

BLACKROCK CORPORATE HIGH YIELD FUND III INC
Form N-CSR
August 08, 2008

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-08497

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: 05/31/2008

Date of reporting period: 06/01/2007 - 05/31/2008

Item 1 - Report to Stockholders

EQUITIES FIXED INCOME REAL ESTATE
LIQUIDITY ALTERNATIVES BLACKROCK SOLUTIONS

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

BLACKROCK

ANNUAL REPORT | MAY 31, 2008

NOT FDIC INSURED
MAY LOSE VALUE
NO BANK GUARANTEE

Table of Contents

| | Page |
|--|------|
| A Letter to Shareholders | 3 |
| Annual Report: | |
| Fund Summary | 4 |
| The Benefits and Risks of Leveraging | 5 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | |
|---|----|
| Swap Agreements | 5 |
| Financial Statements: | |
| Schedule of Investments | 6 |
| Statement of Assets and Liabilities | 13 |
| Statement of Operations | 13 |
| Statements of Changes in Net Assets | 14 |
| Statement of Cash Flows | 14 |
| Financial Highlights | 15 |
| Notes to Financial Statements | 16 |
| Report of Independent Registered Public Accounting Firm | 21 |
| Important Tax Information (Unaudited) | 21 |
| Disclosure of Investment Advisory Agreement and Subadvisory Agreement ... | 22 |
| Automatic Dividend Reinvestment Plan | 26 |
| Officers and Directors | 27 |
| Additional Information | 30 |

2 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

=====

A Letter to Shareholders

Dear Shareholder

For much of the reporting period, investors grappled with the repercussions of the credit crisis that surfaced last summer, and with the effects of a weakening economy and surging energy and food prices. These factors were offset by the positive impact from robust export activity, strength in the non-financial corporate sector and monetary and fiscal stimuli.

Amid the market turbulence, the Federal Reserve Board (the "Fed") initiated a series of moves to restore liquidity and bolster financial market stability. Since September 2007, the central bank slashed the target federal funds rate 325 basis points (3.25%), bringing the rate to 2.0% as of period-end. Also of significance were its other policy decisions, which included extending use of the discount window to broker-dealers and investment banks and backstopping the rescue of ill-fated Bear Stearns. Notably, on April 30, the Fed dropped previous references to downside growth risks and added more emphasis on inflationary pressures, indicating the central bankers have likely concluded the current cycle of monetary easing.

Nevertheless, the Fed's response to the financial crisis helped to ease credit turmoil and investor anxiety. Since hitting a low point on March 17, following the collapse of Bear Stearns, stocks appreciated 10% (through May 30). Most international markets, which had outperformed U.S. stocks for some time, saw a reversal in that trend, as the troubled credit situation and downward pressures on growth fanned recession fears.

In fixed income markets, Treasury securities rallied (yields fell as prices correspondingly rose), as a broad "flight-to-quality" theme persisted. The yield on 10-year Treasury issues, which touched 5.30% in June 2007 (its highest level in five years), fell to a low of 3.34% in March 2008 before rising to 4.06% by May 31 as investors grew more risk tolerant and shifted out of Treasury issues in favor of stocks and other high-quality fixed income sectors. Tax-exempt issues under-performed throughout most of the reporting period, pressured by problems among municipal bond insurers and the freeze in the market for auction rate securities. However, the final two months saw a firmer tone in the municipal market, as investors took advantage of unusually high yields.

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

On the whole, results for the major benchmark indexes generally reflected heightened investor risk aversion:

| Total Returns as of May 31, 2008 | 6-month |
|---|---------|
| U.S. equities (S&P 500 Index) | (4.47) |
| Small cap U.S. equities (Russell 2000 Index) | (1.87) |
| International equities (MSCI Europe, Australasia, Far East Index) | (5.21) |
| Fixed income (Lehman Brothers U.S. Aggregate Index) | 1.49 |
| Tax-exempt fixed income (Lehman Brothers Municipal Bond Index) | 1.44 |
| High yield bonds (Lehman Brothers U.S. Corporate High Yield 2% Issuer Capped Index) | 1.81 |

Past performance is no guarantee of future results. Index performance shown for illustrative purposes only.

You cannot invest directly in an index.

As you navigate today's volatile markets, we encourage you to review your investment goals with your financial professional and to make portfolio changes, as needed. For more up-to-date commentary 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 investment assets, and we look forward to continuing to serve you in the months and years ahead.

Sincerely,

/s/ Rob Kapito

Rob Kapito
President, BlackRock Advisors, LLC

THIS PAGE NOT PART OF YOUR FUND REPORT

3

=====
Fund Summary as of May 31, 2008

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 Investors Service, Inc. or BB or lower by Standard & Poor's Corporation) or are unrated securities of comparable quality.

 Performance

For the 12 months ended May 31, 2008, the Fund returned (8.30%) based on market price and (5.69%) 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 (15.00%) on a NAV basis. All returns reflect reinvestment of dividends. In an adverse high yield market, the Fund was defensively positioned, on average, and maintained less leverage than many of its Lipper peers. A small allocation to bank loans was added during the period and detracted from performance, as bank loans underperformed. The Fund's discount to NAV widened to 7.74% by period-end.

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 May 31, 2008 (\$7.03) (1) | 10.24% |
| Current Monthly Distribution per share of Common Stock (2) | \$ 0.060 |
| Current Annualized Distribution per share of Common Stock (2) | \$ 0.720 |
| Leverage as of May 31, 2008 (3) | 20% |

- (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:

| | 5/31/08 | 5/31/07 | Change | High | Low |
|-----------------------|---------|---------|----------|---------|---------|
| Market Price | \$ 7.03 | \$ 8.53 | (17.58%) | \$ 8.73 | \$ 6.04 |
| Net Asset Value | \$ 7.62 | \$ 8.99 | (15.24%) | \$ 9.00 | \$ 7.14 |

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

 Portfolio Composition

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| Asset Mix | 5/31/08 | 5/31/07 |
|------------------------------------|---------|---------|
| Corporate Bonds | 87% | 92% |
| Floating Rate Loan Interests | 9 | 5 |
| Common Stocks | 2 | 2 |
| Preferred Stocks | 1 | 1 |
| Capital Trusts | 1 | -- |

Credit Quality Allocations(4)

| Credit Rating | 5/31/08 | 5/31/07 |
|-----------------|---------|---------|
| A/A | 1% | -- |
| BBB/Baa | 3 | 1% |
| BB/Ba | 25 | 22 |
| B/B | 50 | 55 |
| CCC/Caa | 14 | 16 |
| CC/Ca | 1 | -- |
| Not Rated | 3 | 3 |
| Other(5) | 3 | 3 |

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

(5) Includes investments in common stocks, preferred stocks, warrants, options and other interests.

4 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

The Benefits and Risks of Leveraging

The Fund utilizes leverage through borrowings or issuance of short-term debt securities. 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 the Fund on its longer-term portfolio investments. To the extent that the total assets of the Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, the Fund's Common Stock shareholders will benefit from the incremental yield.

Leverage creates risks for Common Stock shareholders including the likelihood of greater NAV and market price volatility. In addition, there is the risk that fluctuations in interest rates on borrowings may reduce the Common Stock's yield and negatively impact its NAV and market price.

If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the 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, the Fund's net income will be less than if leverage had not been used, and therefore the amount available for distribution to Common Stock shareholders will be reduced.

