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BLACKROCK CORPORATE HIGH YIELD FUND III INC

Form N-Q

October 26, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT  
INVESTMENT COMPANY

Investment Company Act File number 811-8497

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

Fund Address: P.O. Box 9011  
Princeton, NJ 08543-9011

Name and address of agent for service: Robert C. Doll, Jr., 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: (609) 282-2800

Date of fiscal year end: 05/31/2007

Date of reporting period: 06/01/2006 - 08/31/2006

Item 1 - Schedule of Investments

BlackRock Corporate High Yield Fund III, Inc.  
Schedule of Investments as of August 31, 2006

(in U.S. dollars)

| Industry                      | Face<br>Amount  | Corporate Bonds   |
|-------------------------------|---|---|
| Aerospace &<br>Defense - 4.5% | \$ 575,000<br>1,875,000<br>1,425,000<br>975,000<br>1,425,000<br>1,625,000<br>1,375,000<br>1,380,000<br>1,750,000<br>1,950,000 | Alliant Techsystems, Inc., 6.75% due 4/01/2016<br>Alliant Techsystems, Inc., 3% due 8/15/2024 (b) (i)<br>DRS Technologies, Inc., 6.875% due 11/01/2013<br>Esterline Technologies Corp., 7.75% due 6/15/2013<br>L-3 Communications Corp., 7.625% due 6/15/2012<br>L-3 Communications Corp., 5.875% due 1/15/2015<br>L-3 Communications Corp., 6.375% due 10/15/2015<br>L-3 Communications Corp., 3% due 8/01/2035 (b) (i)<br>Standard Aero Holdings, Inc., 8.25% due 9/01/2014<br>Vought Aircraft Industries, Inc., 8% due 7/15/2011 |
| Airlines - 1.3%               | 2,250,000<br>1,150,194<br>101,997<br>629,917  | American Airlines, Inc. Class C, 7.80% due 4/01/2008<br>Continental Airlines, Inc. Series 1997-4-B, 6.90% due<br>Continental Airlines, Inc. Series 1998-1-C, 6.541% due<br>Continental Airlines, Inc. Series 2001-1 Class C, 7.0  |

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|                     |           |  |
|---------------------|-----------|--|
| Automotive - 2.6%   | 2,875,000 | Autonation, Inc., 7.507% due 4/15/2013 (d) (i)               |
|                     | 1,525,000 | Autonation, Inc., 7% due 4/15/2014 (i)                       |
|                     | 2,950,000 | Ford Motor Credit Co., 9.875% due 8/05/2011                  |
|                     | 600,000   | General Motors Acceptance Corp., 7.25% due 3/02/2011         |
| Broadcasting - 4.7% | 1,850,000 | Allbritton Communications Co., 7.75% due 12/15/2012          |
|                     | 1,550,000 | Barrington Broadcasting Group LLC, 10.50% due 8/15/2013      |
|                     | 2,000,000 | CMP Susquehanna Corp., 9.875% due 5/15/2014 (i)              |
|                     | 2,975,000 | Paxson Communications Corp., 8.757% due 1/15/2012 (d) (i)    |
|                     | 2,475,000 | Salem Communications Corp., 7.75% due 12/15/2010             |
|                     | 1,575,000 | Sinclair Broadcast Group, Inc., 8% due 3/15/2012             |
|                     | 1,400,000 | Sirius Satellite Radio, Inc., 9.625% due 8/01/2013           |
|                     | 1,200,000 | XM Satellite Radio, Inc., 9.75% due 5/01/2014 (i)            |
| Cable - U.S. - 7.4% | 750,000   | Adelphia Communications Corp., 6% due 2/15/2006 (b) (e)      |
|                     | 1,800,000 | CCH I LLC, 11% due 10/01/2015                                |
|                     | 2,275,000 | CSC Holdings, Inc. Series B, 7.625% due 4/01/2011            |
|                     | 75,000    | Cablevision Systems Corp. Series B, 9.62% due 4/01/2009      |
|                     | 2,525,000 | Cablevision Systems Corp. Series B, 8% due 4/15/2012         |
|                     | 2,225,000 | Charter Communications Holdings II LLC, 10.25% due 9/15/2013 |
|                     | 2,675,000 | Intelsat Subsidiary Holding Co. Ltd., 10.484% due 1/15/2013  |
|                     | 2,150,000 | Intelsat Subsidiary Holding Co. Ltd., 8.625% due 1/15/2013   |
|                     | 596,000   | Loral Spacecom Corp., 14% due 11/15/2015 (g)                 |
|                     | 2,425,000 | Mediacom LLC, 9.50% due 1/15/2013                            |
|                     | 2,193,000 | PanAmSat Corp., 9% due 8/15/2014                             |
|                     | 2,000,000 | Quebecor Media, Inc., 7.75% due 3/15/2016                    |
|                     | 1,900,000 | Rainbow National Services LLC, 10.375% due 9/01/2014 (i)     |
| Chemicals - 6.0%    | 1,544,000 | BCP Caylux Holdings Luxembourg SCA, 9.625% due 6/15/2008     |
|                     | 1,500,000 | Huntsman International, LLC, 10.125% due 7/01/2009           |
|                     | 800,000   | Innophos, Inc., 8.875% due 8/15/2014                         |

