

BLACKROCK CORPORATE HIGH YIELD FUND III INC
Form N-CSRS
February 05, 2009
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-08497

Name of Fund: BlackRock Corporate High Yield Fund III, Inc. (CYE)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Donald C. Burke, Chief Executive Officer, BlackRock Corporate High Yield Fund III, Inc., 800 Scudders Mill Road, Plainsboro, NJ, 08536. Mailing address: P.O. Box 9011, Princeton, NJ, 08543-9011

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

Date of fiscal year end: 05/31/2009

Date of reporting period: 06/01/2008 – 11/30/2008

Item 1 – Report to Stockholders

Semi-Annual Report

NOVEMBER 30, 2008 | (UNAUDITED)

BlackRock Corporate High Yield Fund, Inc. (COY)

BlackRock Corporate High Yield Fund III, Inc. (CYE)

NOT FDIC INSURED

MAY LOSE VALUE

NO BANK GUARANTEE

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A Letter to Shareholders

Dear Shareholder

The present times may well be remembered as one of the most tumultuous periods in financial market history. Over the past year, the bursting of the housing bubble and the resultant credit crisis mushroomed into an all-out global financial market meltdown, featuring the collapse of storied financial firms, volatile swings in the world's financial markets and monumental government responses designed to rescue the beleaguered financial system.

The U.S. economy appeared relatively resilient through the first half of 2008, when rising food and energy prices stoked fears of inflation. The tenor changed dramatically in the second half, as inflation pressures subsided amid plummeting oil prices, but a uniform and rapid deterioration in key economic indicators darkened growth prospects. Just after the close of the reporting period, the National Bureau of Economic Research officially declared that the U.S. was in a recession, and that it had begun in December 2007. The Federal Reserve Board (the "Fed"), after slashing interest rates aggressively in the early months of the year, resumed that rate-cutting campaign in the fall, bringing the target federal funds rate to a record low range of between zero to 0.25% on December 16. More significant was the central bank's pledge that future policy moves to revive the global economy and financial markets would comprise primarily nontraditional and quantitative easing measures, such as capital injections, lending programs and government guarantees.

Against this backdrop, U.S. equity markets experienced intense volatility, with periods of downward pressure punctuated by sharp rebounds. Losses were significant and broad-based, though non-U.S. markets decelerated at a considerably faster pace than domestic equities — a stark reversal of prior years' trends, when international stocks generally outpaced U.S. stocks.

Treasury issues also traded in a volatile fashion, but rallied overall (yields fell and prices correspondingly rose) and outperformed other fixed income assets as investors retreated to the safest and most liquid investments. Amid spillover from historic events in the financial sector, municipals contended with fewer market participants, lack of liquidity, a challenging funding environment and a backlog of new-issue supply, all of which contributed to the sector's underperformance relative to its taxable counterparts. Similarly, economic turmoil and badly broken credit markets plagued the high yield sector, with the third quarter of 2008 marking one of the worst periods in history for the asset class.

In all, an investor flight to safety prevailed, as evidenced in the six- and 12-month returns of the major benchmark indexes:

Total Returns as of November 30, 2008	6-month	12-month
U.S. equities (S&P 500 Index)	(35.20)%	(38.09)%
Small cap U.S. equities (Russell 2000 Index)	(36.26)	(37.46)
International equities (MSCI Europe, Australasia, Far East Index)	(44.92)	(47.79)
U.S. Treasury securities (Merrill Lynch 10-Year U.S. Treasury Index)	11.62	12.69
Taxable fixed income (Barclays Capital U.S. Aggregate Index*)	0.24	1.74
Tax-exempt fixed income (Barclays Capital Municipal Bond Index*)	(4.98)	(3.61)
High yield bonds (Barclays Capital U.S. Corporate High-Yield 2% Issuer Capped Index*)	(31.73)	(30.49)

* Formerly a Lehman Brothers index.

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

Through periods of market turbulence, as ever, BlackRock's full resources are dedicated to the management of our clients' assets. For our most current views on the economy and financial markets, we invite you to visit www.blackrock.com/funds. As always, we thank you for entrusting BlackRock with your investments, and we look forward to continuing to serve you in the months and years ahead.

Sincerely,

Rob Kapito
President, BlackRock Advisors, LLC

THIS PAGE NOT PART OF YOUR FUND REPORT

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Fund Summary as of November 30, 2008

BlackRock Corporate High Yield Fund, Inc.

Investment Objective

BlackRock Corporate High Yield Fund, Inc. (COY) (the “Fund”) seeks to provide shareholders with current income with a secondary objective of providing shareholders with capital appreciation. The Fund seeks to achieve its objective by investing primarily in a diversified portfolio of fixed-income securities that are rated below investment grade by the established rating services (Ba or lower by Moody’s Investors Service, Inc. (“Moody’s”) or BB or lower by Standard & Poor’s Corporation (“S&P”)) or are unrated securities of comparable quality.

Performance

For the six months ended November 30, 2008, the Fund returned (47.14)% based on market price and (40.70)% based on net asset value (“NAV”). For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of (42.62)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund’s discount to NAV widened from 6% to 16% during the period, which hurt price performance relative to NAV performance. Overall, an underweight in BB-rated issues and overweight in CCC-rated securities hurt relative performance for the period, while defensive sector positioning and credit selection helped. The Fund maintained less leverage than many of its Lipper peers and had an allocation to bank loans, both of which proved advantageous.

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	COY
Initial Offering Date	June 25, 1993
Yield on Closing Market Price as of November 30, 2008 (\$3.58) ¹	20.45%
Current Monthly Distribution per share ²	\$0.061
Current Annualized Distribution per share ²	\$0.732
Leverage as of November 30, 2008 ³	31%

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 The distribution is not constant and is subject to change.

³ As a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing) minus the sum of accrued liabilities (other than debt representing financial leverage).

The table below summarizes the changes in the Fund’s market price and net asset value per share:

	11/30/08	5/31/08	Change	High	Low
Market Price	\$ 3.58	\$ 7.28	(50.82)%	\$ 7.37	\$ 2.71

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Net Asset Value \$ 4.27 \$ 7.74 (44.83)% \$ 7.75 \$ 4.21

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond investments:

Portfolio Composition

	11/30/08	5/31/08
Corporate Bonds	82%	87%
Floating Rate Loan Interests	16	10
Preferred Securities	1	2
Common Stocks	1	1

Credit Quality Allocations⁴

Credit Rating	11/30/08	5/31/08
A/A	1%	—
BBB/Baa	4	3%
BB/Ba	30	27
B/B	47	54
CCC/Caa	14	14
CC/Ca	2	—
Not Rated	2	2

⁴ Using the higher of S&P's or Moody's ratings.

Fund Summary as of November 30, 2008

BlackRock Corporate High Yield Fund III, Inc.

Investment Objective

BlackRock Corporate High Yield Fund III, Inc. (CYE) (the “Fund”) seeks to provide shareholders with current income by investing primarily in a diversified portfolio of fixed income securities that are rated in the lower rating categories of the established rating services (Ba or lower by Moody’s or BB or lower by S&P) or are unrated securities of comparable quality.

Performance

For the six months ended November 30, 2008, the Fund returned (48.23)% based on market price and (41.36)% based on NAV. For the same period, the closed-end Lipper High Current Yield Funds (Leveraged) category posted an average return of (42.62)% on a NAV basis. All returns reflect reinvestment of dividends. The Fund’s discount to NAV widened from 8% to 19% during the period, which hurt price performance relative to NAV performance. Overall, an underweight in BB-rated issues and overweight in CCC-rated securities hurt relative performance for the period, while defensive sector positioning and credit selection helped. The Fund maintained less leverage than many of its Lipper peers and had an allocation to bank loans, both of which proved advantageous.

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	CYE
Initial Offering Date	January 30, 1998
Yield on Closing Market Price as of November 30, 2008 (\$3.38) ¹	21.30%
Current Monthly Distribution per share ²	\$0.060
Current Annualized Distribution per share ²	\$0.720
Leverage as of November 30, 2008 ³	31%

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 The distribution is not constant and is subject to change.

³ As a percentage of total managed assets, which is the total assets of the Fund (including any assets attributable to any borrowing) minus the sum of accrued liabilities (other than debt representing financial leverage).

The table below summarizes the changes in the Fund’s market price and net asset value per share:

11/30/08	5/31/08	Change	High	Low
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Market Price	\$ 3.38	\$ 7.03	(51.92)%	\$ 7.07	\$ 2.65
Net Asset Value	\$ 4.15	\$ 7.62	(45.54)%	\$ 7.63	\$ 4.10

The following charts show the portfolio composition of the Fund's long-term investments and credit quality allocations of the Fund's corporate bond investments:

Portfolio Composition

	11/30/08	5/31/08
Corporate Bonds	82%	87%
Floating Rate Loan Interests	16	9
Preferred Securities	1	2
Common Stocks	1	2

Credit Quality Allocations⁴

Credit Rating	11/30/08	5/31/08
A/A	1%	—
BBB/Baa	5	3%
BB/Ba	29	27
B/B	47	53
CCC/Caa	15	14
CC/Ca	1	1
Not Rated	2	2

⁴ Using the higher of S&P's or Moody's ratings.

The Benefits and Risks of Leveraging

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

The Funds may utilize leverage through borrowings and the issuance of short-term securities and Preferred Shares. In general, the concept of leveraging is based on the premise that the cost of assets to be obtained from leverage will be based on short-term interest rates, which normally will 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 Common Shareholders will benefit from the incremental yield.

The interest earned on securities purchased with the proceeds from leverage is paid to Common Shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV of each Fund's Common Shares. However, in order to benefit Common 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, returns to Common 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 debt securities for an additional \$30 million, creating a total value of \$130 million available for investment in long-term securities. 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 interest expense on the \$30 million of debt securities based on the lower short-term interest rates. At the same time, the Fund's total portfolio of \$130 million earns the income based on long-term interest rates. In this case, the interest expense of the debt securities is significantly lower than the income earned on the Fund's long-term investments, and therefore the Common Shareholders are the beneficiaries of the incremental yield.

Conversely, if prevailing short-term interest rates rise above long-term interest rates of 6%, the yield curve has a negative slope. In this case, the Fund pays interest expense on the higher short-term interest rates whereas the Fund's total portfolio earns income based on lower long-term interest rates. If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental yield pickup on the Common Shares will be reduced or eliminated completely.

Furthermore, the value of the Fund's portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the redemption value of the Fund's debt securities do not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Fund's NAV positively or negatively in addition to the impact on Fund performance from leverage from debt securities.

The use of leverage may enhance opportunities for increased returns 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 each Fund's NAV, market price and dividend rate than a comparable portfolio without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, each Fund's 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 shareholders will be reduced. A Fund may be required to sell portfolio securities at inopportune times or below fair market 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 a 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 ratings agencies that rate preferred shares issued by a Fund. A Fund will incur expenses in connection with the use of leverage, all of which are borne by the holders of the Common Shares and may reduce returns on the Common Shares.