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

Under the Investment Act of 1940, the Fund is permitted to borrow through a credit facility or the issuance of short-term debt securities in an amount up to 33 (1)/3% of its total managed assets. As of May 31, 2008, the Fund had outstanding leverage from credit facility borrowings of 20% of its total managed assets.

Swap Agreements

The Fund may invest in swap agreements, which are over-the-counter contracts in which one party agrees to make periodic payments based on the change in market value of a specified bond, basket of bonds or index in return for periodic payments based on a fixed or variable interest rate or the change in market value of a different bond, basket of bonds or index. Swap agreements may be used to obtain exposure to a bond or market without owning or taking physical custody of securities. Swap agreements involve the risk that the party with whom the Fund has entered into the swap will default on its obligation to pay the Fund and the risk that the Fund will not be able to meet its obligations to pay the other party to the agreement.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 5

Schedule of Investments May 31, 2008

(Percentages shown are based on Net Assets)

| Corporate Bonds | Par (000) | Value |
|--|--------------|--------------|
| Aerospace & Defense -- 4.2% | | |
| Alliant Techsystems, Inc., 2.75%, 9/15/11 (a) (b) | \$ 1,947 | \$ 2,458,088 |
| DRS Technologies, Inc., 6.875%, 11/01/13 | 1,425 | 1,457,062 |
| Esterline Technologies Corp., 7.75%, 6/15/13 | 975 | 992,062 |
| Hawker Beechcraft Acquisitions Co. LLC, 8.875%, 4/01/15 (c) | 415 | 424,338 |
| L-3 Communications Corp.: | | |
| 7.625%, 6/15/12 | 1,425 | 1,451,719 |
| 5.875%, 1/15/15 | 1,625 | 1,539,688 |
| 3%, 8/01/35 (a) | 1,380 | 1,693,950 |
| Series B, 6.375%, 10/15/15 | 1,375 | 1,325,156 |
| TransDigm, Inc., 7.75%, 7/15/14 | 470 | 480,575 |
| | | 11,822,638 |
| Airlines -- 0.4% | | |
| Continental Airlines, Inc.: | | |
| Series 1997-4-B, 6.90%, 7/02/18 | 873 | 785,999 |
| Series 1998-1-C, 6.541%, 9/15/09 | 20 | 19,699 |
| Series 2001-1-C, 7.033%, 12/15/12 | 344 | 314,976 |
| | | 1,120,674 |
| Auto Components -- 1.5% | | |
| Allison Transmission (b): | | |
| 11%, 11/01/15 | 300 | 282,750 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | |
|---|--------|------------|
| 11.25%, 11/01/15 (c) | 1,910 | 1,738,100 |
| The Goodyear Tire & Rubber Co.: | | |
| 7.857%, 8/15/11 | 290 | 297,250 |
| 8.625%, 12/01/11 | 642 | 677,310 |
| Lear Corp., 8.75%, 12/01/16 | 1,285 | 1,166,138 |
| | | ----- |
| | | 4,161,548 |
| ----- | | |
| Automobiles -- 0.5% | | |
| Ford Capital BV, 9.50%, 6/01/10 | 785 | 757,525 |
| Ford Motor Co., 8.90%, 1/15/32 | 700 | 525,000 |
| | | ----- |
| | | 1,282,525 |
| ----- | | |
| Building Products -- 0.7% | | |
| Masonite International Corp., 11%, 4/06/15 | 500 | 335,000 |
| Momentive Performance Materials, Inc., 11.50%, 12/01/16 | 1,970 | 1,669,575 |
| | | ----- |
| | | 2,004,575 |
| ----- | | |
| Capital Markets -- 1.1% | | |
| E*Trade Financial Corp., 12.50%, 11/30/17 (b) | 1,520 | 1,656,800 |
| Marsico Parent Co., LLC, 10.625%, 1/15/16 (b) (d) | 1,073 | 965,700 |
| Marsico Parent Holdco, LLC, 12.50%, 7/15/16 (b) (c) (d) | 384 | 345,115 |
| Marsico Parent Superholdco, LLC, 14.50%, 1/15/18 (b) (c) (d) | 257 | 227,392 |
| | | ----- |
| | | 3,195,007 |
| ----- | | |
| Chemicals -- 2.0% | | |
| American Pacific Corp., 9%, 2/01/15 | 880 | 866,800 |
| Hexion U.S. Finance Corp.: | | |
| 7.176%, 11/15/14 (e) | 625 | 593,750 |
| 9.75%, 11/15/14 | 525 | 577,500 |
| | | |
| | Par | |
| Corporate Bonds | (000) | Value |
| ----- | | |
| Chemicals (concluded) | | |
| Innophos, Inc., 8.875%, 8/15/14 | \$ 825 | \$ 841,500 |
| Key Plastics LLC, 11.75%, 3/15/13 (b) | 455 | 204,750 |
| MacDermid, Inc., 9.50%, 4/15/17 (b) | 1,700 | 1,649,000 |
| Nalco Finance Holdings, Inc., 10.078%, 2/01/14 (f) | 724 | 691,420 |
| Terra Capital, Inc. Series B, 7%, 2/01/17 | 280 | 278,250 |
| | | ----- |
| | | 5,702,970 |
| ----- | | |
| Commercial Services & Supplies -- 4.6% | | |
| Aramark Corp., 8.50%, 2/01/15 | 615 | 629,606 |
| Ashtead Capital, Inc., 9%, 8/15/16 (b) | 215 | 191,350 |
| Corrections Corp. of America, 7.50%, 5/01/11 | 3,000 | 3,022,500 |
| DI Finance Series B, 9.50%, 2/15/13 | 283 | 288,660 |
| PNA Intermediate Holding Corp., 9.676%, 2/15/13 (c) (e) | 1,385 | 1,194,563 |
| Sally Holdings LLC: | | |
| 9.25%, 11/15/14 | 210 | 208,950 |
| 10.50%, 11/15/16 | 769 | 749,775 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | |
|---|-------|------------|
| US Investigations Services, Inc., 10.50%, 11/01/15 (b) | 700 | 633,500 |
| Waste Services, Inc., 9.50%, 4/15/14 | 3,000 | 3,007,500 |
| West Corp.: | | |
| 9.50%, 10/15/14 | 750 | 701,250 |
| 11%, 10/15/16 | 2,850 | 2,522,250 |
| | | ----- |
| | | 13,149,904 |
| ----- | | |
| Communications Equipment -- 1.0% | | |
| Nortel Networks Ltd.: | | |
| 6.963%, 7/15/11 (e) | 2,585 | 2,429,900 |
| 10.75%, 7/15/16 (b) | 370 | 365,375 |
| | | ----- |
| | | 2,795,275 |
| ----- | | |
| Construction & Engineering -- 0.6% | | |
| Dycom Industries, Inc., 8.125%, 10/15/15 | 1,750 | 1,680,000 |
| ----- | | |
| Construction Materials -- 1.6% | | |
| Nortek Holdings, Inc., 10%, 12/01/13 (b) | 3,490 | 3,468,188 |
| Texas Industries, Inc., 7.25%, 7/15/13 | 1,000 | 1,002,500 |
| | | ----- |
| | | 4,470,688 |
| ----- | | |
| Containers & Packaging -- 4.3% | | |
| Berry Plastics Holding Corp.: | | |
| 6.675%, 9/15/14 (e) | 1,915 | 1,618,175 |
| 8.875%, 9/15/14 | 1,370 | 1,253,550 |
| Graphic Packaging International Corp.: | | |
| 8.50%, 8/15/11 | 1,050 | 1,060,500 |
| 9.50%, 8/15/13 | 640 | 644,800 |
| Impress Holdings BV, 5.838%, 9/15/13 (b) (e) | 420 | 361,725 |
| Owens-Brockway Glass Container, Inc., 8.25%, 5/15/13 | 1,000 | 1,035,000 |
| Packaging Dynamics Finance Corp., 10%, 5/01/16 (b) | 1,355 | 894,300 |
| Pregis Corp., 12.375%, 10/15/13 | 1,200 | 1,167,000 |
| Rock-Tenn Co., 8.20%, 8/15/11 | 2,000 | 2,080,000 |
| Smurfit-Stone Container Enterprises, Inc., 8%, 3/15/17 | 2,375 | 2,048,438 |
| | | ----- |
| | | 12,163,488 |
| ----- | | |
| Diversified Consumer Services -- 1.0% | | |
| Service Corp. International, 7%, 6/15/17 | 3,000 | 2,910,000 |
| ----- | | |