BlackRock Corporate High Yield Fund III, Inc.  
Schedule of Investments as of August 31, 2006

(in U.S. dollars)

| Industry | Face Amount | Corporate Bonds   |
|----------|-------------|---|
|          | \$4,200,000 | Millennium America, Inc., 9.25% due 6/15/2008           |
|          | 1,200,000   | Nalco Co., 7.75% due 11/15/2011                         |
|          | 1,200,000   | Nalco Co., 8.875% due 11/15/2013                        |
|          | 724,000     | Nalco Finance Holdings, Inc., 10.065% due 1/15/2014 (a) |
|          | 3,000,000   | Nova Chemicals Corp., 8.405% due 11/15/2013 (d)         |
|          | 2,300,000   | Omnova Solutions, Inc., 11.25% due 6/01/2010            |
|          | 1,600,000   | Reichhold Industries, Inc., 9% due 8/15/2014 (i)        |
|          | 550,000     | Unifi, Inc., 11.50% due 5/15/2014 (i)                   |

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|  |           |   |
|--|-----------|---|
| Consumer -                               | 1,350,000 | Sealy Mattress Co., 8.25% due 6/15/2014                           |
| Durables - 0.9%                          | 1,400,000 | Simmons Bedding Co., 7.875% due 1/15/2014                         |
| Consumer -                               | 4,250,000 | American Greetings Corp., 7.375% due 6/01/2016                    |
| Non-Durables - 6.5%                      | 2,425,000 | Chattem, Inc., 7% due 3/01/2014                                   |
|  | 3,025,000 | Church & Dwight Co., Inc., 6% due 12/15/2012                      |
|  | 3,575,000 | Hines Nurseries, Inc., 10.25% due 10/01/2011                      |
|  | 1,600,000 | Levi Strauss & Co., 10.258% due 4/01/2012 (d)                     |
|  | 2,000,000 | Levi Strauss & Co., 8.875% due 4/01/2016                          |
|  | 2,000,000 | Quiksilver, Inc., 6.875% due 4/15/2015                            |
|  | 2,200,000 | Samsonite Corp., 8.875% due 6/01/2011                             |
| Diversified Media - 7.4%                 | 1,000,000 | American Media Operations, Inc. Series B, 10.25% due 5/01/2016    |
|  | 2,600,000 | CBD Media, Inc., 8.625% due 6/01/2011                             |
|  | 1,600,000 | Cadmus Communications Corp., 8.375% due 6/15/2014                 |
|  | 2,400,000 | CanWest Media, Inc., 8% due 9/15/2012                             |
|  | 1,367,000 | Dex Media West LLC, 9.875% due 8/15/2013                          |
|  | 1,600,000 | Houghton Mifflin Co., 12.031% due 5/15/2011 (d) (i)               |
|  | 2,013,000 | Liberty Media Corp., 0.75% due 3/30/2023 (b)                      |
|  | 3,000,000 | Nielsen Finance LLC, 10% due 8/01/2014 (i)                        |
|  | 3,175,000 | Quebecor World Capital Corp., 8.75% due 3/15/2016 (i)             |
|  | 1,400,000 | RH Donnelley Corp. Series A-2, 6.875% due 1/15/2013               |
|  | 1,525,000 | RH Donnelley Corp. Series A-3, 8.875% due 1/15/2016               |
|  | 1,800,000 | Universal City Florida Holding Co. I, 10.239% due 5/01/2016       |
| Energy - Exploration & Production - 4.8% | 1,550,000 | Chaparral Energy, Inc., 8.50% due 12/01/2015                      |
|  | 3,000,000 | Compton Petroleum Finance Corp., 7.625% due 12/01/2013            |
|  | 2,000,000 | Encore Acquisition Co., 6.25% due 4/15/2014                       |
|  | 2,800,000 | Exco Resources, Inc., 7.25% due 1/15/2011                         |
|  | 325,000   | Plains Exploration & Production Co., 7.125% due 6/15/2016         |
|  | 2,575,000 | Plains Exploration & Production Co. Series B, 8.75% due 6/15/2016 |
|  | 2,000,000 | Pogo Producing Co., 7.875% due 5/01/2013 (i)                      |
|  | 975,000   | Quicksilver Resources, Inc., 7.125% due 4/01/2016                 |
| Energy - Other - 4.5%                    | 1,100,000 | Copano Energy LLC, 8.125% due 3/01/2016                           |
|  | 1,875,000 | Dresser, Inc., 9.375% due 4/15/2011                               |
|  | 375,000   | Ferrellgas Escrow LLC, 6.75% due 5/01/2014                        |
|  | 2,425,000 | Ferrellgas Partners LP, 8.75% due 6/15/2012                       |
|  | 2,000,000 | MarkWest Energy Partners LP, 8.50% due 7/15/2016 (i)              |
|  | 2,000,000 | Ocean RIG ASA, 9.481% due 4/04/2011                               |