Under the Investment Company Act of 1940, the Funds are permitted to borrow through a credit facility and the issuance of short-term debt securities up to 33 $\frac{1}{3}$ % of total managed assets. As of November 30, 2008, the Funds had outstanding leverage from credit facility borrowings as a percentage of total managed assets as follows:

	Percent of Leverage
BlackRock Corporate High Yield Fund, Inc.	31%

Derivative Instruments

The Funds may invest in various derivative instruments, including swap agreements, futures and forward currency contracts, and other instruments specified in the Notes to Financial Statements, which constitute additional forms of economic leverage. Such instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market and/or interest rate risks. Such derivative instruments involve risks, including the imperfect correlation between the value of a derivative instrument and the underlying asset, possible default of the other party to the transaction and illiquidity of the derivative instrument. A Fund's ability to successfully use a derivative instrument depends on the investment advisor's ability to accurately predict pertinent market movements, which cannot be assured. The use of derivative instruments may result in losses greater than if they had not been used, may require the Funds to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Funds can realize on an investment or may cause the Funds to hold a security that they 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 November 30, 2008 (Unaudited)

BlackRock Corporate High Yield Fund, Inc. (COY)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Aerospace & Defense — 1.7%			
DRS Technologies, Inc., 6.875%, 11/01/13	USD	1,325	\$ 1,315,062
Hawker Beechcraft Acquisition Co. LLC:			
8.50%, 4/01/15		120	56,400
8.875%, 4/01/15 (a)		275	114,125
L-3 Communications Holdings, Inc., 3%, 8/01/35 (b)		1,105	1,020,744
			2,506,331
Airlines — 0.6%			
Continental Airlines, Inc.:			
Series 1997-4-B, 6.90%, 7/02/18		842	631,606
Series 2001-1-C, 7.033%, 12/15/12		304	206,524
			838,130
Auto Components — 2.0%			
Allison Transmission, Inc. (c):			
11%, 11/01/15		730	357,700
11.25%, 11/01/15 (a)		1,085	439,425
The Goodyear Tire & Rubber Co.:			
7.857%, 8/15/11		1,355	989,150
8.625%, 12/01/11		1,332	994,005
Lear Corp., 8.75%, 12/01/16		825	177,375
			2,957,655
Automobiles — 0.3%			
Ford Capital BV, 9.50%, 6/01/10		710	255,600
Ford Motor Co., 8.90%, 1/15/32		600	138,000
			393,600
Building Products — 1.0%			
Momentive Performance Materials, Inc., 11.50%, 12/01/16		1,535	406,775
Ply Gem Industries, Inc., 11.75%, 6/15/13		1,830	1,084,275
			1,491,050
Capital Markets — 1.2%			

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E*Trade Financial Corp., 12.50%, 11/30/17 (c)	1,509	988,231
Marsico Parent Co., LLC, 10.625%, 1/15/16 (c)	1,004	453,055
Marsico Parent Holdco, LLC, 12.50%, 7/15/16 (a)(c)	381	172,019
Marsico Parent Superholdco, LLC, 14.50%, 1/15/18 (a)(c)	258	116,371
		<hr/>
		1,729,676

Chemicals — 2.4%

American Pacific Corp., 9%, 2/01/15	800	696,000
Hexion U.S. Finance Corp.:		
6.649%, 11/15/14 (d)	900	441,000
9.75%, 11/15/14	200	104,000
Innophos, Inc., 8.875%, 8/15/14	740	629,000
Key Plastics LLC, 11.75%, 3/15/13 (c)(e)(f)	425	21,250
MacDermid, Inc., 9.50%, 4/15/17 (c)	1,595	861,300
Nalco Finance Holdings, Inc., 10.041%, 2/01/14 (g)	780	616,200
Terra Capital, Inc. Series B, 7%, 2/01/17	265	191,462
		<hr/>
		3,560,212

Corporate Bonds		Par (000)		Value
Commercial Services & Supplies — 5.1%				
Corrections Corp. of America, 7.50%, 5/01/11	USD	2,800	\$	2,660,000
DI Finance Series B, 9.50%, 2/15/13		269		228,650
Sally Holdings LLC:				
9.25%, 11/15/14		200		151,000
10.50%, 11/15/16		553		320,740
US Investigations Services, Inc., 10.50%, 11/01/15 (c)		700		511,000
Waste Services, Inc., 9.50%, 4/15/14		2,800		2,128,000
West Corp.:				
9.50%, 10/15/14		700		371,000
11%, 10/15/16		2,720		1,169,600
				<hr/>
				7,539,990

Communications Equipment — 0.3%

Nortel Networks Ltd., 9.003%, 7/15/11 (d)	1,400	455,000
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Construction & Engineering — 0.8%

Dycom Industries, Inc., 8.125%, 10/15/15	1,650	1,130,250
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Construction Materials — 1.9%

Nortek, Inc., 10%, 12/01/13	3,270	2,289,000
Texas Industries, Inc., 7.25%, 7/15/13	720	547,200
		<hr/>
		2,836,200

Containers & Packaging — 5.6%

Berry Plastics Holding Corp., 6.694%, 9/15/14 (d)		1,655	777,850
Crown European Holdings SA, 6.25%, 9/01/11	EUR	1,200	1,326,405
Graphic Packaging International Corp.:			
8.50%, 8/15/11	USD	1,175	963,500
9.50%, 8/15/13		590	407,100
Impress Holdings BV, 7.878%, 9/15/13 (c)(d)		390	234,975
Owens Brockway Glass Container, Inc.:			
8.25%, 5/15/13		925	869,500
6.75%, 12/01/14	EUR	200	193,116
Packaging Dynamics Finance Corp., 10%, 5/01/16 (c)	USD	1,255	577,300
Pregis Corp., 12.375%, 10/15/13		1,130	621,500
Rock-Tenn Co., 8.20%, 8/15/11		1,875	1,725,000
Smurfit-Stone Container Enterprises, Inc., 8%, 3/15/17		2,220	588,300
			8,284,546

Diversified Consumer Services — 2.8%

Catalina Marketing Corp., 10.50%, 10/01/15 (a)(c)		2,500	2,137,500
Service Corp. International, 7%, 6/15/17		2,800	2,016,000
			4,153,500

Diversified Financial Services — 3.6%

Axcan Intermediate Holdings, Inc., 12.75%, 3/01/16 (c)		490	406,700
FCE Bank Plc:			
7.125%, 1/16/12	EUR	2,500	1,746,941
Series JD, 6.142%, 9/30/09 (d)		250	231,867
Ford Motor Credit Co. LLC:			
7.569%, 1/13/12 (d)	USD	195	85,800
7.80%, 6/01/12		200	86,262
GMAC LLC:			
7.25%, 3/02/11		550	224,603
4.403%, 12/01/14 (d)		1,485	445,500
6.75%, 12/01/14		2,390	776,576
8%, 11/01/31		670	176,205
Leucadia National Corp., 8.125%, 9/15/15		1,250	1,084,375
			5,264,829

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Diversified Telecommunication Services — 5.5%			
Broadview Networks Holdings, Inc., 11.375%, 9/01/12	USD	1,000	\$ 710,000
Cincinnati Bell, Inc., 7.25%, 7/15/13		245	200,900
Qwest Communications International, Inc., 7.50%, 2/15/14		3,535	2,297,750
Qwest Corp.:			
6.069%, 6/15/13 (d)		1,350	945,000
7.625%, 6/15/15		500	377,500
Verizon Communications, Inc., 8.75%, 11/01/18		1,230	1,230,315
Windstream Corp., 8.125%, 8/01/13		2,800	2,310,000
			8,071,465
Electric Utilities — 2.4%			
Edison Mission Energy, 7.50%, 6/15/13		1,775	1,446,625
NSG Holdings LLC, 7.75%, 12/15/25 (c)		965	752,700
Tenaska Alabama Partners LP, 7%, 6/30/21 (c)		1,794	1,369,562
			3,568,887
Electrical Equipment — 0.4%			
Coleman Cable, Inc., 9.875%, 10/01/12		925	596,625
UCAR Finance, Inc., 10.25%, 2/15/12		49	44,835
			641,460
Electronic Equipment & Instruments — 0.4%			
Sanmina-SCI Corp., 8.125%, 3/01/16		1,190	535,500
Energy Equipment & Services — 0.5%			
Compagnie Générale de Geophysique-Veritas:			
7.50%, 5/15/15		195	126,750
7.75%, 5/15/17		300	184,125
North American Energy Partners, Inc., 8.75%, 12/01/11		680	510,000
			820,875
Food & Staples Retailing — 0.6%			
AmeriQual Group LLC, 9.50%, 4/01/12 (c)		750	465,000
Rite Aid Corp., 7.50%, 3/01/17		660	376,200
			841,200

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841,200

Food Products — 1.0%

Del Monte Corp., 8.625%, 12/15/12 1,562 1,413,610

Health Care Equipment & Supplies — 3.2%

Biomet, Inc.:

10.375%, 10/15/17 (a) 260 205,400

11.625%, 10/15/17 260 195,000

Catalent Pharma Solutions, Inc., 9.50%, 4/15/15 900 297,000

DJO Finance LLC, 10.875%, 11/15/14 4,900 3,577,000

Hologic, Inc., 2%, 12/15/37 (b)(h) 815 461,494

4,735,894

Health Care Providers & Services — 3.5%

Community Health Systems, Inc. Series WI, 8.875%, 7/15/15 470 377,175

HCA, Inc., 9.25%, 11/15/16 180 146,250

Tenet Healthcare Corp.:

6.375%, 12/01/11 330 250,800

6.50%, 6/01/12 4,080 2,978,400

Vanguard Health Holding Co. II, LLC, 9%, 10/01/14 1,700 1,360,000

5,112,625

Corporate Bonds		Par (000)	Value
Hotels, Restaurants & Leisure — 6.8%			
American Real Estate Partners LP, 7.125%, 2/15/13	USD	2,815	\$ 1,696,038
Caesars Entertainment, Inc., 7.875%, 3/15/10		1,275	663,000
Galaxy Entertainment Finance Co. Ltd. (c):			
8.133%, 12/15/10 (d)		225	85,500
9.875%, 12/15/12		500	185,000
Gaylord Entertainment Co., 8%, 11/15/13		595	353,281
Great Canadian Gaming Corp., 7.25%, 2/15/15 (c)		1,860	1,283,400
Greektown Holdings, LLC, 10.75%, 12/01/13 (c)(e)(f)		522	107,010
Harrah's Operating Co., Inc., 10.75%, 2/01/18 (a)(c)		3,050	272,552
Inn of the Mountain Gods Resort & Casino, 12%, 11/15/10		1,425	470,250
Landry's Restaurants, Inc., 9.50%, 12/15/14		225	203,625
Little Traverse Bay Bands of Odawa Indians, 10.25%, 2/15/14 (c)		1,175	769,625
MGM Mirage, 6%, 10/01/09		360	291,600
Penn National Gaming, Inc., 6.875%, 12/01/11		1,875	1,687,500
San Pasqual Casino, 8%, 9/15/13 (c)		925	684,500
Shingle Springs Tribal Gaming Authority, 9.375%, 6/15/15 (c)		300	135,000
Station Casinos, Inc., 7.75%, 8/15/16		1,300	396,500
Travelport LLC, 6.828%, 9/01/14 (d)		145	34,800
Tropicana Entertainment LLC Series WI, 9.625%, 12/15/14 (e)(f)		315	11,025