See Notes to Financial Statements.

6 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

=====
Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

Par

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| Corporate Bonds | (000) | Value |
|---|--------|------------|
| ----- | | |
| Diversified Financial Services -- 1.5% | | |
| Axcan Intermediate Holdings, Inc., 12.75%, 3/01/16 (b) | \$ 520 | \$ 525,200 |
| Ford Motor Credit Co. LLC.: | | |
| 5.46%, 1/13/12 (e) | 435 | 367,570 |
| 7.80%, 6/01/12 | 200 | 176,947 |
| GMAC LLC: | | |
| 7.25%, 3/02/11 | 600 | 513,921 |
| 6.75%, 12/01/14 | 710 | 549,696 |
| 8%, 11/01/31 | 1,050 | 804,385 |
| Leucadia National Corp., 8.125%, 9/15/15 | 1,325 | 1,356,469 |
| | | ----- |
| | | 4,294,188 |
| ----- | | |
| Diversified Telecommunication Services -- 2.6% | | |
| Qwest Communications International, Inc., 7.50%, 2/15/14 | 2,370 | 2,322,600 |
| Qwest Corp.: | | |
| 6.05%, 6/15/13 (e) | 1,550 | 1,503,500 |
| 7.625%, 6/15/15 | 525 | 522,375 |
| Windstream Corp., 8.125%, 8/01/13 | 3,000 | 3,067,500 |
| | | ----- |
| | | 7,415,975 |
| ----- | | |
| Electric Utilities -- 1.7% | | |
| Edison Mission Energy, 7.50%, 6/15/13 | 1,875 | 1,912,500 |
| NSG Holdings LLC, 7.75%, 12/15/25 (b) | 1,030 | 1,017,125 |
| Tenaska Alabama Partners LP, 7%, 6/30/21 (b) | 1,968 | 1,824,063 |
| | | ----- |
| | | 4,753,688 |
| ----- | | |
| Electrical Equipment -- 0.4% | | |
| Coleman Cable, Inc., 9.875%, 10/01/12 | 1,025 | 943,000 |
| UCAR Finance, Inc., 10.25%, 2/15/12 | 206 | 214,240 |
| | | ----- |
| | | 1,157,240 |
| ----- | | |
| Electronic Equipment & Instruments -- 0.9% | | |
| NXP BV, 5.463%, 10/15/13 (e) | 1,315 | 1,203,225 |
| Sanmina-SCI Corp.: | | |
| 6.75%, 3/01/13 | 170 | 156,825 |
| 8.125%, 3/01/16 | 1,395 | 1,311,300 |
| | | ----- |
| | | 2,671,350 |
| ----- | | |
| Energy Equipment & Services -- 2.1% | | |
| Compagnie Generale de Geophysique-Veritas: | | |
| 7.50%, 5/15/15 | 215 | 217,687 |
| 7.75%, 5/15/17 | 320 | 326,400 |
| North American Energy Partners, Inc., 8.75%, 12/01/11 | 720 | 727,200 |
| Ocean RIG ASA, 6.70%, 4/04/11 (e) | 2,000 | 2,000,000 |
| SemGroup LP, 8.75%, 11/15/15 (b) | 2,690 | 2,622,750 |
| | | ----- |
| | | 5,894,037 |
| ----- | | |
| Food & Staples Retailing -- 1.5% | | |
| AmeriQual Group LLC, 9%, 4/01/12 (b) | 800 | 512,000 |
| National Beef Packing Co. LLC, 10.50%, 8/01/11 | 2,000 | 1,860,000 |
| Rite Aid Corp., 7.50%, 3/01/17 | 2,055 | 1,872,619 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | Par (000) | Value |
|--|--------------|--------------|
| | | 4,244,619 |
| ----- | | |
| Food Products -- 1.1% | | |
| Del Monte Corp., 8.625%, 12/15/12 | 3,024 | 3,099,600 |
| ----- | | |
| Corporate Bonds | Par (000) | Value |
| ----- | | |
| Gas Utilities -- 0.5% | | |
| El Paso Performance-Linked Trust, 7.75%, 7/15/11 (b) | \$ 1,320 | \$ 1,357,858 |
| ----- | | |
| Health Care Equipment & Supplies -- 2.6% | | |
| Catalent Pharma Solutions, Inc., 9.50%, 4/15/15 | 930 | 843,975 |
| Hologic, Inc., 2%, 12/15/37 (a) (f) | 870 | 774,300 |
| LVB Acquisition Merger Sub, Inc. (b): | | |
| 10.375%, 10/15/17 (c) | 270 | 286,875 |
| 11.625%, 10/15/17 | 270 | 286,200 |
| ReAble Therapeutics Finance LLC, 10.875%, 11/15/14 (b) | 5,300 | 5,300,000 |
| | | 7,491,350 |
| ----- | | |
| Health Care Providers & Services -- 3.9% | | |
| Community Health Systems, Inc. Series WI, 8.875%, 7/15/15 | 250 | 257,813 |
| Omnicare, Inc.: | | |
| 6.75%, 12/15/13 | 725 | 679,688 |
| Series OCR, 3.25%, 12/15/35 (a) | 800 | 583,000 |
| Tenet Healthcare Corp.: | | |
| 6.375%, 12/01/11 | 275 | 260,563 |
| 6.50%, 6/01/12 | 4,215 | 3,919,950 |
| US Oncology, Inc., 9%, 8/15/12 | 1,690 | 1,709,013 |
| United Surgical Partners International, Inc., 8.875%, 5/01/17 | 1,270 | 1,244,600 |
| Universal Hospital Services, Inc., 6.303%, 6/01/15 (e) | 310 | 279,700 |
| Vanguard Health Holding Co. II, LLC, 9%, 10/01/14 | 2,000 | 2,055,000 |
| | | 10,989,327 |
| ----- | | |
| Hotels, Restaurants & Leisure -- 7.2% | | |
| American Real Estate Partners LP, 7.125%, 2/15/13 | 1,450 | 1,326,750 |
| Caesars Entertainment, Inc., 7.875%, 3/15/10 | 1,350 | 1,279,125 |
| Galaxy Entertainment Finance Co. Ltd. (b): | | |
| 9.829%, 12/15/10 (e) | 300 | 295,500 |
| 9.875%, 12/15/12 | 550 | 555,500 |
| Great Canadian Gaming Corp., 7.25%, 2/15/15 (b) | 2,000 | 1,940,000 |
| Greektown Holdings, LLC, 10.75%, 12/01/13 (b) (g) (h) | 559 | 385,710 |
| Harrah's Operating Co., Inc., 10.75%, 2/01/18 (b) (c) | 3,250 | 2,450,391 |
| Inn of the Mountain Gods Resort & Casino, 12%, 11/15/10 | 1,550 | 1,348,500 |
| Landry's Restaurants, Inc., 9.50%, 12/15/14 | 245 | 241,325 |
| Little Traverse Bay Bands of Odawa Indians, | | |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | |
|---|-------|-----------|
| 10.25%, 2/15/14 (b) | 1,290 | 1,206,150 |
| Penn National Gaming, Inc., 6.875%, 12/01/11 | 2,025 | 1,984,500 |
| Pinnacle Entertainment, Inc., 7.50%, 6/15/15 (b) | 800 | 660,000 |
| San Pasqual Casino, 8%, 9/15/13 (b) | 975 | 931,125 |
| Shingle Springs Tribal Gaming Authority, 9.375%, 6/15/15 (b) | 360 | 314,100 |
| Station Casinos, Inc.: | | |
| 6.50%, 2/01/14 | 495 | 311,850 |
| 7.75%, 8/15/16 | 1,625 | 1,352,813 |
| 6.625%, 3/15/18 | 110 | 64,350 |