BlackRock Corporate High Yield Fund III, Inc.  
Schedule of Investments as of August 31, 2006

(in U.S. dollars)

| Industry | Face Amount | Corporate Bonds |
|----------|-------------|-----------------|
|----------|-------------|-----------------|

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|   |             |  |
|---|-------------|--|
|   | \$2,350,000 | SemGroup LP, 8.75% due 11/15/2015 (i)                                |
|   | 2,000,000   | Suburban Propane Partners, LP, 6.875% due 12/15/2013                 |
| <hr style="border-top: 1px dashed black;"/> |             |  |
| Financial - 0.4%                            | 1,000,000   | Saxon Capital, Inc., 12% due 5/01/2014 (i)                           |
| <hr style="border-top: 1px dashed black;"/> |             |  |
| Food & Tobacco - 4.4%                       | 800,000     | AmeriQual Group LLC, 9.50% due 4/01/2012 (i)                         |
|   | 2,400,000   | Constellation Brands, Inc., 8.125% due 1/15/2012                     |
|   | 1,225,000   | Constellation Brands, Inc., 7.25% due 9/01/2016                      |
|   | 3,000,000   | Cott Beverages USA, Inc., 8% due 12/15/2011                          |
|   | 3,024,000   | Del Monte Corp., 8.625% due 12/15/2012                               |
|   | 1,000,000   | Michael Foods, Inc., 8% due 11/15/2013                               |
|   | 2,000,000   | National Beef Packing Co. LLC, 10.50% due 8/01/2011                  |
| <hr style="border-top: 1px dashed black;"/> |             |  |
| Gaming - 10.5%                              | 3,125,000   | Boyd Gaming Corp., 8.75% due 4/15/2012                               |
|   | 1,350,000   | Caesars Entertainment, Inc., 7.875% due 3/15/2010                    |
|   | 1,050,000   | Galaxy Entertainment Finance Co. Ltd., 10.42% due 12/15/2010 (d) (i) |
|   | 550,000     | Galaxy Entertainment Finance Co. Ltd., 9.875% due 12/15/2010 (d) (i) |
|   | 1,725,000   | Inn of the Mountain Gods Resort & Casino, 12% due 11/15/2010         |
|   | 1,200,000   | Isle of Capri Casinos, Inc., 9% due 3/15/2012                        |
|   | 400,000     | Isle of Capri Casinos, Inc., 7% due 3/01/2014                        |
|   | 1,325,000   | Jacobs Entertainment Co., 9.75% due 6/15/2014 (i)                    |
|   | 1,650,000   | Little Traverse Bay Bands of Odawa Indians, 10.25% due 12/15/2010    |
|   | 1,550,000   | MGM Mirage, 8.50% due 9/15/2010                                      |
|   | 850,000     | MGM Mirage, 6.75% due 4/01/2013 (i)                                  |