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Virgin River Casino Corp., 9%, 1/15/12	805	241,500
Wynn Las Vegas LLC, 6.625%, 12/01/14	705	498,788
		10,070,494

Household Durables — 0.9%

American Greetings Corp., 7.375%, 6/01/16	975	775,125
Jarden Corp., 7.50%, 5/01/17	900	585,000
		1,360,125

IT Services — 2.2%

Alliance Data Systems Corp., 1.75%, 8/01/13 (b)(c)	360	254,700
First Data Corp., 9.875%, 9/24/15	975	560,625
SunGard Data Systems, Inc.:		
9.125%, 8/15/13	2,225	1,724,375
10.625%, 5/15/15 (c)	1,000	770,000
		3,309,700

Independent Power Producers & Energy Traders — 3.6%

The AES Corp., 8.75%, 5/15/13 (c)	994	874,720
Energy Future Holding Corp., 11.25%, 11/01/17 (a)(c)	3,300	1,757,250
NRG Energy, Inc.:		
7.25%, 2/01/14	1,525	1,242,875
7.375%, 2/01/16	1,165	946,562
Texas Competitive Electric Holdings Co. LLC, 10.50%, 11/01/16 (a)(c)	900	486,000
		5,307,407

Industrial Conglomerates — 1.6%

Sequa Corp. (c):		
11.75%, 12/01/15	2,380	1,047,200
13.50%, 12/01/15 (a)	3,184	1,357,159
		2,404,359

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Insurance — 0.9%			
Alliant Holdings I, Inc., 11%, 5/01/15 (c)	USD	1,600	\$ 1,140,000
USI Holdings Corp., 6.024%, 11/15/14 (c)(d)		630	259,088
			1,399,088
Machinery — 0.8%			
AGY Holding Corp., 11%, 11/15/14		1,200	720,000
Accuride Corp., 8.50%, 2/01/15		515	185,400
RBS Global, Inc., 8.875%, 9/01/16		420	260,400
			1,165,800
Marine — 1.6%			
Horizon Lines, Inc., 4.25%, 8/15/12 (b)		570	291,413
Navios Maritime Holdings, Inc., 9.50%, 12/15/14 (c)		442	265,200
Teekay Shipping Corp., 8.875%, 7/15/11		2,175	1,865,062
			2,421,675
Media — 14.1%			
Affinion Group, Inc., 10.125%, 10/15/13		1,255	859,675
Allbritton Communications Co., 7.75%, 12/15/12		1,700	986,000
Barrington Broadcasting Group LLC, 10.50%, 8/15/14		1,090	422,375
CMP Susquehanna Corp., 9.875%, 5/15/14		1,875	332,812
CSC Holdings, Inc. Series B, 7.625%, 4/01/11		2,125	1,880,625
Cablevision Systems Corp. Series B:			
8.334%, 4/01/09 (d)		490	478,975
8%, 4/15/12		425	348,500
Charter Communications Holdings II, LLC, 10.25%, 9/15/10		3,650	1,852,375
DirecTV Holdings LLC, 7.625%, 5/15/16		1,405	1,197,762
EchoStar DBS Corp., 7%, 10/01/13		90	67,500
Harland Clarke Holdings Corp.:			
6.899%, 5/15/15 (d)		330	135,300
9.50%, 5/15/15		390	171,600
Intelsat Corp., 9.25%, 6/15/16 (c)		480	400,800
Liberty Media Corp., 3.125%, 3/30/23 (b)		1,023	666,229
Local Insight Regatta Holdings, Inc., 11%, 12/01/17		673	316,310
Mediacom LLC, 9.50%, 1/15/13		2,250	1,845,000
Network Communications, Inc., 10.75%, 12/01/13		20	6,600

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Nielsen Finance LLC, 10%, 8/01/14	3,510	2,527,200
ProtoStar I Ltd., 10.50%, 10/15/12 (b)(c)(d)	792	593,977
R.H. Donnelley Corp., 11.75%, 5/15/15 (c)	87	23,055
Rainbow National Services LLC, 10.375%, 9/01/14 (c)	1,496	1,294,040
Salem Communications Corp., 7.75%, 12/15/10	2,425	1,503,500
TL Acquisitions, Inc., 10.50%, 1/15/15 (c)	4,415	2,384,100
Virgin Media, Inc., 6.50%, 11/15/16 (b)(c)	1,125	468,281
		20,762,591

Metals & Mining — 4.6%

Aleris International, Inc.:		
9%, 12/15/14	950	57,000
10%, 12/15/16	800	84,000
FMG Finance Property Ltd. (c):		
10%, 9/01/13	500	280,000
10.625%, 9/01/16	1,210	683,650
Foundation PA Coal Co., 7.25%, 8/01/14	1,850	1,401,375

Corporate Bonds	Par (000)	Value
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Metals & Mining (concluded)

Freeport-McMoRan Copper & Gold, Inc.:		
7.084%, 4/01/15 (d)	USD 1,670	\$ 1,002,000
8.375%, 4/01/17	875	621,250
Newmont Mining Corp., 1.625%, 7/15/17 (b)	555	479,381
Novelis, Inc., 7.25%, 2/15/15	1,875	1,087,500
Ryerson, Inc. (c):		
10.568%, 11/01/14 (d)	380	250,800
12%, 11/01/15	245	151,900
Steel Dynamics, Inc., 7.375%, 11/01/12	490	362,600
Vedanta Resources Plc, 9.50%, 7/18/18 (c)	600	306,000
		6,767,456

Multiline Retail — 0.1%

Neiman Marcus Group, Inc., 9%, 10/15/15 (a)	310	131,750
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Oil, Gas & Consumable Fuels — 8.8%

Atlas Energy Resources LLC, 10.75%, 2/01/18 (c)	1,190	749,700
Berry Petroleum Co., 8.25%, 11/01/16	470	296,100
Chaparral Energy, Inc., 8.50%, 12/01/15	580	214,600
Chesapeake Energy Corp.:		
7.25%, 12/15/18	2,315	1,620,500
2.25%, 12/15/38 (b)	775	368,125
Compton Petroleum Finance Corp., 7.625%, 12/01/13	1,505	617,050
Connacher Oil and Gas Ltd., 10.25%, 12/15/15 (c)	1,245	647,400
Corral Finans AB, 6.253%, 4/15/10 (a)(c)	2,021	1,266,746
EXCO Resources, Inc., 7.25%, 1/15/11	2,600	2,002,000

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Encore Acquisition Co., 6.25%, 4/15/14	1,850	1,276,500
Forest Oil Corp., 7.25%, 6/15/19 (c)	2,135	1,462,475
OPTI Canada, Inc., 8.25%, 12/15/14	1,600	624,000
PetroHawk Energy Corp., 7.875%, 6/01/15 (c)	625	440,625
Sabine Pass LNG LP, 7.50%, 11/30/16	350	241,500
SandRidge Energy, Inc.:		
8.625%, 4/01/15 (a)	1,000	632,500
8%, 6/01/18 (c)	935	598,400
		13,058,221

Paper & Forest Products — 3.9%

Abitibi-Consolidated, Inc.:		
6.319%, 6/15/11 (d)	760	114,000
8.85%, 8/01/30	175	31,500
Ainsworth Lumber Co. Ltd., 11%, 7/29/15 (c)	306	205,171
Bowater, Inc., 5.819%, 3/15/10 (d)	2,625	866,250
Domtar Corp., 7.125%, 8/15/15	2,575	1,751,000
NewPage Corp., 10%, 5/01/12	2,550	1,377,000
Norske Skog Canada Ltd. Series D, 8.625%, 6/15/11	825	466,125
Verso Paper Holdings LLC Series B:		
6.943%, 8/01/14 (d)	260	140,400
9.125%, 8/01/14	1,695	813,600
		5,765,046

Personal Products — 0.8%

Chattem, Inc., 7%, 3/01/14	1,285	1,117,950
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Pharmaceuticals — 0.5%

Angiotech Pharmaceuticals, Inc., 5.953%, 12/01/13 (d)	1,310	746,700
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Real Estate Investment Trusts (REITs) — 0.1%

FelCor Lodging LP, 8.50%, 6/01/11	245	169,662
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See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Real Estate Management & Development — 1.4%			
Forest City Enterprises, Inc., 7.625%, 6/01/15	USD	2,825	\$ 1,412,500
Realogy Corp.:			
10.50%, 4/15/14		1,830	320,250
12.375%, 4/15/15		2,045	327,200
			2,059,950
Semiconductors & Semiconductor Equipment — 0.2%			
Spanion, Inc., 5.328%, 6/01/13 (c)(d)		1,135	238,350
Software — 0.1%			
BMS Holdings, Inc., 10.595%, 2/15/12 (a)(c)(d)		369	140,336
Specialty Retail — 2.7%			
Asbury Automotive Group, Inc., 7.625%, 3/15/17		330	132,000
AutoNation, Inc.:			
6.753%, 4/15/13 (d)		820	520,700
7%, 4/15/14		725	471,250
General Nutrition Centers, Inc.:			
7.584%, 3/15/14 (a)(d)		1,640	934,800
10.75%, 3/15/15		1,330	764,750
Group 1 Automotive, Inc., 2.25%, 6/15/36 (a)(h)		985	427,244
Michaels Stores, Inc.:			
10%, 11/01/14		755	237,825
11.375%, 11/01/16		780	171,600
United Auto Group, Inc., 7.75%, 12/15/16		1,030	375,950
			4,036,119
Textiles, Apparel & Luxury Goods — 1.1%			
Levi Strauss & Co., 8.875%, 4/01/16		1,875	1,050,000
Quiksilver, Inc., 6.875%, 4/15/15		1,600	592,000
			1,642,000
Thriffs & Mortgage Finance — 0.1%			
Residential Capital LLC, 8.50%, 5/15/10 (c)		755	218,950
Wireless Telecommunication Services — 9.0%			

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Centennial Cellular Operating Co. LLC, 10.125%, 6/15/13	1,525	1,504,031
Centennial Communications Corp., 9.633%, 1/01/13 (d)	1,280	1,196,800
Cricket Communications, Inc.:		
9.375%, 11/01/14	1,285	1,019,969
10%, 7/15/15 (c)	835	680,525
Digicel Group Ltd. (c):		
8.875%, 1/15/15	1,285	661,775
9.125%, 1/15/15 (a)	1,911	965,055
FiberTower Corp., 9%, 11/15/12 (b)	600	180,750
iPCS, Inc., 5.318%, 5/01/13 (d)	760	532,000
MetroPCS Wireless, Inc., 9.25%, 11/01/14	2,925	2,398,500
Nordic Telephone Co. Holdings ApS, 8.875%, 5/01/16 (c)	2,250	1,631,250
Orascom Telecom Finance SCA, 7.875%, 2/08/14 (c)	265	145,750
Sprint Capital Corp., 7.625%, 1/30/11	2,710	1,951,200
Verizon Wireless Capital LLC, 8.50%, 11/15/18 (c)	375	378,370
		<hr/>
		13,245,975
Total Corporate Bonds — 112.7%		<hr/>
		166,422,189