See Notes to Financial Statements.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 7

=====
Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

| | Par (000) | Value |
|--|--------------|------------|
| ----- | | |
| Corporate Bonds | | |
| ----- | | |
| Hotels, Restaurants & Leisure (concluded) | | |
| Travelport LLC, 7.307%, 9/01/14 (e) | \$ 370 | \$ 314,500 |
| Tropicana Entertainment LLC Series WI, 9.625%, 12/15/14 (g) (h) | 605 | 338,800 |
| Universal City Florida Holding Co. I, 7.623%, 5/01/10 (e) | 1,335 | 1,311,638 |
| Virgin River Casino Corp., 9%, 1/15/12 | 940 | 643,900 |
| Wynn Las Vegas LLC, 6.625%, 12/01/14 | 1,200 | 1,158,000 |
| | | ----- |
| | | 20,414,527 |
| ----- | | |
| Household Durables -- 1.0% | | |
| American Greetings Corp., 7.375%, 6/01/16 | 1,575 | 1,571,062 |
| Jarden Corp., 7.50%, 5/01/17 | 1,015 | 905,888 |
| The Yankee Candle Co., Inc., 9.75%, 2/15/17 | 345 | 269,100 |
| | | ----- |
| | | 2,746,050 |
| ----- | | |
| IT Services -- 1.2% | | |
| First Data Corp., 9.875%, 9/24/15 (b) | 1,150 | 1,040,750 |
| SunGard Data Systems, Inc., 9.125%, 8/15/13 | 2,380 | 2,451,400 |
| | | ----- |
| | | 3,492,150 |
| ----- | | |
| Independent Power Producers & Energy Traders -- 3.5% | | |
| The AES Corp., 8.75%, 5/15/13 (b) | 1,309 | 1,359,724 |
| Energy Future Holding Corp., 11.25%, 11/01/17 (b) (c) | 3,550 | 3,656,500 |
| NRG Energy, Inc.: | | |
| 7.25%, 2/01/14 | 1,625 | 1,592,500 |
| 7.375%, 2/01/16 | 1,475 | 1,438,125 |
| Texas Competitive Electric Holdings Co. LLC (b): | | |
| 10.25%, 11/01/15 | 830 | 847,638 |
| 10.50%, 11/01/16 (c) | 960 | 974,400 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | |
|--|----------|--------------|
| | | 9,868,887 |
| ----- | | |
| Insurance -- 0.7% | | |
| Alliant Holdings I, Inc., 11%, 5/01/15 (b) | 1,700 | 1,470,500 |
| USI Holdings Corp., 6.551%, 11/15/14 (b) (e) | 680 | 547,400 |
| | | 2,017,900 |
| ----- | | |
| Leisure Equipment & Products -- 0.5% | | |
| Quiksilver, Inc., 6.875%, 4/15/15 | 1,750 | 1,435,000 |
| ----- | | |
| Machinery -- 1.2% | | |
| AGY Holding Corp., 11%, 11/15/14 (b) | 1,280 | 1,177,600 |
| Accuride Corp., 8.50%, 2/01/15 | 555 | 457,875 |
| RBS Global, Inc., 8.875%, 9/01/16 | 560 | 540,400 |
| Terex Corp., 8%, 11/15/17 | 1,200 | 1,227,000 |
| | | 3,402,875 |
| ----- | | |
| Marine -- 0.2% | | |
| Navios Maritime Holdings, Inc., 9.50%, 12/15/14 | 477 | 491,310 |
| ----- | | |
| Media -- 14.8% | | |
| Affinion Group, Inc., 11.50%, 10/15/15 | 1,340 | 1,361,775 |
| Allbritton Communications Co., 7.75%, 12/15/12 | 1,850 | 1,854,625 |
| American Media Operations, Inc. Series B: 10.25%, 5/01/09 | 225 | 189,000 |
| 10.25%, 5/01/09 (b) | 8 | 6,872 |
| Barrington Broadcasting Group LLC, 10.50%, 8/15/14 | 1,125 | 984,375 |
| | Par | Value |
| Corporate Bonds | (000) | |
| ----- | | |
| Media (concluded) | | |
| CMP Susquehanna Corp., 9.875%, 5/15/14 | \$ 2,000 | \$ 1,410,000 |
| CSC Holdings, Inc. Series B, 7.625%, 4/01/11 | 2,275 | 2,275,000 |
| Cablevision Systems Corp., Series B: 7.133%, 4/01/09 (e) | 520 | 522,600 |
| 8%, 4/15/12 | 475 | 461,937 |
| Cadmus Communications Corp., 8.375%, 6/15/14 | 1,600 | 1,360,000 |
| Charter Communications Holdings I, LLC, 11%, 10/01/15 | 3,095 | 2,627,387 |
| Charter Communications Holdings II, LLC, 10.25%, 9/15/10 | 3,145 | 3,129,275 |
| Dex Media West LLC, 9.875%, 8/15/13 | 1,367 | 1,317,446 |
| DirectTV Holdings LLC, 7.625%, 5/15/16 (b) | 2,250 | 2,241,562 |
| EchoStar DBS Corp., 7.125%, 2/01/16 | 1,225 | 1,169,875 |
| Harland Clarke Holdings Corp.: 7.426%, 5/15/15 (e) | 350 | 263,375 |
| 9.50%, 5/15/15 | 420 | 344,400 |
| Liberty Media Corp., 0.75%, 3/30/23 (a) | 1,113 | 1,196,475 |
| Mediacom LLC, 9.50%, 1/15/13 | 2,425 | 2,315,875 |
| Network Communications, Inc., 10.75%, 12/01/13 | 30 | 22,950 |
| Nielsen Finance LLC.: 10%, 8/01/14 | 1,865 | 1,923,281 |
| 10%, 8/01/14 (b) | 1,945 | 2,005,781 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | |
|--|-------|------------|
| Paxson Communications Corp., 5.963%, 1/15/12 (b) (e) | 2,975 | 2,484,125 |
| ProtoStar I Ltd., 12.50%, 10/15/12 (a) (b) (e) | 823 | 814,774 |
| R.H. Donnelley Corp.: 8.875%, 10/15/17 (b) | 495 | 331,650 |
| Series A-2, 6.875%, 1/15/13 | 1,195 | 800,650 |
| Series A-3, 8.875%, 1/15/16 | 735 | 503,475 |
| Rainbow National Services LLC, 10.375%, 9/01/14 (b) | 1,232 | 1,318,240 |
| Salem Communications Corp., 7.75%, 12/15/10 | 2,475 | 2,317,219 |
| Sirius Satellite Radio, Inc., 9.625%, 8/01/13 | 500 | 428,750 |
| TL Acquisitions, Inc., 10.50%, 1/15/15 (b) | 3,970 | 3,612,700 |
| Windstream Regatta Holdings, Inc., 11%, 12/01/17 (b) | 748 | 501,160 |
| | | ----- |
| | | 42,096,609 |
| ----- | | |
| Metals & Mining -- 5.0% | | |
| Aleris International, Inc.: 9%, 12/15/14 (c) | 1,395 | 1,140,412 |
| 10%, 12/15/16 | 800 | 574,000 |
| Blaze Recycling & Metals LLC, 10.875%, 7/15/12 (b) | 200 | 190,000 |
| FMG Finance Pty Ltd. (b): 10%, 9/01/13 | 535 | 591,175 |
| 10.625%, 9/01/16 | 1,295 | 1,502,200 |
| Foundation PA Coal Co., 7.25%, 8/01/14 | 1,975 | 2,024,375 |
| Freeport-McMoRan Copper & Gold, Inc.: 5.883%, 4/01/15 (e) | 1,895 | 1,894,810 |
| 8.375%, 4/01/17 | 2,390 | 2,569,250 |
| Indalex Holding Corp. Series B, 11.50%, 2/01/14 | 1,018 | 554,810 |
| Novelis, Inc., 7.25%, 2/15/15 | 1,975 | 1,856,500 |
| Ryerson, Inc. (b): 10.248%, 11/01/14 (e) | 400 | 369,000 |
| 12%, 11/01/15 | 570 | 552,900 |
| Steel Dynamics, Inc., 7.375%, 11/01/12 (b) | 520 | 523,900 |
| | | ----- |
| | | 14,343,332 |
| ----- | | |