|   | 975,000     | Mirage Resorts, Inc., 6.75% due 2/01/2008                            |
|   | 2,025,000   | Penn National Gaming, Inc., 6.875% due 12/01/2011                    |
|   | 2,575,000   | Poster Financial Group, Inc., 8.75% due 12/01/2011                   |
|   | 2,650,000   | Resorts International Hotel and Casino, Inc., 11.50% due 12/15/2010  |
|   | 975,000     | San Pasqual Casino, 8% due 9/15/2013 (i)                             |
|   | 1,225,000   | Station Casinos, Inc., 6.50% due 2/01/2014                           |
|   | 1,625,000   | Station Casinos, Inc., 7.75% due 8/15/2016                           |
|   | 1,400,000   | Station Casinos, Inc., 6.625% due 3/15/2018                          |
|   | 2,850,000   | Trump Entertainment Resorts, Inc., 8.50% due 6/01/2015               |
|   | 1,800,000   | Wynn Las Vegas LLC, 6.625% due 12/01/2014                            |
| <hr style="border-top: 1px dashed black;"/> |             |  |
| Health Care - 10.8%                         | 1,200,000   | Athena Neurosciences Finance LLC, 7.25% due 2/21/2008                |
|   | 3,825,000   | DaVita, Inc., 7.25% due 3/15/2015                                    |
|   | 2,000,000   | Elan Finance Plc, 9.405% due 11/15/2011 (d)                          |
|   | 1,975,000   | HCA, Inc., 5.50% due 12/01/2009                                      |
|   | 3,000,000   | Healthsouth Corp., 11.418% due 6/15/2014 (d) (i)                     |
|   | 2,175,000   | Mylan Laboratories, Inc., 5.75% due 8/15/2010                        |
|   | 2,125,000   | Mylan Laboratories, Inc., 6.375% due 8/15/2015 (i)                   |
|   | 1,725,000   | Omnicare, Inc., 6.75% due 12/15/2013                                 |
|   | 1,400,000   | Select Medical Corp., 7.625% due 2/01/2015                           |
|   | 1,400,000   | Select Medical Corp., 11.175% due 9/15/2015 (d)                      |
|   | 1,000,000   | Tenet Healthcare Corp., 9.875% due 7/01/2014                         |
|   | 2,625,000   | Triad Hospitals, Inc., 7% due 5/15/2012                              |
|   | 3,000,000   | U.S. Oncology, Inc., 9% due 8/15/2012                                |
|   | 1,000,000   | VWR International, Inc., 8% due 4/15/2014                            |
|   | 2,000,000   | Vanguard Health Holding Co. II, LLC, 9% due 10/01/2014               |

BlackRock Corporate High Yield Fund III, Inc.

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Schedule of Investments as of August 31, 2006

(in U.S. dollars)