Floating Rate Loan Interests		Par (000)	Value
Auto Components — 1.4%			
Allison Transmission, Inc. Term Loan, 4.38% – 5.57%, 8/07/14	USD	1,393	\$ 829,709
Dana Holding Corp. Term Advance, 6.75% – 8.02%, 1/31/15		1,904	1,129,790
Delphi Corp.:			
Initial Tranche C Loan, 8.50%, 12/31/08		280	69,067
Subsequent Tranche C Loan, 8.50%, 12/31/08		30	7,400
			<hr/>
			2,035,966

Automobiles — 0.4%			
Ford Motor Co. Term Loan, 4.43%, 12/15/13		922	368,783
General Motors Corp. Term Loan, 5.795%, 11/29/13		771	296,864
			<hr/>
			665,647

Building Products — 3.0%			
Building Material Corp. of America Term Loan Advance, 6.50% – 6.625%, 2/24/14		498	306,586
CPG International, I Inc. Term Loan, 7.20%, 2/28/11		2,992	2,932,613
Stile Acquisition Corp. (aka Masonite):			
Canadian Term Loan, 5.50%, 4/06/13		959	555,022
U.S. Term Loan B, 5%, 4/06/13		970	561,700
			<hr/>
			4,355,921

Capital Markets — 0.2%

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Marsico Parent Co., LLC Term Loan, 4.438% – 7.75%, 12/15/14		496	330,006
Chemicals — 1.6%			
PQ Corp. (fka Niagara Acquisition, Inc.):			
First Lien Term Loan, 6.72% – 7.02%, 7/30/14		748	462,902
Second Lien Term Loan, 9.97%, 7/30/15		3,250	1,543,750
Wellman, Inc. Second Lien Term Loan, 9.989%, 2/10/10 (e)(f)		2,650	397,500
			2,404,152
Containers & Packaging — 0.2%			
Berry Plastics Group, Inc. Term Loan, 11.334%, 6/15/14		902	270,608
Diversified Telecommunication Services — 2.4%			
Wind Telecomunicazioni SpA Second Lien Term Loan, 10.92% – 11.473%, 12/17/14	EUR	3,350	3,548,594
Health Care Providers & Services — 1.4%			
CHS/Community Health Systems, Inc. Funded Term Loan, 4.018% – 4.463%, 7/25/14	USD	1,522	1,114,739
Rotech Healthcare, Inc. Term Loan, 9.135%, 9/26/11		1,582	1,028,557
			2,143,296
Hotels, Restaurants & Leisure — 0.5%			
Travelport, LLC (fka Travelport Inc.) Term Loan, 8.936%, 3/22/12 (a)		2,685	698,075

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)
(Percentages shown are based on Net Assets)

Floating Rate Loan Interests		Par (000)	Value
Independent Power Producers & Energy Traders — 2.6%			
Calpine Corp. Term Loan, 6.645%, 3/29/14	USD	748	\$ 523,414
Texas Competitive Electric Holdings Co., LLC (TXU):			
Initial Tranche B1 Term Loan, 5.268% – 7.262%, 10/10/14		209	141,328
Initial Tranche B2 Term Loan, 5.268% – 7.262%, 10/10/14		1,213	820,114
Initial Tranche B3 Term Loan, 5.268% – 7.262%, 10/10/14		3,465	2,338,009
			3,822,865
Machinery — 0.9%			
Navistar International Corp.:			
Revolving Credit-Linked, 4.686% – 7.126%, 1/19/12		505	272,700
Term Advance, 4.686%, 1/19/12		1,385	747,900
Rexnord Holdings, Inc. Term Loan, 9.81%, 3/02/13 (a)		393	306,204
			1,326,804
Media — 4.5%			
Affinion Group Holdings, Inc. Loan, 9.868%, 3/01/12		400	160,000
Cengage Learning Acquisitions, Inc. (Thomson Learning) Tranche 1 Incremental Term Loan, 7.50%, 7/05/14		1,496	1,256,850
HMH Publishing Company Ltd. (fka Education Media):			
Mezzanine, 5.50% – 7.561%, 11/14/14		5,755	3,452,971
Tranche A Term Loan, 7.516%, 11/14/14		2,417	1,522,500
NV Broadcasting Second Lien Term Loan, 9.32%, 10/26/14		1,000	300,000
			6,692,321
Multiline Retail — 0.3%			
Dollar General Corp. Tranche B1 Term Loan, 4.173% – 6.17%, 7/03/14		600	460,650
Oil, Gas & Consumable Fuels — 1.4%			
Abbot Group Plc Mezzanine Bridge Loan, 14.50%, 3/15/18 (i)		2,121	2,078,202
Paper & Forest Products — 1.0%			
Georgia-Pacific LLC Term Loan B, 2.76% – 5.262%, 12/20/12		315	241,675
NewPage Corp. Term Loan B, 7%, 12/21/14		496	364,123
Verso Paper Finance Holdings LLC Term Loan, 10.012%, 2/01/13		1,082	824,063
			1,429,861

Real Estate Management & Development — 0.2%

Realty Corp.:

Initial Term Loan B, 5.706%, 9/22/14	380	217,313
Synthetic Letter of Credit, 1.751% – 3.15%, 9/22/14	120	68,625

285,938

Total Floating Rate Loan Interests — 22.0%

32,548,906

Common Stocks

Shares

Value

Capital Markets — 0.1%

E*Trade Financial Corp. (e)	68,734	\$ 92,791
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Communications Equipment — 0.5%

Loral Space & Communications Ltd. (e)	77,483	654,731
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Containers & Packaging — 0.0%

Smurfit Kappa Plc (e)	3,634	8,572
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Electrical Equipment — 0.0%

Medis Technologies Ltd. (e)	67,974	45,543
SunPower Corp. Class B (e)	352	9,159

54,702

Oil, Gas & Consumable Fuels — 0.3%

EXCO Resources, Inc. (e)	61,439	471,237
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Paper & Forest Products — 0.1%

Ainsworth Lumber Co. Ltd.	37,144	39,235
Ainsworth Lumber Co. Ltd. (c)(e)	41,686	43,997
Western Forest Products, Inc. (c)(e)	41,528	16,408
Western Forest Products, Inc. (e)	147,968	58,462

158,102

Wireless Telecommunication Services — 0.2%

American Tower Corp. Class A (e)	11,273	307,077
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Total Common Stocks — 1.2%

1,747,212

Preferred Securities

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Capital Trusts		Par (000)	
Diversified Financial Services — 2.0%			
Citigroup, Inc. Series E, 8.40% (d)(j)	USD	3,035	1,792,016
JPMorgan Chase & Co., 7.90% (d)(j)		1,350	1,056,834
Total Capital Trusts — 2.0%			2,848,850

Preferred Stocks		Shares	
Capital Markets — 0.0%			
Marsico Parent Superholdco, LLC, 16.75% (c)		67	34,840
Total Preferred Stocks — 0.0%			34,840
Total Preferred Securities — 2.0%			2,883,690

See Notes to Financial Statements.

SEMI-ANNUAL REPORT

NOVEMBER 30, 2008

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Schedule of Investments (continued)

BlackRock Corporate High Yield Fund, Inc. (COY)
(Percentages shown are based on Net Assets)

Warrants (k)	Shares	Value
Health Care Providers & Services — 0.0%		
HealthSouth Corp. (expires 1/16/14)	29,930	\$ 0
Total Warrants — 0.0%		0

Other Interests (l)		Beneficial Interest (000)
Media — 0.0%		
Adelphia Escrow (i)	USD	700 70
Adelphia Recovery Trust (i)		878 3,512
Total Other Interests		3,582
Total Long-Term Investments (Cost — \$326,734,567) — 137.9%		203,605,579

Short-Term Securities		Par (000)
U.S. Government Agency Obligations — 2.1%		
Fannie Mae Discount Notes, 1.38%, 12/02/08 (m)(n)	825	824,969
Fannie Mae Discount Notes, 1.27%, 12/24/08 (m)(n)	900	899,281
Federal Home Loan Banks (m)(n):		
0.45%, 12/16/08	700	699,869
2.11%, 1/05/09	700	696,792
		3,120,911

Beneficial
Interest
(000)

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BlackRock Liquidity Series, LLC Cash Sweep Series, 1.64% (o)(p)	1,748	1,748,077
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Total Short-Term Securities (Cost — \$4,870,801) — 3.3%		4,868,988
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Options Purchased	Contracts	
OTC Traded Call Options		
Marsico Parent Superholdco LLC, expiring December 2019 at USD 942.86, Broker, The Goldman Sachs Group, Inc.	17	24,650
Total Options Purchased (Cost — \$16,622) — 0.0%		24,650
Total Investments (Cost — \$331,621,990*) — 141.2%		208,499,217
Liabilities in Excess of Other Assets — (41.2)%		(60,865,287)
Net Assets — 100.0%		\$ 147,633,930

* The cost and unrealized appreciation (depreciation) of investments as of November 30, 2008, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 332,085,380
Gross unrealized appreciation	\$ 171,160
Gross unrealized depreciation	(123,757,323)
Net unrealized depreciation	\$ (123,586,163)

- (a) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (b) Convertible security.
- (c) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (d) Variable rate security. Rate shown is as of report date.
- (e) Non-income producing security.
- (f) Issuer filed for bankruptcy and/or is in default of interest payments.
- (g) Represents a step bond. Rate shown reflects the effective yield at the time of purchase.

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- (h) Represents a step bond. Rate shown is as of report date.
- (i) Security is fair valued.
- (j) Security is perpetual in nature and has no stated maturity date.
- (k) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- (l) "Other interests" represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (m) Rate shown is the yield to maturity as of the date of purchase.
- (n) All or a portion of security has been pledged as collateral in connection with swaps.
- (o) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Affiliate	Net Activity	Income
BlackRock Liquidity Series, LLC Cash Sweep Series	USD 1,748,077	\$ 23,818

- (p) Represents the current yield as of report date.
- For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report which may combine industry sub-classifications for reporting ease.