See Notes to Financial Statements.

8 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

| Corporate Bonds | Par (000) | Value |
|---|--------------|--------------|
| Multiline Retail -- 0.5% | | |
| Neiman Marcus Group, Inc., 9%, 10/15/15 (c) | \$ 1,475 | \$ 1,494,370 |
| Oil, Gas & Consumable Fuels -- 8.8% | | |
| Atlas Energy Resources LLC, 10.75%, | | |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | |
|--|--------------|------------|
| 2/01/18 (b) | 1,275 | 1,351,500 |
| Berry Petroleum Co., 8.25%, 11/01/16 | 510 | 522,750 |
| Chaparral Energy, Inc., 8.50%, 12/01/15 | 635 | 561,975 |
| Chesapeake Energy Corp., 7.25%, 12/15/18 | 2,500 | 2,481,250 |
| Compton Petroleum Finance Corp., 7.625%, 12/01/13 | 1,610 | 1,575,787 |
| Connacher Oil and Gas Ltd., 10.25%, 12/15/15 (b) | 1,325 | 1,397,875 |
| Copano Energy LLC, 8.125%, 3/01/16 | 695 | 714,112 |
| Corral Finans AB, 4.213%, 4/15/10 (b) (c) | 2,539 | 2,307,477 |
| EXCO Resources, Inc., 7.25%, 1/15/11 | 2,800 | 2,747,500 |
| Encore Acquisition Co., 6.25%, 4/15/14 | 2,000 | 1,930,000 |
| Forest Oil Corp.: | | |
| 7.25%, 6/15/19 | 1,220 | 1,198,650 |
| 7.25%, 6/15/19 (b) | 1,055 | 1,036,537 |
| OPTI Canada, Inc., 8.25%, 12/15/14 | 1,725 | 1,776,750 |
| Petrohawk Energy Corp., 7.875%, 6/01/15 (b) | 650 | 649,188 |
| Sabine Pass LNG LP, 7.50%, 11/30/16 | 390 | 356,363 |
| SandRidge Energy, Inc. (b): | | |
| 8.625%, 4/01/15 (c) | 1,000 | 1,027,500 |
| 8%, 6/01/18 | 990 | 1,002,375 |
| Teekay Shipping Corp., 8.875%, 7/15/11 | 2,325 | 2,484,844 |
| | | ----- |
| | | 25,122,433 |
| ----- | | |
| Paper & Forest Products -- 4.9% | | |
| Abitibi-Consolidated, Inc.: | | |
| 6.30%, 6/15/11 (e) | 2,000 | 900,000 |
| 8.85%, 8/01/30 | 195 | 76,050 |
| Ainsworth Lumber Co. Ltd.: | | |
| 6.446%, 10/01/10 (e) | 1,345 | 645,600 |
| 7.25%, 10/01/12 | 125 | 56,250 |
| 6.696%, 4/01/13 (e) | 770 | 392,700 |
| Bowater Canada Finance Corp., 7.95%, 11/15/11 | 840 | 588,000 |
| Bowater, Inc., 5.80%, 3/15/10 (e) | 2,825 | 2,231,750 |
| Domtar Corp., 7.125%, 8/15/15 | 2,750 | 2,626,250 |
| NewPage Corp.: | | |
| 10%, 5/01/12 (b) | 2,150 | 2,289,750 |
| 12%, 5/01/13 | 1,180 | 1,247,850 |
| Norske Skog Canada Ltd. Series D, 8.625%, 6/15/11 | 885 | 765,525 |
| Verso Paper Holdings LLC Series B: | | |
| 6.623%, 8/01/14 (e) | 280 | 260,400 |
| 9.125%, 8/01/14 | 1,820 | 1,870,050 |
| | | ----- |
| | | 13,950,175 |
| ----- | | |
| Personal Products -- 0.5% | | |
| Chattem, Inc., 7%, 3/01/14 | 1,400 | 1,393,000 |
| ----- | | |
| Pharmaceuticals -- 1.1% | | |
| Angiotech Pharmaceuticals, Inc., 6.432%, 12/01/13 (e) | 1,390 | 1,202,350 |
| Elan Finance Plc, 6.676%, 11/15/11 (e) | 2,000 | 1,880,000 |
| | | ----- |
| | | 3,082,350 |
| ----- | | |
| Corporate Bonds | Par (000) | Value |
| ----- | | |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | |
|--|----------|--------------|
| Real Estate Investment Trusts (REITs) -- 0.4% | | |
| FelCor Lodging LP, 8.50%, 6/01/11 | \$ 1,175 | \$ 1,195,562 |
| ----- | | |
| Real Estate Management & Development -- 2.0% | | |
| Forest City Enterprises, Inc., 7.625%, 6/01/15 | 3,025 | 2,820,812 |
| Realogy Corp.: | | |
| 10.50%, 4/15/14 | 1,280 | 960,000 |
| 11%, 4/15/14 (c) | 1,615 | 1,049,750 |
| 12.375%, 4/15/15 | 1,610 | 877,450 |
| | | ----- |
| | | 5,708,012 |
| ----- | | |
| Road & Rail -- 1.0% | | |
| Avis Budget Car Rental LLC: | | |
| 5.176%, 5/15/14 (e) | 2,800 | 2,401,000 |
| 7.625%, 5/15/14 | 600 | 540,000 |
| | | ----- |
| | | 2,941,000 |
| ----- | | |
| Semiconductors & Semiconductor Equipment -- 1.1% | | |
| Amkor Technology, Inc.: | | |
| 7.75%, 5/15/13 | 280 | 268,800 |
| 9.25%, 6/01/16 | 810 | 803,925 |
| Freescale Semiconductor, Inc.: | | |
| 6.675%, 12/15/14 (c) | 835 | 716,013 |
| 8.875%, 12/15/14 | 620 | 548,700 |
| Spanxion, Inc., 5.807%, 6/01/13 (b) (e) | 1,215 | 886,950 |
| | | ----- |
| | | 3,224,388 |
| ----- | | |
| Software -- 0.1% | | |
| BMS Holdings, Inc., 9.954%, 2/15/12 (b) (c) (e) | 677 | 406,155 |
| ----- | | |
| Specialty Retail -- 3.6% | | |
| Asbury Automotive Group, Inc., | | |
| 7.625%, 3/15/17 | 350 | 294,000 |
| AutoNation, Inc.: | | |
| 4.713%, 4/15/13 (e) | 2,875 | 2,540,781 |
| 7%, 4/15/14 | 775 | 733,344 |
| Buffets, Inc., 12.50%, 11/01/14 (g) (h) | 575 | 11,500 |
| General Nutrition Centers, Inc.: | | |
| 7.199%, 3/15/14 (c) (e) | 1,760 | 1,530,399 |
| 10.75%, 3/15/15 | 1,420 | 1,270,900 |
| Group 1 Automotive, Inc., 2.25%, 6/15/36 (a) (f) | 900 | 598,500 |
| Michaels Stores, Inc.: | | |
| 10%, 11/01/14 | 1,525 | 1,410,625 |
| 11.375%, 11/01/16 | 1,005 | 864,300 |
| United Auto Group, Inc., 7.75%, 12/15/16 | 1,110 | 1,032,300 |
| | | ----- |
| | | 10,286,649 |
| ----- | | |
| Textiles, Apparel & Luxury Goods -- 0.7% | | |
| Levi Strauss & Co., 8.875%, 4/01/16 | 2,000 | 2,025,000 |
| ----- | | |
| Thrifts & Mortgage Finance -- 0.3% | | |
| Residential Capital Corp., 7.625%, 11/21/08 | 990 | 910,800 |
| ----- | | |
| Wireless Telecommunication Services -- 5.6% | | |
| Centennial Cellular Operating Co. LLC, | | |
| 10.125%, 6/15/13 | 1,650 | 1,716,000 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