| Industry                         | Face<br>Amount   | Corporate Bonds   |
|----------------------------------|--|---|
|                                  | \$4,000,000  | Ventas Realty, LP, 6.75% due 6/01/2010  |
| Housing - 5.0%                   | 1,050,000<br>5,850,000<br>3,025,000<br>699,000<br>1,350,000<br>1,600,000<br>800,000<br>800,000<br>1,000,000              | Building Materials Corp. of America, 8% due 10/15/2007<br>Building Materials Corp. of America, 8% due 12/01/2008<br>Forest City Enterprises, Inc., 7.625% due 6/01/2015<br>Goodman Global Holding Co., Inc., 8.329% due 6/15/2012<br>Goodman Global Holding Co., Inc., 7.875% due 12/15/2012<br>Ply Gem Industries, Inc., 9% due 2/15/2012<br>Standard-Pacific Corp., 9.25% due 4/15/2012<br>Technical Olympic USA, Inc., 8.25% due 4/01/2011 (i)<br>Texas Industries, Inc., 7.25% due 7/15/2013                        |
| Information<br>Technology - 4.6% | 1,777,000<br>2,100,000<br>175,000<br>2,450,000<br>1,625,000<br>975,000<br>375,000<br>1,325,000<br>1,400,000<br>2,250,000 | Cypress Semiconductor Corp., 1.25% due 6/15/2008 (b)<br>MagnaChip Semiconductor SA, 8.64% due 12/15/2011 (d)<br>MagnaChip Semiconductor SA, 8% due 12/15/2014<br>Sungard Data Systems, Inc., 9.125% due 8/15/2013<br>Sungard Data Systems, Inc., 9.973% due 8/15/2013 (d)<br>Sungard Data Systems, Inc., 10.25% due 8/15/2015 (i)<br>Telcordia Technologies, Inc., 10% due 3/15/2013 (i)<br>UGS Capital Corp. II, 10.38% due 6/01/2011 (g)(i)<br>UGS Corp., 10% due 6/01/2012<br>Viasystems, Inc., 10.50% due 1/15/2011 |
| Leisure - 1.9%                   | 1,525,000<br>2,850,000<br>1,500,000  | Felcor Lodging LP, 8.50% due 6/01/2011<br>Felcor Lodging LP, 9.57% due 6/01/2011 (d)<br>Host Marriott LP, 6.75% due 6/01/2016   |
| Manufacturing - 2.4%             | 2,175,000<br>2,000,000<br>835,000<br>2,400,000   | CPI Holdco, Inc., 11.298% due 2/01/2015 (d)(i)<br>Chart Industries, Inc., 9.125% due 10/15/2015 (i)<br>Invensys Plc, 9.875% due 3/15/2011 (i)<br>Trimas Corp., 9.875% due 6/15/2012   |
| Metal - Other - 2.0%             | 1,975,000<br>2,350,000<br>1,975,000  | Foundation PA Coal Co., 7.25% due 8/01/2014<br>Indalex Holding Corp., 11.50% due 2/01/2014 (i)<br>Novelis, Inc., 8.25% due 2/15/2015 (i)  |
| Packaging - 2.4%                 | 2,200,000<br>2,637,000<br>1,000,000<br>1,725,000   | Graham Packing Co., Inc., 9.875% due 10/15/2014<br>Owens-Brockway, 8.875% due 2/15/2009<br>Owens-Brockway, 8.25% due 5/15/2013<br>Packaging Dynamics Finance Corp., 10% due 5/01/2016 (i)   |

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|              |           |  |
|--------------|-----------|--|
| Paper - 7.9% | 2,000,000 | Abitibi-Consolidated, Inc., 8.89% due 6/15/2011 (d)        |
|              | 1,975,000 | Boise Cascade LLC, 8.382% due 10/15/2012 (d)               |
|              | 2,825,000 | Bowater, Inc., 8.39% due 3/15/2010 (d)                     |
|              | 3,200,000 | Domtar, Inc., 7.125% due 8/15/2015                         |
|              | 1,050,000 | Graphic Packaging International Corp., 8.50% due 8/15/2015 |
|              | 1,825,000 | Graphic Packaging International Corp., 9.50% due 8/15/2015 |
|              | 1,450,000 | NewPage Corp., 11.739% due 5/01/2012 (d)                   |
|              | 1,000,000 | NewPage Corp., 12% due 5/01/2013                           |
|              | 3,400,000 | Norske Skog Canada Ltd. Series D, 8.625% due 6/15/2011     |

BlackRock Corporate High Yield Fund III, Inc.  
Schedule of Investments as of August 31, 2006

(in U.S. dollars)