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock Corporate High Yield Fund, Inc. (COY)

- Foreign currency exchange contracts as of November 30, 2008 were as follows:

Currency Purchased		Currency Sold		Settlement Date	Unrealized Appreciation (Depreciation)
USD	3,508,134	EUR	2,778,500	12/10/08	\$ (21,028)
USD	160,439	CAD	190,000	1/21/09	7,156
EUR	675,000	USD	856,807	1/21/09	393
USD	2,753,939	EUR	2,066,000	1/21/09	130,273
USD	2,214,288	EUR	1,732,000	1/21/09	14,778
USD	52,633	EUR	41,000	1/21/09	566
Total					\$ 132,138

- Credit default swaps — sold protection outstanding as of November 30, 2008 were as follows:

Issuer	Receive Fixed Rate	Counterparty	Expiration	Credit Rating ⁽¹⁾	Notional Amount (000) ⁽²⁾	Unrealized Depreciation
Ford Motor Company	3.80%	UBS AG	March 2010	CCC-	USD 930	\$ (599,711)
Ford Motor Company	5.00%	The Goldman Sachs Group, Inc.	June 2010	CCC-	USD 3,750	(2,439,578)
Total						\$ (3,039,289)

⁽¹⁾ Using the higher of Standard & Poor's or Moody's Investors Service ratings.

⁽²⁾ The maximum potential amount the Fund may be required to pay should a negative credit event take place as defined under the terms of the agreement. See Note 1 of the Notes to Financial Statements.

- Currency Abbreviations:

CAD Canadian Dollar
EUR Euro

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USD U.S. Dollar

- Effective June 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements. Various inputs are used in determining the fair value of investments, which are as follows:
 - Level 1 — price quotations in active markets/exchanges for identical securities
 - Level 2 — other observable inputs (including, but not limited to: quoted prices for 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 circumstance, to the extent observable inputs are not available (including the Fund's own assumption used in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the inputs used as of November 30, 2008 in determining the fair valuation of the Fund's investments:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1	\$ 1,694,641	—
Level 2	192,117,048	\$ (2,882,501)
Level 3	14,662,878	—
Total	\$ 208,474,567	\$ (2,882,501)

* Other financial instruments are foreign currency exchange contracts, options and swaps.

The following is a reconciliation of investments for unobservable inputs (Level 3) used in determining fair value:

	Investments in Securities
Balance, as of June 1, 2008	\$ 3,582
Accrued discounts/premiums	17,368
Realized gain	636
Change in unrealized depreciation	(8,074,606)
Net purchases	2,119,350
Net transfers in/out of Level 3	20,596,548
Balance, as of November 30, 2008	\$ 14,662,878

See Notes to Financial Statements.

SEMI-ANNUAL REPORT

NOVEMBER 30, 2008

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Schedule of Investments November 30, 2008 (Unaudited)

BlackRock Corporate High Yield Fund III, Inc. (CYE)
 (Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Aerospace & Defense — 1.7%			
DRS Technologies, Inc., 6.875%, 11/01/13	USD	1,425	\$ 1,414,313
Hawker Beechcraft Acquisition Co. LLC:			
8.50%, 4/01/15		120	56,400
8.875%, 4/01/15 (a)		295	122,425
L-3 Communications Holdings, Inc., 3%, 8/01/35 (b)		1,205	1,113,119
			2,706,257
Airlines — 0.6%			
Continental Airlines, Inc.:			
Series 1997-4-B, 6.90%, 7/02/18 (c)		873	654,999
Series 2001-1-C, 7.033%, 12/15/12		340	231,449
			886,448
Auto Components — 2.0%			
Allison Transmission, Inc. (d):			
11%, 11/01/15		800	392,000
11.25%, 11/01/15 (a)		1,160	469,800
The Goodyear Tire & Rubber Co.:			
7.857%, 8/15/11		1,450	1,058,500
8.625%, 12/01/11		1,422	1,061,167
Lear Corp., 8.75%, 12/01/16		875	188,125
			3,169,592
Automobiles — 0.3%			
Ford Capital BV, 9.50%, 6/01/10		785	282,600
Ford Motor Co., 8.90%, 1/15/32		700	161,000
			443,600
Building Products — 1.0%			
Momentive Performance Materials, Inc., 11.50%, 12/01/16		1,650	437,250
Ply Gem Industries, Inc., 11.75%, 6/15/13		1,975	1,170,187
			1,607,437
Capital Markets — 1.2%			

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E*Trade Financial Corp., 12.50%, 11/30/17 (d)	1,520	995,600
Marsico Parent Co., LLC, 10.625%, 1/15/16 (d)	1,073	484,191
Marsico Parent Holdco, LLC, 12.50%, 7/15/16 (a)(d)	408	184,020
Marsico Parent Superholdco, LLC, 14.50%, 1/15/18 (a)(d)	276	124,502
		1,788,313

Chemicals — 2.4%

American Pacific Corp., 9%, 2/01/15	880	765,600
Hexion U.S. Finance Corp.:		
6.649%, 11/15/14 (e)	950	465,500
9.75%, 11/15/14	200	104,000
Innophos, Inc., 8.875%, 8/15/14	825	701,250
Key Plastics LLC, 11.75%, 3/15/13 (d)(f)(g)	455	22,750
MacDermid, Inc., 9.50%, 4/15/17 (d)	1,700	918,000
Nalco Finance Holdings, Inc., 10.078%, 2/01/14 (h)	724	571,960
Terra Capital, Inc. Series B, 7%, 2/01/17	280	202,300
		3,751,360

Corporate Bonds	Par (000)	Value
Commercial Services & Supplies — 5.2%		
Corrections Corp. of America, 7.50%, 5/01/11	USD 3,000	\$ 2,850,000
DI Finance Series B, 9.50%, 2/15/13	283	240,550
Sally Holdings LLC:		
9.25%, 11/15/14	210	158,550
10.50%, 11/15/16	614	356,120
US Investigations Services, Inc., 10.50%, 11/01/15 (d)	700	511,000
Waste Services, Inc., 9.50%, 4/15/14	3,000	2,280,000
West Corp.:		
9.50%, 10/15/14	750	397,500
11%, 10/15/16	2,850	1,225,500
		8,019,220

Communications Equipment — 0.3%

Nortel Networks Ltd., 9.003%, 7/15/11 (e)	1,545	502,125
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Construction & Engineering — 0.8%

Dycom Industries, Inc., 8.125%, 10/15/15	1,750	1,198,750
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Construction Materials — 2.0%

Nortek, Inc., 10%, 12/01/13	3,490	2,443,000
Texas Industries, Inc., 7.25%, 7/15/13	785	596,600
		3,039,600

Containers & Packaging — 5.7%

Berry Plastics Holding Corp., 6.694%, 9/15/14 (e)		1,765	829,550
Crown European Holdings SA, 6.25%, 9/01/11	EUR	1,265	1,398,252
Graphic Packaging International Corp.:			
8.50%, 8/15/11	USD	1,240	1,016,800
9.50%, 8/15/13		640	441,600
Impress Holdings BV, 7.878%, 9/15/13 (d)(e)		420	253,050
Owens Brockway Glass Container, Inc.:			
8.25%, 5/15/13		1,000	940,000
6.75%, 12/01/14	EUR	205	197,944
Packaging Dynamics Finance Corp., 10%, 5/01/16 (d)	USD	1,355	623,300
Pregis Corp., 12.375%, 10/15/13		1,200	660,000
Rock-Tenn Co., 8.20%, 8/15/11		2,000	1,840,000
Smurfit-Stone Container Enterprises, Inc., 8%, 3/15/17		2,375	629,375

8,829,871

Diversified Consumer Services — 2.9%

Catalina Marketing Corp., 10.50%, 10/01/2015 (a)(d)		2,700	2,308,500
Service Corp. International, 7%, 6/15/17		3,000	2,160,000

4,468,500

Diversified Financial Services — 3.5%

Axcan Intermediate Holdings, Inc., 12.75%, 3/01/16 (d)		520	431,600
FCE Bank Plc:			
7.125%, 1/16/12	EUR	2,500	1,746,941
Series JD, 6.142%, 9/30/09 (e)		270	250,416
Ford Motor Credit Co. LLC:			
7.569%, 1/13/12 (e)	USD	215	94,600
7.80%, 6/01/12		200	86,262

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Corporate High Yield Fund III, Inc. (CYE)
(Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value
Diversified Financial Services (concluded)		
GMAC LLC:		
7.25%, 3/02/11	USD 600	\$ 245,022
4.403%, 12/01/14 (e)	1,570	471,000
6.75%, 12/01/14	2,540	825,315
8%, 11/01/31	710	186,724
Leucadia National Corp., 8.125%, 9/15/15	1,325	1,149,437
		<u>5,487,317</u>
Diversified Telecommunication Services — 5.6%		
Broadview Networks Holdings, Inc., 11.375%, 9/01/12	1,035	734,850
Cincinnati Bell, Inc., 7.25%, 7/15/13	260	213,200
Qwest Communications International, Inc., 7.50%, 2/15/14	3,750	2,437,500
Qwest Corp.:		
6.069%, 6/15/13 (e)	1,550	1,085,000
7.625%, 6/15/15	525	396,375
Verizon Communications, Inc., 8.75%, 11/01/18	1,285	1,285,329
Windstream Corp., 8.125%, 8/01/13	3,000	2,475,000
		<u>8,627,254</u>
Electric Utilities — 2.5%		
Edison Mission Energy, 7.50%, 6/15/13	1,875	1,528,125
NSG Holdings LLC, 7.75%, 12/15/25 (d)	1,030	803,400
Tenaska Alabama Partners LP, 7%, 6/30/21 (d)	1,929	1,472,281
		<u>3,803,806</u>
Electrical Equipment — 0.5%		
Coleman Cable, Inc., 9.875%, 10/01/12	1,025	661,125
UCAR Finance, Inc., 10.25%, 2/15/12	55	50,325
		<u>711,450</u>
Electronic Equipment & Instruments — 0.4%		
Sanmina-SCI Corp., 8.125%, 3/01/16	1,270	571,500
Energy Equipment & Services — 0.6%		
Compagnie Générale de Geophysique-Veritas:		

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7.50%, 5/15/15	215	139,750
7.75%, 5/15/17	320	196,400
North American Energy Partners, Inc., 8.75%, 12/01/11	720	540,000
		876,150

Food & Staples Retailing — 0.6%

AmeriQual Group LLC, 9.50%, 4/01/12 (d)	800	496,000
Rite Aid Corp., 7.50%, 3/01/17	740	421,800
		917,800

Food Products — 1.0%

Del Monte Corp., 8.625%, 12/15/12	1,694	1,533,070
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Health Care Equipment & Supplies — 3.3%

Biomet, Inc.:		
10.375%, 10/15/17 (a)	270	213,300
11.625%, 10/15/17	270	202,500
Catalent Pharma Solutions, Inc., 9.50%, 4/15/15	930	306,900
DJO Finance LLC, 10.875%, 11/15/14	5,300	3,869,000
Hologic, Inc., 2%, 12/15/37 (b)(i)	870	492,638
		5,084,338

Corporate Bonds	Par (000)	Value
Health Care Providers & Services — 3.5%		
Community Health Systems, Inc. Series WI, 8.875%, 7/15/15	USD 540	\$ 433,350
HCA, Inc., 9.25%, 11/15/16	175	142,187
Tenet Healthcare Corp.:		
6.375%, 12/01/11	345	262,200
6.50%, 6/01/12	4,285	3,128,050
Vanguard Health Holding Co. II, LLC, 9%, 10/01/14	1,800	1,440,000
		5,405,787