Centennial Communications Corp., 8.448%,
 1/01/13 (b) (e) 1,370 1,304,925

See Notes to Financial Statements.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 9

Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

| | Par (000) | Value |
|--|--------------|--------------|
| <hr/> | | |
| Corporate Bonds | | |
| <hr/> | | |
| Wireless Telecommunication Services (concluded) | | |
| Cricket Communications, Inc., 10.875%, 11/01/14 (b) (f) | \$ 1,285 | \$ 1,240,025 |
| Digicel Group Ltd. (b): | | |
| 8.875%, 1/15/15 | 1,160 | 1,064,300 |
| 9.125%, 1/15/15 (c) | 1,983 | 1,663,547 |
| FiberTower Corp., 9%, 11/15/12 (a) | 600 | 459,000 |
| iPCS, Inc., 4.998%, 5/01/13 (e) | 620 | 533,200 |
| MetroPCS Wireless, Inc., 9.25%, 11/01/14 | 2,540 | 2,441,575 |
| Nordic Telephone Co. Holdings ApS, 8.875%, 5/01/16 (b) | 2,400 | 2,364,000 |
| Orascom Telecom Finance SCA, 7.875%, 2/08/14 (b) | 275 | 263,313 |
| Rural Cellular Corp., 8.25%, 3/15/12 | 910 | 941,850 |
| Sprint Capital Corp., 7.625%, 1/30/11 | 1,850 | 1,789,875 |
| | | <hr/> |
| | | 15,781,610 |
| | | <hr/> |
| Total Corporate Bonds -- 108.2% | | 307,658,668 |
| <hr/> | | |

Floating Rate Loan Interests

| | | |
|---|-------|-----------|
| <hr/> | | |
| Auto Components -- 0.1% | | |
| Allison Transmission Term Loan B, 5.34% - 5.74%, 8/07/14 | 250 | 228,371 |
| <hr/> | | |
| Building Products -- 0.9% | | |
| Building Material Corp. of America First Lien Term Loan, 5.688%, 2/22/14 | 500 | 446,875 |
| Masonite International: | | |
| Term Loan, 4.63% - 5.046%, 4/06/13 | 1,051 | 996,384 |
| Term Loan B, 4.63% - 5.046%, 4/06/13 | 1,048 | 993,096 |
| | | <hr/> |
| | | 2,436,355 |
| <hr/> | | |
| Capital Markets -- 0.1% | | |
| Marsico Parent Company, LLC Term Loan B, 5.625% - 7.25%, 11/14/14 | 498 | 443,887 |
| <hr/> | | |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | |
|---|-----------|--------------|
| Chemicals -- 1.6% | | |
| PQ Corp.: | | |
| First Lien Term Loan, 8.203%, 5/29/15 | 750 | 703,125 |
| Second Lien Term Loan, 12.442%, 5/29/16 | 3,500 | 3,080,000 |
| Wellman, Inc. Second Lien Term Loan, 9.989%, 2/10/10 (g) (h) | 2,830 | 650,900 |
| | | 4,434,025 |
| ----- | | |
| Communications Equipment -- 0.6% | | |
| Alltel Corp. Term Loan B1, 5.248%, 5/16/15 | 1,750 | 1,616,563 |
| ----- | | |
| Containers & Packaging -- 0.2% | | |
| Berry Plastics Group Loan Assignment, 9.728%, 6/15/14 | 924 | 646,314 |
| ----- | | |
| Diversified Telecommunication Services -- 0.8% | | |
| Wind Telecomunicazione SpA Second Lien Term Loan, 10.92%, 12/17/14 | EUR 1,500 | 2,344,220 |
| ----- | | |
| Health Care Providers & Services -- 0.5% | | |
| Rotech Healthcare, Inc. Term Loan Assignment, 8.899%, 9/26/11 | \$ 1,625 | 1,413,866 |
| ----- | | |
| | Par | Value |
| Floating Rate Loan Interests | (000) | |
| ----- | | |
| Hotels, Restaurants & Leisure -- 0.7% | | |
| Travelport LLC -- Term Loan Assignment, 9.913%, 3/22/12 (c) | \$ 2,728 | \$ 2,128,067 |
| ----- | | |
| Household Products -- 0.2% | | |
| Spectrum Brands, Inc.: | | |
| Letter of Credit Assignment, 2.678%, 4/15/13 | 24 | 23,742 |
| Dollar Term B Loan Assignment, 6.59% - 6.734%, 4/15/13 | 495 | 471,358 |
| | | 495,100 |
| ----- | | |
| Independent Power Producers & Energy | | |
| Traders -- 1.4% | | |
| TXU Corp.: | | |
| Term Loan B-1, 6.234% - 6.49%, 10/10/14 | 220 | 206,250 |
| Term Loan B-2, 6.121% - 6.478%, 10/10/14 | 498 | 468,159 |
| Term Loan B-3, 6.234% - 6.478%, 10/10/14 | 3,482 | 3,272,679 |
| | | 3,947,088 |
| ----- | | |
| Machinery -- 0.1% | | |
| Rexnord Holdings, Inc. Loan Assignment, 10.058%, 3/02/13 | 396 | 311,127 |
| ----- | | |
| Media -- 4.0% | | |
| Affinion Group, Inc. Term Loan, 9.267%, 3/01/12 | 400 | 334,000 |
| Catalina Marketing Corporation -- Senior Unsecured Interim Loan -- Participation, 6.938%, 10/01/15 | 2,700 | 2,382,750 |
| HMH Publishing Company Ltd.: | | |
| Tranche A Term Loan, 6.901%, 11/14/14 | 2,637 | 2,412,273 |
| Mezzanine Assignment, 12.401%, 11/14/14 | 6,069 | 5,036,648 |
| New Vision Television First Lien Term Loan, | | |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | |
|---|-------|------------|
| 9.58%, 10/26/14 | 1,500 | 1,185,000 |
| | | ----- |
| | | 11,350,671 |
| ----- | | |
| Paper & Forest Products -- 0.6% | | |
| NewPage Corp. Term Loan, 6.313%, 12/07/14 | 498 | 496,817 |
| Verso Paper Finance Holdings LLC Term Loan Assignment, 9.078%, 2/01/13 | 1,169 | 1,101,072 |
| | | ----- |
| | | 1,597,889 |
| ----- | | |
| Total Floating Rate Loan Interests -- 11.8% | | 33,393,543 |
| ===== | | |