| Industry                  | Face Amount | Corporate Bonds   |
|---------------------------|-------------|---|
|                           | \$2,000,000 | Rock-Tenn Co., 8.20% due 8/15/2011                            |
|                           | 2,600,000   | Smurfit Kappa Funding Plc, 9.625% due 10/01/2012              |
|                           | 950,000     | Verso Paper Holdings LLC, 9.125% due 8/01/2014 (i)            |
|                           | 675,000     | Verso Paper Holdings LLC, 11.375% due 8/01/2016 (i)           |
| Retail - 1.6%             | 2,625,000   | Jean Coutu Group, Inc., 8.50% due 8/01/2014                   |
|                           | 1,375,000   | Neiman-Marcus Group, Inc., 9% due 10/15/2015 (g)              |
|                           | 1,050,000   | Neiman-Marcus Group, Inc., 10.375% due 10/15/2015             |
| Service - 7.3%            | 2,000,000   | Ashtead Capital, Inc., 9% due 8/15/2016 (i)                   |
|                           | 600,000     | Avis Budget Car Rental LLC, 7.625% due 5/15/2014 (i)          |
|                           | 2,800,000   | Avis Budget Car Rental LLC, 7.905% due 5/15/2014 (d) (i)      |
|                           | 3,000,000   | Corrections Corp. of America, 7.50% due 5/01/2011             |
|                           | 1,750,000   | Dycom Industries, Inc., 8.125% due 10/15/2015                 |
|                           | 1,150,000   | MSW Energy Holdings LLC, 8.50% due 9/01/2010                  |
|                           | 375,000     | MSW Energy Holdings II LLC, 7.375% due 9/01/2010              |
|                           | 2,000,000   | Mac-Gray Corp., 7.625% due 8/15/2015                          |
|                           | 3,000,000   | Service Corp. International, 8% due 6/15/2017 (i)             |
|                           | 3,400,000   | United Rentals North America, Inc., 7.75% due 11/15/2014      |
|                           | 3,000,000   | Waste Services, Inc., 9.50% due 4/15/2014                     |
| Steel - 1.1%              | 1,950,000   | Chaparral Steel Co., 10% due 7/15/2013                        |
|                           | 1,200,000   | Ucar Finance, Inc., 10.25% due 2/15/2012                      |
| Telecommunications - 5.1% | 1,247,000   | ADC Telecommunications, Inc., 1% due 6/15/2008 (b)            |
|                           | 750,000     | ADC Telecommunications, Inc., 5.795% due 6/15/2013 (b)        |
|                           | 2,025,000   | Inmarsat Finance Plc, 7.625% due 6/30/2012                    |
|                           | 2,900,000   | LCI International, Inc., 7.25% due 6/15/2007                  |
|                           | 2,400,000   | Nordic Telephone Co. Holdings ApS, 8.875% due 5/01/2014       |
|                           | 350,000     | Qwest Communications International, Inc., 7.50% due 2/15/2014 |
|                           | 1,550,000   | Qwest Corp., 8.64% due 6/15/2013 (d)                          |

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|                       |           |  |
|-----------------------|-----------|--|
|                       | 525,000   | Qwest Corp., 7.625% due 6/15/2015                              |
|                       | 850,000   | Time Warner Telecom Holdings, Inc., 9.405% due 2/15/2013       |
|                       | 3,000,000 | Windstream Corp., 8.125% due 8/01/2013 (i)                     |
| -----                 |           |  |
| Transportation - 1.2% | 1,400,000 | OMI Corp., 7.625% due 12/01/2013                               |
|                       | 2,325,000 | Teekay Shipping Corp., 8.875% due 7/15/2011                    |
| -----                 |           |  |
| Utility - 10.8%       | 4,458,000 | The AES Corp., 9.375% due 9/15/2010                            |
|                       | 2,100,000 | The AES Corp., 8.75% due 5/15/2013 (i)                         |
|                       | 1,327,000 | Centerpoint Energy, Inc. Series B, 3.75% due 5/15/2023         |
|                       | 3,000,000 | Dynegy Holdings, Inc., 8.375% due 5/01/2016 (i)                |
|                       | 2,606,000 | ESI Tractebel Acquisition Corp. Series B, 7.99% due 12/15/2013 |
|                       | 2,600,000 | Edison Mission Energy, 7.50% due 6/15/2013 (i)                 |
|                       | 1,775,000 | El Paso Performance-Linked Trust, 7.75% due 7/15/2011          |
|                       | 2,600,000 | Mirant North America LLC, 7.375% due 12/31/2013                |
|                       | 1,625,000 | NRG Energy, Inc., 7.25% due 2/01/2014                          |
|                       | 1,475,000 | NRG Energy, Inc., 7.375% due 2/01/2016                         |
|                       | 390,000   | Nevada Power Co., 9% due 8/15/2013                             |
|                       | 3,000,000 | Reliant Energy, Inc., 9.50% due 7/15/2013                      |
|                       | 1,650,000 | Sierra Pacific Power Co. Series A, 8% due 6/01/2008            |
|                       | 1,200,000 | Sierra Pacific Resources, 8.625% due 3/15/2014                 |

BlackRock Corporate High Yield Fund III, Inc.  
Schedule of Investments as of August 31, 2006