Hotels, Restaurants & Leisure — 7.0%

American Real Estate Partners LP, 7.125%, 2/15/13	3,045	1,834,613
Caesars Entertainment, Inc., 7.875%, 3/15/10	1,350	702,000
Galaxy Entertainment Finance Co. Ltd. (d):		
8.133%, 12/15/10 (e)	300	114,000
9.875%, 12/15/12	550	203,500
Gaylord Entertainment Co., 8%, 11/15/13	635	377,031
Great Canadian Gaming Corp., 7.25%, 2/15/15 (d)	2,000	1,380,000
Greektown Holdings, LLC, 10.75%, 12/01/13 (d)(f)(g)	559	114,595
Harrah's Operating Co., Inc., 10.75%, 2/01/18 (a)(d)	3,250	290,424

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Inn of the Mountain Gods Resort & Casino, 12%, 11/15/10	1,550	511,500
Landry's Restaurants, Inc., 9.50%, 12/15/14	245	221,725
Little Traverse Bay Bands of Odawa Indians, 10.25%, 2/15/14 (d)	1,290	844,950
MGM Mirage, 6%, 10/01/09	380	307,800
Penn National Gaming, Inc., 6.875%, 12/01/11	2,025	1,822,500
San Pasqual Casino, 8%, 9/15/13 (d)	975	721,500
Shingle Springs Tribal Gaming Authority, 9.375%, 6/15/15 (d)	360	162,000
Station Casinos, Inc., 7.75%, 8/15/16	1,350	411,750
Travelport LLC, 6.828%, 9/01/14 (e)	160	38,400
Tropicana Entertainment LLC Series WI, 9.625%, 12/15/14 (f)(g)	305	10,675
Virgin River Casino Corp., 9%, 1/15/12	940	282,000
Wynn Las Vegas LLC, 6.625%, 12/01/14	770	544,775

10,895,738

Household Durables — 0.9%

American Greetings Corp., 7.375%, 6/01/16	1,020	810,900
Jarden Corp., 7.50%, 5/01/17	1,015	659,750

1,470,650

IT Services — 2.3%

Alliance Data Systems Corp., 1.75%, 8/01/13 (b)(d)	390	275,925
First Data Corp., 9.875%, 9/24/15	1,005	577,875
SunGard Data Systems, Inc.:		
9.125%, 8/15/13 (c)	2,380	1,844,500
10.625%, 5/15/15 (d)	1,100	847,000

3,545,300

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Corporate High Yield Fund III, Inc. (CYE)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Independent Power Producers & Energy Traders — 3.7%			
The AES Corp., 8.75%, 5/15/13 (d)	USD	1,070	\$ 941,600
Energy Future Holding Corp., 11.25%, 11/01/17 (a)(d)		3,550	1,890,375
NRG Energy, Inc.:			
7.25%, 2/01/14		1,625	1,324,375
7.375%, 2/01/16		1,250	1,015,625
Texas Competitive Electric Holdings Co. LLC, 10.50%, 11/01/16 (a)(d)		960	518,400
			5,690,375
Industrial Conglomerates — 1.6%			
Sequa Corp. (d):			
11.75%, 12/01/15		2,540	1,117,600
13.50%, 12/01/15 (a)		3,349	1,427,661
			2,545,261
Insurance — 1.0%			
Alliant Holdings I, Inc., 11%, 5/01/15 (d)		1,700	1,211,250
USI Holdings Corp., 6.024%, 11/15/14 (d)(e)		680	279,650
			1,490,900
Life Sciences Tools & Services — 0.3%			
Invitrogen Corp., 2%, 8/01/23 (b)		580	543,750
Machinery — 0.8%			
AGY Holding Corp., 11%, 11/15/14		1,280	768,000
Accuride Corp., 8.50%, 2/01/15		555	199,800
RBS Global, Inc., 8.875%, 9/01/16		450	279,000
			1,246,800
Marine — 1.7%			
Horizon Lines, Inc., 4.25%, 8/15/12 (b)		610	311,863
Navios Maritime Holdings, Inc., 9.50%, 12/15/14 (d)		477	286,200
Teekay Shipping Corp., 8.875%, 7/15/11		2,325	1,993,688
			2,591,751

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Media — 14.3%

Affinion Group, Inc., 10.125%, 10/15/13	1,340	917,900
Allbritton Communications Co., 7.75%, 12/15/12	1,850	1,073,000
Barrington Broadcasting Group LLC, 8.72%, 8/15/14	1,125	435,938
CMP Susquehanna Corp., 9.875%, 5/15/14	2,000	355,000
CSC Holdings, Inc. Series B, 7.625%, 4/01/11	2,275	2,013,375
Cablevision Systems Corp. Series B:		
8.334%, 4/01/09 (e)	520	508,300
8%, 4/15/12	475	389,500
Charter Communications Holdings II, LLC, 10.25%, 9/15/10	3,875	1,966,563
DirecTV Holdings LLC, 7.625%, 5/15/16	1,435	1,223,338
EchoStar DBS Corp., 7%, 10/01/13	90	67,500
Harland Clarke Holdings Corp.:		
6.899%, 5/15/15 (e)	350	143,500
9.50%, 5/15/15	420	184,800
Intelsat Corp., 9.25%, 6/15/16 (d)	510	425,850
Liberty Media Corp., 3.125%, 3/30/23 (b)	1,113	724,841
Local Insight Regatta Holdings, Inc., 11%, 12/01/17	748	351,560
Mediacom LLC, 9.50%, 1/15/13	2,425	1,988,500
Network Communications, Inc., 10.75%, 12/01/13	30	9,900
Nielsen Finance LLC, 10%, 8/01/14	3,810	2,743,200
ProtoStar I Ltd., 10.50%, 10/15/12 (b)(d)(e)	829	621,882
R.H. Donnelley Corp., 11.75%, 5/15/15 (d)	100	26,500

Corporate Bonds	Par (000)	Value
Media (concluded)		
Rainbow National Services LLC, 10.375%, 9/01/14 (d)	USD 1,582	\$ 1,368,430
Salem Communications Corp., 7.75%, 12/15/10	2,475	1,534,500
TL Acquisitions, Inc., 10.50%, 1/15/15 (d)	4,670	2,521,800
Virgin Media, Inc., 6.50%, 11/15/16 (b)(d)	1,210	503,663
		22,099,340

Metals & Mining — 4.5%

Aleris International, Inc.:		
9%, 12/15/14	1,035	62,100
10%, 12/15/16	800	84,000
FMG Finance Property Ltd. (d):		
10%, 9/01/13	535	299,600
10.625%, 9/01/16	1,295	731,675
Foundation PA Coal Co., 7.25%, 8/01/14	1,975	1,496,062
Freeport-McMoRan Copper & Gold, Inc.:		
7.084%, 4/01/15 (e)	1,745	1,047,000
8.375%, 4/01/17	710	504,100
Newmont Mining Corp., 1.625%, 7/15/17 (b)	585	505,294
Novelis, Inc., 7.25%, 2/15/15	1,975	1,145,500
Ryerson, Inc. (d):		
10.568%, 11/01/14 (e)	400	264,000

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12%, 11/01/15	265	164,300
Steel Dynamics, Inc., 7.375%, 11/01/12	520	384,800
Vedanta Resources Plc, 9.50%, 7/18/18 (d)	640	326,400
		7,014,831

Multiline Retail — 0.0%

Neiman Marcus Group, Inc., 9%, 10/15/15 (a)	155	65,875
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Oil, Gas & Consumable Fuels — 8.9%

Atlas Energy Resources LLC, 10.75%, 2/01/18 (d)	1,275	803,250
Berry Petroleum Co., 8.25%, 11/01/16	510	321,300
Chaparral Energy, Inc., 8.50%, 12/01/15	635	234,950
Chesapeake Energy Corp.:		
7.25%, 12/15/18	2,410	1,687,000
2.25%, 12/15/38 (b)	800	380,000
Compton Petroleum Finance Corp., 7.625%, 12/01/13	1,610	660,100
Connacher Oil and Gas Ltd., 10.25%, 12/15/15 (d)	1,325	689,000
Corral Finans AB, 6.253%, 4/15/10 (a)(d)	2,101	1,316,917
EXCO Resources, Inc., 7.25%, 1/15/11	2,800	2,156,000
Encore Acquisition Co., 6.25%, 4/15/14	2,000	1,380,000
Forest Oil Corp., 7.25%, 6/15/19 (d)	2,275	1,558,375
OPTI Canada, Inc., 8.25%, 12/15/14	1,725	672,750
PetroHawk Energy Corp., 7.875%, 6/01/15 (d)	650	458,250
Sabine Pass LNG LP, 7.50%, 11/30/16	390	269,100
SandRidge Energy, Inc.:		
8.625%, 4/01/15 (a)	1,000	632,500
8%, 6/01/18 (d)	990	633,600
		13,853,092

Paper & Forest Products — 4.3%

Abitibi-Consolidated, Inc.:		
6.319%, 6/15/11 (e)	815	122,250
8.85%, 8/01/30	195	35,100
Ainsworth Lumber Co. Ltd., 11%, 7/29/15 (d)	1,032	691,112
Bowater, Inc., 5.819%, 3/15/10 (e)	2,825	932,250
Domtar Corp., 7.125%, 8/15/15	2,750	1,870,000

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Corporate High Yield Fund III, Inc. (CYE)
(Percentages shown are based on Net Assets)

Corporate Bonds		Par (000)	Value
Paper & Forest Products (concluded)			
NewPage Corp., 10%, 5/01/12	USD	2,710	\$ 1,463,400
Norske Skog Canada Ltd. Series D, 8.625%, 6/15/11		885	500,025
Verso Paper Holdings LLC Series B:			
6.943%, 8/01/14 (e)		280	151,200
9.125%, 8/01/14		1,820	873,600
			6,638,937
Personal Products — 0.7%			
Chattem, Inc., 7%, 3/01/14		1,305	1,135,350
Pharmaceuticals — 0.5%			
Angiotech Pharmaceuticals, Inc., 5.953%, 12/01/13 (e)		1,390	792,300
Real Estate Investment Trusts (REITs) — 0.1%			
FelCor Lodging LP, 8.50%, 6/01/11		295	204,287
Real Estate Management & Development — 1.4%			
Forest City Enterprises, Inc., 7.625%, 6/01/15		3,025	1,512,500
Realogy Corp.:			
10.50%, 4/15/14		1,945	340,375
12.375%, 4/15/15		2,193	350,880
			2,203,755
Semiconductors & Semiconductor Equipment — 0.2%			
Spansion, Inc., 5.328%, 6/01/13 (d)(e)		1,215	255,150
Software — 0.1%			
BMS Holdings, Inc., 10.595%, 2/15/12 (a)(d)(e)		396	150,360
Specialty Retail — 2.8%			
Asbury Automotive Group, Inc., 7.625%, 3/15/17		350	140,000
AutoNation, Inc.:			
6.753%, 4/15/13 (c)(e)		925	587,375
7%, 4/15/14		775	503,750
Buffets, Inc., 12.50%, 11/01/14 (f)(g)		575	1,438
General Nutrition Centers, Inc.:			