| Common Stocks | Shares | |
|---|---------|-----------|
| ----- | | |
| Capital Markets -- 0.1% | | |
| E*Trade Financial Corp. (h) | 73,574 | 301,653 |
| ----- | | |
| Communications Equipment -- 0.6% | | |
| Loral Space & Communications Ltd. (h) | 82,907 | 1,607,567 |
| ----- | | |
| Electrical Equipment -- 0.1% | | |
| Medis Technologies Ltd. (h) | 70,784 | 438,153 |
| ----- | | |
| Multi-Utilities -- 0.7% | | |
| CenterPoint Energy, Inc. | 120,441 | 2,040,278 |
| ----- | | |
| Paper & Forest Products -- 0.1% | | |
| Western Forest Products, Inc. (h) | 203,785 | 246,117 |
| ----- | | |
| Semiconductors & Semiconductor Equipment -- 0.3% | | |
| Cypress Semiconductor Corp. (h) | 31,642 | 882,179 |
| ----- | | |
| Total Common Stocks -- 1.9% | | 5,515,947 |
| ===== | | |

See Notes to Financial Statements.

10 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

Schedule of Investments (continued)

(Percentages shown are based on Net Assets)

Preferred Securities

| Capital Trusts | Par (000) | Value |
|--|--------------|--------------|
| ----- | | |
| Diversified Financial Services -- 0.7% | | |
| Citigroup, Inc., 8.40% (e) (i) | \$ 2,000 | \$ 1,982,580 |
| ----- | | |
| Total Capital Trusts -- 0.7% | | 1,982,580 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| Preferred Stocks | Shares | |
|---|--------|-----------|
| Capital Markets -- 0.0% | | |
| Marsico Parent Superholdco, LLC, 16.75% (b) (d) | 72 | 63,360 |
| Insurance -- 0.3% | | |
| American International Group, Inc., 8.50% (a) | 10,000 | 739,900 |
| Oil, Gas & Consumable Fuels -- 0.9% | | |
| EXCO Resources, Inc., 7% (a) | 43 | 516,000 |
| EXCO Resources, Inc., 11% | 175 | 2,100,000 |
| | | 2,616,000 |
| Total Preferred Stocks -- 1.2% | | 3,419,260 |
| Total Preferred Securities -- 1.9% | | 5,401,840 |

| Warrants (j) | | |
|--|--------|--------|
| Health Care Providers & Services -- 0.0% | | |
| HealthSouth Corp. (expires 1/16/14) | 32,042 | 8,011 |
| Paper & Forest Products -- 0.0% | | |
| MDP Acquisitions Plc (expires 10/01/13) | 700 | 36,559 |

| Warrants (j) | Shares | Value |
|---|--------|------------|
| Wireless Telecommunication Services -- 0.2% | | |
| American Tower Corp. (expires 8/01/08) | 825 | \$ 530,784 |
| Total Warrants -- 0.2% | | 575,354 |

| Other Interests (k) | Beneficial Interest (000) | |
|--|---------------------------|-------------|
| Media -- 0.0% | | |
| Adelphia Escrow (l) | \$ 750 | 75 |
| Adelphia Recovery Trust (l) | 941 | 3,762 |
| Total Other Interests -- 0.0% | | 3,837 |
| Total Long-Term Investments (Cost -- \$379,154,823) -- 124.0% | | 352,549,189 |

| Options Purchased | Contracts | |
|--|-----------|--------|
| Call Options Purchased | | |
| Marsico Parent Superholdco, LLC, expiring December 2019 at \$942.86 | 19 | 32,775 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | |
|---|----------------|
| Total Options Purchased (Cost -- \$18,578) -- 0.0% | 32,775 |
| ===== | |
| Total Investments (Cost -- \$379,173,401*) -- 124.0% | 352,581,964 |
| Liabilities in Excess of Other Assets -- (24.0%) | (68,221,445) |
| ----- | |
| Net Assets -- 100.0% | \$ 284,360,519 |
| ===== | |

See Notes to Financial Statements.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 11

=====

Schedule of Investments (concluded)

* The cost and unrealized appreciation (depreciation) of investments as of May 31, 2008, as computed for federal income tax purposes, were as follows:

| | |
|-------------------------------------|-----------------|
| Aggregate cost | \$ 379,728,470 |
| ===== | |
| Gross unrealized appreciation | \$ 5,886,835 |
| Gross unrealized depreciation | (33,033,341) |
| ----- | |
| Net unrealized depreciation | \$ (27,146,506) |
| ===== | |

- (a) Convertible security.
- (b) 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. Unless otherwise indicated, these securities are not considered to be illiquid.
- (c) Represents a pay-in-kind security, which may pay interest/dividends in additional face/shares.
- (d) Security is illiquid.
- (e) Variable rate security. Rate shown is as of report date.
- (f) Represents a step bond. Rate shown reflects the effective yield at the time of purchase.
- (g) Issuer filed for bankruptcy or is in default of interest payments.
- (h) Non-income producing security.
- (i) Security is perpetual in nature and has no stated maturity date.
- (j) 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.
- (k) "Other interests" represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

(1) Security is fair valued.