(in U.S. dollars)

| Industry                       | Face Amount | Corporate Bonds  |
|--------------------------------|-------------|--|
| -----                          |             |  |
|                                | \$ 925,000  | Southern Natural Gas Co., 8.875% due 3/15/2010                   |
|                                | 2,101,056   | Tenaska Alabama Partners LP, 7% due 6/30/2021 (i)                |
| -----                          |             |  |
| Wireless Communications - 4.0% | 1,650,000   | Centennial Cellular Operating Co. LLC, 10.125% due 6/15/2012 (d) |
|                                | 1,200,000   | Dobson Communications Corp., 9.757% due 10/15/2012 (d)           |
|                                | 2,400,000   | IWO Holdings, Inc., 9.257% due 1/15/2012 (d)                     |
|                                | 950,000     | Rogers Wireless Communications, Inc., 8.515% due 12/15/2010 (d)  |
|                                | 250,000     | Rogers Wireless Communications, Inc., 8% due 12/15/2010 (d)      |
|                                | 3,400,000   | Rogers Wireless Communications, Inc., 6.375% due 3/01/2012       |
|                                | 2,000,000   | Rural Cellular Corp., 8.25% due 3/15/2012                        |
|                                | 600,000     | Rural Cellular Corp., 8.25% due 3/15/2012 (i)                    |
| -----                          |             |  |
|                                |             | Total Corporate Bonds  |
|                                |             | (Cost - \$419,781,581) - 134.0%                                  |
| -----                          |             |  |

Floating Rate Loan Interests (1)

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|                                |                |  |
|--------------------------------|----------------|--|
| Cable - U.S. - 1.5%            | 4,850,000      | Century Cable Holdings LLC, Discretionary Term Loan, 1<br>due 12/31/2009 |
| Chemicals - 0.9%               | 2,830,000      | Wellman, Inc. Second Lien Term Loan, 12.239% due 2/10/                   |
|                                |                | Total Floating Rate Loan Interests<br>(Cost - \$7,403,715) - 2.4%        |
| Foreign Government Obligations |                |  |
|                                | 3,000,000      | Brazilian Government International Bond, 11% due 8/17/                   |
|                                |                | Total Foreign Government Obligations<br>(Cost - \$3,797,518) - 1.3%      |
|                                |                | Common Stocks  |
|                                | Shares<br>Held |  |
| Cable - U.S. - 0.6%            | 77,968         | Loral Space & Communications Ltd. (c)                                    |
| Manufacturing - 0.5%           | 70,784         | Medis Technologies Ltd. (c)  |
| Packaging - 0.0%               | 19             | Pliant Corp.   |
| Paper - 0.1%                   | 203,785        | Western Forest Products, Inc. (c)  |
|                                |                | Total Common Stocks (Cost - \$6,156,866) - 1.2%                          |
| Preferred Securities           |                |  |
|                                |                | Capital Trusts   |
|                                | Face<br>Amount |  |
| Health Care - 1.2%             | \$3,750,000    | Fresenius Medical Care Capital Trust II, 7.875% due 2/                   |
|                                |                | Total Capital Trusts (Cost - \$3,704,992) - 1.2%                         |
|                                |                | Preferred Stocks   |
|                                | Shares<br>Held |  |
| Cable - U.S. - 0.4%            | 6,047          | Loral Spacecom Corp. Series A, 12% (g)                                   |
|                                |                | Total Preferred Stocks (Cost - \$1,194,090) - 0.4%                       |
|                                |                | Total Preferred Securities (Cost - \$4,899,082) - 1.6%                   |
| Warrants (h)                   |                |  |



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|                                |        |   |
|--------------------------------|--------|---|
| Health Care - 0.0%             | 32,042 | HealthSouth Corp. (expires 1/16/2014)     |
| Paper - 0.0%                   | 700    | MDP Acquisitions Plc (expires 10/01/2013) |
| Wireless Communications - 0.1% | 825    | American Tower Corp. (expires 8/01/2008)  |
|                                |        | Total Warrants (Cost - \$53,675) - 0.1%   |

BlackRock Corporate High Yield Fund III, Inc.  
Schedule of Investments as of August 31, 2006

(in U.S. dollars)

| Beneficial Interest                                  | Short-Term Securities   |
|--|---|
| \$ 89,751  | Merrill Lynch Liquidity Series, LLC Cash Sweep Series 5.11% (f) (j) |
| Total Short-Term Securities (Cost - \$89,751) - 0.0% |   |
| Total Investments (Cost - \$442,182,188*) - 140.6%   |   |
| Liabilities in Excess of Other Assets - (40.6%)      |   |
| Net Assets - 100.0%                                  |   |

