends	336,204		97,586	107,768
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Net Assets Applicable to Common Shareholders

Total increase (decrease) in net assets applicable to Common Shareholders	19,799,340	(3,496,548)	64,749,051	(17,753,715)
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Beginning of year	163,276,327	166,772,875	530,058,239	547,811,954
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End of year	\$ 183,075,667	\$ 163,276,327	\$ 594,807,290	\$ 530,058,239
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Undistributed net investment income	\$ 1,900,424	\$ 2,555,428	\$ 8,756,672	\$ 9,225,192
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See Notes to Financial Statements.

Statements of Changes in Net Assets

	BlackRock MuniYield Quality Fund III, Inc. (MYI) Year Ended July 31,	
	2012	2011
Increase (Decrease) in Net Assets Applicable to Common Shareholders:		
Operations		
Net investment income	\$ 58,623,097	\$ 60,306,907
Net realized gain (loss)	2,233,203	(8,829,974)
Net change in unrealized appreciation/depreciation	141,075,518	(23,059,984)
Dividends to AMPS Shareholders from net investment income		(1,979,653)
Net increase in net assets applicable to Common Shareholders resulting from operations	201,931,818	26,437,296
Dividends to Common Shareholders From		
Net investment income	(58,495,073)	(58,264,384)
Capital Share Transactions		
Reinvestment of common dividends	1,599,734	2,578,449
Net Assets Applicable to Common Shareholders		
Total increase (decrease) in net assets applicable to Common Shareholders	145,036,479	(29,248,639)
Beginning of year	890,985,189	920,233,828
End of year	\$ 1,036,021,668	\$ 890,985,189
Undistributed net investment income	\$ 15,519,850	\$ 15,431,895

See Notes to Financial Statements.

Statements of Cash Flows

	BlackRock MuniHoldings Quality Fund II, Inc. (MUE)	BlackRock MuniYield California Quality Fund, Inc. (MCA)	BlackRock MuniYield Michigan Quality Fund II, Inc. (MYM)	BlackRock MuniYield New York Quality Fund, Inc. (MYN)	BlackRock MuniYield Quality Fund III, Inc. (MYI)
Year Ended July 31, 2012					
Cash Provided by (Used for) Operating Activities					
Net increase in net assets resulting from operations, excluding dividends to AMPS Shareholders	\$ 67,285,468	\$ 109,497,620	\$ 29,982,538	\$ 98,268,667	\$ 201,931,818
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by (used for) operating activities:					
(Increase) decrease in interest receivable	(294,232)	(625,821)	42,497	(374,200)	(164,340)
Decrease in income receivable affiliated		335		363	610
Decrease in cash pledged as collateral for financial futures contracts	140,000		94,000	350,400	726,000
Decrease in prepaid expenses	13,825	25,247	68,433	183,144	26,651
Decrease in other assets		92,598		100,206	168,169
Increase in investment advisory fees payable	31,699	38,481	10,630	41,641	75,725
Increase (decrease) in interest expense and fees payable	(1,869)	(14,996)	(17,102)	8,122	(7,480)
Increase (decrease) in other accrued expenses payable	(69,145)	33,054	13,977	(73,547)	(14,954)
Increase (decrease) in variation margin payable	(105,688)		(57,093)	(301,125)	(552,188)
Increase (decrease) in Officers and Directors fees payable	(1,097)	32,038	(425)	28,339	216,522
Net realized and unrealized gain on investments	(49,546,290)	(80,598,904)	(20,901,389)	(68,344,034)	(147,130,662)
Amortization of premium and accretion of discount on investments	1,316,392	2,172,448	(12,166)	746,563	(2,986,128)
Amortization of deferred offering costs	36,044	311,159	181,912	461,017	729,518
Proceeds from sales of long-term investments	173,804,423	296,245,660	51,672,662	148,643,454	271,135,564
Purchases of long-term investments	(214,903,181)	(327,276,519)	(54,887,867)	(189,505,102)	(295,221,126)
Net proceeds from sales (purchases) of short-term securities	14,238,965	10,405,498	(3,536,024)	4,263,732	(16,921,084)
Cash provided by (used for) operating activities	(8,054,686)	10,337,898	2,654,583		