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7.584%, 3/15/14 (a)(e)	1,760	1,003,200
10.75%, 3/15/15	1,420	816,500
Group 1 Automotive, Inc., 2.25%, 6/15/36 (a)(i)	1,055	457,606
Michaels Stores, Inc.:		
10%, 11/01/14	810	255,150
11.375%, 11/01/16	855	188,100
United Auto Group, Inc., 7.75%, 12/15/16	1,110	405,150
		4,358,269

Textiles, Apparel & Luxury Goods — 1.1%

Levi Strauss & Co., 8.875%, 4/01/16	2,000	1,120,000
Quiksilver, Inc., 6.875%, 4/15/15	1,750	647,500
		1,767,500

Thrifts & Mortgage Finance — 0.2%

Residential Capital LLC, 8.50%, 5/15/10 (d)	805	233,450
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Corporate Bonds		Par (000)		Value
Wireless Telecommunication Services — 9.0%				
Centennial Cellular Operating Co. LLC, 10.125%, 6/15/13	USD	1,650	\$	1,627,313
Centennial Communications Corp., 9.633%, 1/01/13 (e)		1,370		1,280,950
Cricket Communications, Inc.:				
9.375%, 11/01/14		1,285		1,019,969
10%, 7/15/15 (d)		890		725,350
Digicel Group Ltd. (d):				
8.875%, 1/15/15		1,370		705,550
9.125%, 1/15/15 (a)		1,983		1,001,415
FiberTower Corp., 9%, 11/15/12 (b)		600		180,750
iPCS, Inc., 5.318%, 5/01/13 (e)		815		570,500
MetroPCS Wireless, Inc., 9.25%, 11/01/14		2,975		2,439,500
Nordic Telephone Co. Holdings ApS, 8.875%, 5/01/16 (d)		2,400		1,740,000
Orascom Telecom Finance SCA, 7.875%, 2/08/14 (d)		275		151,250
Sprint Capital Corp., 7.625%, 1/30/11		2,875		2,070,000
Verizon Wireless Capital LLC, 8.50%, 11/15/18 (d)		395		398,550
				13,911,097
Total Corporate Bonds — 115.0%				178,133,663

Floating Rate Loan Interests

Auto Components — 1.5%

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Allison Transmission, Inc. Term Loan, 4.38% – 5.57%, 8/07/14	1,393	829,709
Dana Holding Corp. Term Advance, 6.75% – 8.02%, 1/31/15	1,982	1,175,851
Delphi Corp.:		
Initial Tranche C Loan, 8.50%, 12/31/08	1,218	300,541
Subsequent Tranche C Loan, 8.50%, 12/31/08	132	32,460
		2,338,561

Automobiles — 0.5%

Ford Motor Co. Term Loan, 4.43%, 12/15/13	997	398,682
General Motors Corp. Term Loan, 5.795%, 11/29/13	821	316,017
		714,699

Building Products — 3.0%

Building Material Corp. of America Term Loan Advance, 6.50% – 6.625%, 2/24/14	498	306,586
CPG International, I Inc. Term Loan, 7.20%, 2/28/11	3,292	3,225,874
Stile Acquisition Corp. (aka Masonite):		
Canadian Term Loan, 5.50%, 4/06/13	932	539,505
U.S. Term Loan B, 5%, 4/06/13	944	546,463
		4,618,428

Capital Markets — 0.2%

Marsico Parent Co., LLC Term Loan, 4.438% – 7.75%, 12/15/14	496	330,006
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See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Corporate High Yield Fund III, Inc. (CYE)
(Percentages shown are based on Net Assets)

Floating Rate Loan Interests		Par (000)	Value
Chemicals — 1.6%			
PQ Corp. (fka Niagara Acquisition, Inc.):			
First Lien Term Loan, 6.72% – 7.02%, 7/30/14	USD	748	\$ 462,902
Second Lien Term Loan, 9.97%, 7/30/15		3,500	1,662,500
Wellman, Inc. Second Lien Term Loan, 9.989%, 2/10/10 (f)(g)(h)		2,830	424,500
			2,549,902
Containers & Packaging — 0.2%			
Berry Plastics Group, Inc. Term Loan, 11.334%, 6/15/14		970	290,904
Diversified Telecommunication Services — 2.4%			
Wind Telecomunicazioni SpA Second Lien Term Loan, 10.92% – 11.473%, 12/17/14	EUR	3,460	3,665,115
Health Care Providers & Services — 1.5%			
CHS/Community Health Systems, Inc. Funded Term Loan, 4.018% – 4.463%, 7/25/14	USD	1,570	1,149,575
Rotech Healthcare, Inc. Term Loan, 9.135%, 9/26/11		1,700	1,105,315
			2,254,890
Hotels, Restaurants & Leisure — 0.5%			
Travelport, LLC (fka Travelport Inc.) Term Loan, 8.936%, 3/22/12 (a)		2,868	745,651
Independent Power Producers & Energy Traders — 2.5%			
Calpine Corp. Term Loan, 6.645%, 3/29/14		748	523,414
Texas Competitive Electric Holdings Co., LLC (TXU):			
Initial Tranche B1 Term Loan, 5.268% – 7.262%, 10/10/14		219	148,058
Initial Tranche B2 Term Loan, 5.268% – 7.262%, 10/10/14		1,323	894,287
Initial Tranche B3 Term Loan, 5.268% – 7.262%, 10/10/14		3,465	2,338,009
			3,903,768
Machinery — 0.9%			
Navistar International Corp.:			
Revolving Credit-Linked, 4.686% – 7.126%, 1/19/12		535	288,900
Term Advance, 4.686%, 1/19/12		1,470	793,800
Rexnord Holdings, Inc. Term Loan, 9.181%, 3/02/13 (a)		416	324,762
			1,407,462

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Media — 4.8%

Affinion Group Holdings, Inc. Loan, 9.868%, 3/01/12	400	160,000
Cengage Learning Acquisition, Inc. (Thomson Learning) Tranche 1 Incremental Term Loan, 7.50%, 7/05/14	1,746	1,466,325
HMH Publishing Company Ltd. (fka Education Media):		
Mezzanine, 5.50% – 7.561%, 11/14/14	6,278	3,766,878
Tranche A Term Loan, 7.516%, 11/14/14	2,636	1,660,909
NV Broadcasting Second Lien Term Loan, 9.32%, 10/26/14	1,500	450,000
		7,504,112

Multiline Retail — 0.3%

Dollar General Corp. Tranche B1 Term Loan, 4.173% – 6.17%, 7/03/14	640	491,360
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Floating Rate Loan Interests	Par (000)	Value
Oil, Gas & Consumable Fuels — 1.4%		
Abbot Group Plc Mezzanine Bridge Loan, 14.50%, 3/15/18 (j)	USD 2,222	\$ 2,177,164
Paper & Forest Products — 1.0%		
Georgia-Pacific LLC Term Loan B, 4.317% – 5.262%, 12/22/12		257,019
NewPage Corp. Term Loan B, 7%, 12/21/14	496	364,123
Verso Paper Finance Holdings LLC Term Loan, 10.012%, 2/01/13	1,169	890,602
		1,511,744

Real Estate Management & Development — 0.2%

Realogy Corp.:		
Initial Term Loan B, 5.706%, 9/22/14	405	231,609
Synthetic Letter of Credit, 1.286% – 3.15%, 9/22/14	130	74,344
		305,953

Total Floating Rate Loan Interests — 22.5%		34,809,719
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Common Stocks	Shares	
Capital Markets — 0.1%		
E*Trade Financial Corp. (f)	73,574	99,325
Communications Equipment — 0.5%		
Loral Space & Communications Ltd. (f)	82,907	700,564
Electrical Equipment — 0.0%		
Medis Technologies Ltd.(f)	70,784	47,425

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SunPower Corp. Class B (f)	778	20,244
		67,669
Oil, Gas & Consumable Fuels — 0.3%		
EXCO Resources, Inc. (f)	67,175	515,232
Paper & Forest Products — 0.2%		
Ainsworth Lumber Co. Ltd.	125,117	132,159
Ainsworth Lumber Co. Ltd. (d)(f)	140,415	148,198
Western Forest Products, Inc. (d)(f)	45,762	18,080
Western Forest Products, Inc. (f)	158,023	62,435
		360,872
Wireless Telecommunication Services — 0.2%		
American Tower Corp. Class A (f)	11,625	316,665
Total Common Stocks — 1.3%		2,060,327

Preferred Securities

Capital Trusts		Par (000)	
Diversified Financial Services — 1.9%			
Citigroup, Inc. Series E, 8.40% (c)(e)(k)	USD	3,045	1,797,920
JPMorgan Chase & Co., 7.90% (c)(e)(k)		1,425	1,115,547
Total Capital Trusts — 1.9%			2,913,467

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock Corporate High Yield Fund III, Inc. (CYE)
(Percentages shown are based on Net Assets)

Preferred Stocks	Shares	Value
Capital Markets — 0.0%		
Marsico Parent Superholdco, LLC, 16.75% (d)	72	\$ 37,440
Total Preferred Stocks — 0.0%		37,440
Total Preferred Securities — 1.9%		2,950,907

Warrants (l)

Health Care Providers & Services — 0.0%		
HealthSouth Corp. (expires 1/16/14)	32,042	—
Paper & Forest Products — 0.0%		
MDP Acquisitions Plc (expires 10/01/13)	700	8,402
Total Warrants — 0.0%		8,402

Other Interests (m)		Beneficial Interest (000)
Media — 0.0%		
Adelphia Escrow (j)	USD	750 75
Adelphia Recovery Trust (j)		941 3,762
Total Other Interests — 0.0%		3,837
Total Long-Term Investments (Cost — \$351,548,912) — 140.7%		217,966,855

Short-Term Securities

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BlackRock Liquidity Series, LLC Cash Sweep Series, 1.64% (n)(o)	1,484	1,484,432
Total Short-Term Securities (Cost — \$1,484,432) — 1.0%		1,484,432

Options Purchased	Contracts	
OTC Traded Call Options		
Marsico Parent Superholdco LLC, expiring December 2019 at USD 942.86, Broker, The Goldman Sachs Group, Inc.	19	27,550
Total Options Purchased (Cost — \$18,578) — 0.0%		27,550
Total Investments (Cost — \$353,051,922*) — 141.7%		219,478,837
Liabilities in Excess of Other Assets — (41.7)%		(64,566,877)
Net Assets — 100.0%	\$	154,911,960

* The cost and unrealized appreciation (depreciation) of investments as of November 30, 2008, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$ 353,606,991
Gross unrealized appreciation	\$ 176,000
Gross unrealized depreciation	(134,304,154)
Net unrealized depreciation	\$ (134,128,154)

- (a) Represents a payment-in-kind security which may pay interest/dividends in additional par/shares.
- (b) Convertible security.
- (c) All or a portion of security has been pledged as collateral in connection with swaps.
- (d) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.
- (e) Variable rate security. Rate shown is as of report date.
- (f) Non-income producing security.
- (g) Issuer filed for bankruptcy and/or is in default of interest payments.