\* The cost and unrealized appreciation (depreciation) of investments as of August 31, 2006, as computed for federal income tax purposes, were as follows:

|                               |                |
|-------------------------------|----------------|
| Aggregate cost                | \$ 442,855,712 |
|                               | =====          |
| Gross unrealized appreciation | \$ 10,045,160  |
| Gross unrealized depreciation | (10,614,533)   |
|                               | -----          |
| Net unrealized depreciation   | \$ (569,373)   |
|                               | =====          |

- (a) Represents a step bond; the interest rate shown reflects the effective yield at the time of purchase.
- (b) Convertible security.
- (c) Non-income producing security.
- (d) Floating rate security.
- (e) Non-income producing security; issuer filed for bankruptcy or is in default of interest payments.
- (f) Represents the current yield as of August 31, 2006.
- (g) Represents a pay-in-kind security which may pay interest/dividends in additional face/shares.
- (h) 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

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expiration date.

- (i) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (j) 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 | Interest Income |
|--|--------------|-----------------|
| Merrill Lynch Liquidity Series, LLC<br>Cash Sweep Series I | \$ (67,367)  | \$ 8,144        |

- (k) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity.
- (l) Floating rate loan interests in which the Fund invests generally pay interest at rates that are periodically redetermined by reference to a base lending rate plus a premium. The base lending rates are generally (i) the lending rate offered by one or more major European banks, such as LIBOR (London InterBank Offered Rate), (ii) the prime rate offered by one or more major U.S. banks or (iii) the certificate of deposit rate.
- o 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. Industries are shown as percent of net assets.

BlackRock Corporate High Yield Fund III, Inc.  
Schedule of Investments as of August 31, 2006

(in U.S. dollars)

- o Swaps outstanding as of August 31, 2006 were as follows:

|   | Notional Amount | Unrealized Appreciation (Depreciation) |
|---|-----------------|--|
| Sold credit default protection on General Motors Acceptance Corp. and receive 3.50% |                 |  |
| Broker, JPMorgan Chase<br>Expires March 2007  | \$ 800,000      | \$ 11,34                               |
| Sold credit default protection on General Motors Acceptance Corp. and receive 4.50% |                 |  |
| Broker, Morgan Stanley Capital Group, Inc.<br>Expires March 2007                    | \$ 800,000      | 15,70                                  |
| Sold credit default protection on General Motors Corp. and receive 4.40%            |                 |  |
| Broker, Morgan Stanley Capital Services, Inc.<br>Expires June 2007                  | \$ 400,000      | 6,42                                   |

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Sold credit default protection on General Motors Corp.  
and receive 8.00%

Broker, Morgan Stanley Capital Services, Inc.  
Expires June 2007

\$ 400,000

17,68

Sold credit default protection on Dow Jones CDX North  
American High Yield 100 Index Series 6 and receive 3.45%

Broker, UBS Warburg  
Expires June 2011

\$1,000,000

(1,81

Sold credit default protection on Dow Jones CDX North  
American High Yield 100 Index Series 6 and receive 3.45%

Broker, UBS Warburg  
Expires June 2011

\$2,950,000

(8,75

Sold credit default protection on Dow Jones CDX North  
American High Yield B Index Series 6 and receive 3.00%

Broker, UBS Warburg  
Expires June 2011

\$2,950,000

11,26

Total

\$ 51,85

=====

Item 2 - Controls and Procedures

2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 - Exhibits

Certifications - Attached hereto

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

BlackRock Corporate High Yield Fund III, Inc.

By: /s/ Robert C. Doll, Jr.

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Robert C. Doll, Jr.  
Chief Executive Officer  
BlackRock Corporate High Yield Fund III, Inc.

Date: October 19, 2006

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

By: /s/ Robert C. Doll, Jr.

-----  
Robert C. Doll, Jr.  
Chief Executive Officer  
BlackRock Corporate High Yield Fund III, Inc.

Date: October 19, 2006

By: /s/ Donald C. Burke

-----  
Donald C. Burke  
Chief Financial Officer  
BlackRock Corporate High Yield Fund III, Inc.

Date: October 19, 2006