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- (h) Represents a step bond. Rate shown reflects the effective yield at the time of purchase.
- (i) Represents a step bond. Rate shown is as of report date.
- (j) Security is fair valued.
- (k) Security is perpetual in nature and has no stated maturity date.
- (l) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- (m) "Other interests" represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (n) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Affiliate	Net Activity		Income	
BlackRock Liquidity Series, LLC Cash Sweep Series	USD	1,484,432	\$	22,803

- (o) Represents the current yield as of report date.
- For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report which may combine industry sub-classifications for reporting ease.

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock Corporate High Yield Fund III, Inc. (CYE)

- Foreign currency exchange contracts as of November 30, 2008 were as follows:

Currency Purchased		Currency Sold		Settlement Date		Unrealized Appreciation (Depreciation)	
USD	4,498,013	EUR	3,562,500	12/10/08	\$	12,805	
USD	287,102	CAD	340,000	1/21/09		(26,961)	
USD	2,977,625	EUR	2,332,000	1/21/09		16,160	
USD	219,134	EUR	175,000	1/21/09		(3,103)	
Total						\$	(1,099)

- Credit default swaps — sold protection outstanding as of November 30, 2008 were as follows:

Issuer	Receive Fixed Rate	Counterparty	Expiration	Credit Rating ⁽¹⁾	Notional Amount (000) ⁽²⁾	Unrealized Depreciation	
Ford Motor Company	3.80%	UBS AG	March 2010	CCC-	USD 4,000	\$ (2,602,216)	
Ford Motor Company	5.00%	The Goldman Sachs Group, Inc.	June 2010	CCC-	USD 1,000	(644,851)	
Total						\$	(3,247,067)

⁽¹⁾ Using the higher of Standard & Poor's or Moody's Investors Service ratings.

⁽²⁾ The maximum potential amount the Fund may be required to pay should a negative credit event take place as defined under the terms of the agreement. See Note 1 of the Notes to Financial Statements.

- Currency Abbreviations:

CAD Canadian Dollar
 EUR Euro
 USD U.S. Dollar

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- Effective June 1, 2008, the Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“FAS 157”). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair values and requires additional disclosures about the use of fair value measurements. Various inputs are used in determining the fair value of investments, which are as follows:
 - Level 1 — price quotations in active markets/exchanges for identical securities
 - Level 2 — other observable inputs (including, but not limited to: quoted prices for 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 circumstance, to the extent observable inputs are not available (including the Fund’s own assumption used in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund’s policy regarding valuation of investments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following table summarizes the inputs used as of November 30, 2008 in determining the fair valuation of the Fund’s investments:

Valuation Inputs	Investments in Securities	Other Financial Instruments*
Level 1	\$ 1,912,129	—
Level 2	201,649,511	\$ (3,220,616)
Level 3	15,889,647	—
Total	\$ 219,451,287	\$ (3,220,616)

* Other financial instruments are swaps, foreign currency exchange contracts and options.

The following is a reconciliation of investments for unobservable inputs (Level 3) used in determining fair value:

	Investments in Securities
Balance, as of June 1, 2008	\$ 3,837
Accrued discounts/premiums	4,250
Realized gain	529
Change in unrealized depreciation	(8,923,944)
Net purchases	2,221,388
Net transfers in/out of Level 3	22,583,587
Balance, as of November 30, 2008	\$ 15,889,647

See Notes to Financial Statements.

Statements of Assets and Liabilities

November 30, 2008 (Unaudited)	BlackRock Corporate High Yield Fund, Inc. (COY)	BlackRock Corporate High Yield Fund III, Inc. (CYE)
Assets		
Investments at value — unaffiliated	\$ 206,751,140	\$ 217,994,405
Investments at value — affiliated	1,748,077	1,484,432
Foreign currency at value ³	960	276,358
Cash	211,455	—
Unrealized appreciation on foreign currency exchange contracts	153,166	28,965
Interest receivable	6,780,555	7,505,998
Investments sold receivable — unaffiliated	3,873,867	2,175,753
Swaps receivable	40,854	52,957
Principal paydown receivable	3,799	5,010
Dividends receivable	296	14,074
Commitment fees receivable	—	255
Prepaid expenses	21,845	23,066
Total assets	219,586,014	229,561,273
Liabilities		
Loan payable	65,700,000	70,200,000
Unrealized depreciation on swaps	3,039,289	3,247,067
Unrealized depreciation on foreign currency exchange contracts	21,028	30,064
Unrealized depreciation on unfunded loan commitments	—	34,219
Bank overdraft	—	288,952
Investments purchased payable — unaffiliated	2,919,177	539,415
Investment advisory fees payable	93,913	119,573
Income dividends payable	130,236	140,373
Interest payable	42,161	45,071
Other affiliates payable	1,805	1,915
Officer's and Directors' fees payable	558	373
Other accrued expenses payable	3,917	2,291
Total liabilities	71,952,084	74,649,313
Net Assets	\$ 147,633,930	\$ 154,911,960

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Net Assets Consist of

Par value \$0.10 per share ⁴	\$	3,458,096	\$	3,731,650
Paid-in capital in excess of par		436,386,510		522,699,017
Undistributed net investment income		5,015,909		2,894,556
Accumulated net realized loss		(171,156,955)		(237,528,766)
Net unrealized appreciation/depreciation		(126,069,630)		(136,884,497)
Net Assets	\$	147,633,930	\$	154,911,960
Net asset value	\$	4.27	\$	4.15
¹ Investments at cost — unaffiliated	\$	329,873,913	\$	351,567,490
² Investments at cost — affiliated	\$	1,748,077	\$	1,484,432
³ Foreign currency at cost	\$	1,067	\$	275,866
⁴ Shares outstanding		34,580,960		37,316,497

See Notes to Financial Statements.

SEMI-ANNUAL REPORT

NOVEMBER 30, 2008

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Statements of Operations

Six Months Ended November 30, 2008 (Unaudited)	BlackRock Corporate High Yield Fund, Inc. (COY)	BlackRock Corporate High Yield Fund III, Inc. (CYE)
Investment Income		
Interest	\$ 14,340,468	\$ 15,675,039
Dividends	69,668	73,040
Income — affiliated	23,818	22,803
Facility and other fees	94,361	185,802
Total income	14,528,315	15,956,684
Expenses		
Investment advisory	729,553	935,454
Borrowing	149,325	142,982
Professional	118,896	133,338
Printing	31,248	40,987
Accounting services	25,955	22,087
Transfer agent	23,054	13,634
Officer and Directors	12,998	13,977
Custodian	12,668	15,384
Miscellaneous	32,798	42,423
Total expenses excluding interest expense	1,136,495	1,360,266
Interest expense	1,223,760	1,346,126
Total expenses	2,360,255	2,706,392
Less fees paid indirectly	(105)	(1,902)
Total expenses after fees paid indirectly	2,360,150	2,704,490
Net investment income	12,168,165	13,252,194
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) from:		
Investments	(18,150,053)	(19,418,713)
Swaps	(1,372,666)	(1,365,754)

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Foreign currency	933,880	1,013,029
	(18,588,839)	(19,771,438)
Net change in unrealized appreciation/depreciation on:		
Investments	(98,772,558)	(106,981,648)
Swaps	(2,324,741)	(2,503,347)
Foreign currency	110,304	23,838
Unfunded loan commitments	—	(34,219)
	(100,986,995)	(109,495,376)
Total realized and unrealized loss	(119,575,834)	(129,266,814)
Net Decrease in Net Assets Resulting from Operations	\$ (107,407,669)	\$ (116,014,620)

See Notes to Financial Statements.

Statements of Changes in Net Assets

	BlackRock Corporate High Yield Fund, Inc. (COY)		BlackRock Corporate High Yield Fund III, Inc. (CYE)	
	Six Months Ended November 30, 2008 (Unaudited)	Year Ended May 31, 2008	Six Months Ended November 30, 2008 (Unaudited)	Year Ended May 31, 2008
Increase (Decrease) in Net Assets:				
Operations				
Net investment income	\$ 12,168,165	\$ 25,842,085	\$ 13,252,194	\$ 27,155,524
Net realized loss	(18,588,839)	(9,129,906)	(19,771,438)	(9,283,103)
Net change in unrealized appreciation/depreciation	(100,986,995)	(36,722,065)	(109,495,376)	(40,223,490)
Net decrease in net assets resulting from operations	(107,407,669)	(20,009,886)	(116,014,620)	(22,351,069)
Dividends to Shareholders From				
Net investment income	(12,656,631)	(26,113,293)	(13,433,939)	(28,767,885)
Net Assets				
Total decrease in net assets	(120,064,300)	(46,123,179)	(129,448,559)	(51,118,954)
Beginning of period	267,698,230	313,821,409	284,360,519	335,479,473
End of period	\$ 147,633,930	\$ 267,698,230	\$ 154,911,960	\$ 284,360,519
End of period undistributed net investment income	\$ 5,015,909	\$ 5,504,375	\$ 2,894,556	\$ 3,076,301

See Notes to Financial Statements.

Statements of Cash Flows

Six Months Ended November 30, 2008 (Unaudited)	BlackRock Corporate High Yield Fund, Inc. (COY)	BlackRock Corporate High Yield Fund III, Inc. (CYE)
Cash Provided by Operating Activities		
Net decrease in net assets resulting from operations	\$ (107,407,669)	\$ (116,014,620)
Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities:		
Decrease (increase) in receivables	136,527	(309,202)
Decrease in prepaid expenses and other assets	23,134	23,702
Decrease in other liabilities	(115,164)	(125,334)
Net realized and unrealized loss on investments	119,137,048	128,941,547
Amortization of premium and discount on investments	(538,476)	(654,894)
Paid-in-kind income	(347,067)	(518,278)
Proceeds from sales and paydowns of long-term securities	78,064,498	82,371,659
Purchases of long-term securities	(77,246,631)	(81,966,236)
Net purchases of short-term investments	(4,859,939)	(1,484,432)
Cash provided by operating activities	6,846,261	10,263,912
Cash Used for Financing Activities		
Cash receipts from borrowings	43,000,000	48,000,000
Cash payments from borrowings	(42,000,000)	(49,500,000)
Cash dividends paid to shareholders	(12,660,471)	(13,399,435)
Increase in custodian bank payable	—	288,952
Cash used for financing activities	(11,660,471)	(14,610,483)
Cash Impact from Foreign Exchange Fluctuations		
Cash impact from foreign exchange fluctuations	(4,040)	32,653
Cash		
Net decrease in cash	(4,818,250)	(4,313,918)
Cash at beginning of period	5,030,665	4,590,276

Cash at end of period

\$