- 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. These industry classifications are unaudited.
- 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 (000) | Interest Income |
|---|-----------------------|--------------------|
| BlackRock Liquidity Series, LLC, Cash Sweep Series | \$ (1,570) | \$ 148,722 |

- o Forward foreign currency contracts as of May 31, 2008 were as follows:

| Currency Purchased | Currency Sold | Settlement Date | Unrealized Appreciation |
|-----------------------|------------------|--------------------|----------------------------|
| \$ 2,317,718 | EUR 1,474,000 | 7/23/08 | \$ 30,651 |

- o Swaps outstanding as of May 31, 2008 were as follows:

| | Notional Amount (000) | Unrealized Depreciation |
|---|-----------------------------|----------------------------|
| Sold credit default protection on Ford Motor Co. and receive 3.80% Broker, JPMorgan Chase Expires March 2010 | \$ 3,000 | \$ (288,513) |
| Sold credit default protection on Ford Motor Co. and receive 3.80% Broker, UBS Warburg Expires March 2010 | \$ 1,000 | (96,171) |
| Sold credit default protection on Ford Motor Co. and receive 5.00% Broker, Goldman Sachs & Co. Expires June 2010 | \$ 4,000 | (359,036) |
| Total | | \$ (743,720) |

- o Currency Abbreviation:

EUR Euro

See Notes to Financial Statements.

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

Statement of Assets and Liabilities

May 31, 2008

Assets

| | |
|--|----------------|
| Investments, at value -- unaffiliated (cost -- \$379,173,401) | \$ 352,581,964 |
| Cash | 2,297,112 |
| Foreign currency, at value (cost -- \$2,325,325) | 2,293,164 |
| Interest receivable | 7,178,389 |
| Investments sold receivable | 1,845,124 |
| Swaps receivable | 72,362 |
| Unrealized appreciation on forward foreign currency contracts | 30,651 |
| Prepaid expenses | 23,066 |
| Dividends receivable | 13,331 |
| Other assets | 23,702 |
| Total assets | 366,358,865 |

Liabilities

| | |
|---|------------|
| Loan payable | 71,700,000 |
| Investments purchased payable | 9,146,392 |
| Unrealized depreciation on swaps | 743,720 |
| Investment advisory fees payable | 183,712 |
| Income dividends payable | 105,869 |
| Interest payable | 52,966 |
| Other affiliates payable | 1,875 |
| Officer's and Directors' fees payable | 434 |
| Other accrued expenses payable | 63,378 |
| Total liabilities | 81,998,346 |

Net Assets

| | |
|------------------|----------------|
| Net assets | \$ 284,360,519 |
|------------------|----------------|

Net Assets Consist of

| | |
|--|----------------|
| Par value \$0.10 per share (37,316,497 shares issued and outstanding) | \$ 3,731,650 |
| Paid-in capital in excess of par | 522,699,017 |
| Undistributed net investment income | 3,076,301 |
| Accumulated net realized loss | (217,757,328) |
| Net unrealized appreciation/depreciation | (27,389,121) |
| Net Assets, \$7.62 net asset value per share | \$ 284,360,519 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

Statement of Operations

Year Ended May 31, 2008

| Investment Income | |
|--|-----------------|
| Interest (including \$148,722 from affiliates) | \$ 34,216,260 |
| Dividends | 320,928 |
| Facility and other fees | 36,514 |
| Other | 28,206 |
| Total income | 34,601,908 |
| Expenses | |
| Investment advisory | 2,335,178 |
| Borrowing costs | 172,272 |
| Professional | 139,927 |
| Accounting services | 77,121 |
| Printing | 47,858 |
| Officer and Directors | 23,801 |
| Custodian | 23,742 |
| Transfer agent | 23,086 |
| Registration | 12,289 |
| Miscellaneous | 42,247 |
| Total expenses excluding interest expense | 2,897,521 |
| Interest expense | 4,557,394 |
| Total expenses | 7,454,915 |
| Less fees paid indirectly | (8,531) |
| Total expenses after fees paid indirectly | 7,446,384 |
| Net investment income | 27,155,524 |
| Realized and Unrealized Gain (Loss) | |
| Net realized gain (loss) from: | |
| Investments | (9,657,195) |
| Swaps | 374,002 |
| Foreign currency | 90 |
| | (9,283,103) |
| Net change in unrealized appreciation/depreciation on: | |
| Investments | (39,200,784) |
| Swaps | (968,742) |
| Foreign currency | (53,964) |
| | (40,223,490) |
| Total realized and unrealized loss | (49,506,593) |
| Net Decrease in Net Assets Resulting from Operations | \$ (22,351,069) |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

See Notes to Financial Statements.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 13

Statements of Changes in Net Assets

| Increase (Decrease) in Net Assets: | Year Ended May 31, | |
|---|--------------------|-------------|
| | 2008 | 2007 |
| Operations | | |
| Net investment income | \$ 27,155,524 | \$ 26,588, |
| Net realized gain (loss) | (9,283,103) | 4,716, |
| Net change in unrealized appreciation/depreciation | (40,223,490) | 13,552, |
| Net increase (decrease) in net assets resulting from operations ... | (22,351,069) | 44,857, |
| Dividends to Shareholders From | | |
| Net investment income | (28,767,885) | (25,076, |
| Net Assets | | |
| Total increase (decrease) in net assets | (51,118,954) | 19,780, |
| Beginning of year | 335,479,473 | 315,698, |
| End of year | \$ 284,360,519 | \$ 335,479, |
| End of year undistributed net investment income | \$ 3,076,301 | \$ 4,631, |

Statement of Cash Flows

Year Ended May 31, 2008

| Cash Provided by Operating Activities | |
|---|-------------|
| Net decrease in net assets resulting from operations | \$ (22,351, |
| Adjustments to reconcile net decrease in net assets resulting from operations to net cash provided by operating activities: | |
| Decrease in receivables | 2,723, |
| Increase in prepaid expenses and other assets | (44, |
| Decrease in other liabilities | (218, |
| Net realized and unrealized loss | 50,381, |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | |
|--|-----------|
| Amortization of premium and discount on investments | (185, |
| Paid-in-kind income | (949, |
| Unrealized loss on foreign currency | (53, |
| Proceeds from sales and paydowns of long-term securities | 203,235, |
| Purchases of long-term securities | (143,485, |
| Net proceeds from sales of short-term investments | 1,569, |
| Net cash provided by operating activities | 90,622, |

Cash Used for Financing Activities

| | |
|--|-----------|
| Cash receipts from loan | 79,000, |
| Cash payments on loan | (137,000, |
| Cash dividends paid | (28,788, |
| Net cash used for financing activities | (86,788, |

Cash Impact from Foreign Currency Fluctuations

| | |
|--|------|
| Cash impact from foreign currency fluctuations | (32, |
|--|------|

Cash

| | |
|--|-----------|
| Net increase in cash | 3,802, |
| Cash at beginning of year | 788, |
| Net cash and foreign currency at end of year | \$ 4,590, |

Cash Flow Information

| | |
|--|-----------|
| Cash paid during the year for interest | \$ 4,643, |
|--|-----------|

See Notes to Financial Statements.

14 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

Financial Highlights

| | Year Ended M | | |
|--|--------------|------|------|
| | 2008 | 2007 | 2006 |

Per Share Operating Performance

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | | | | | |
|---|----|---------|----|---------|----|--------|
| Net asset value, beginning of year | \$ | 8.99 | \$ | 8.46 | \$ | 8.4 |
| Net investment income(1) | | 0.73 | | 0.71 | | 0.7 |
| Net realized and unrealized gain (loss) | | (1.33) | | 0.49 | | 0.0 |
| Net increase (decrease) from investment operations | | (0.60) | | 1.20 | | 0.7 |
| Dividends from net investment income | | (0.77) | | (0.67) | | (0.7) |
| Capital changes with respect to issuance of Common Stock | | -- | | -- | | - |
| Net asset value, end of year | \$ | 7.62 | \$ | 8.99 | \$ | 8.4 |
| Market price, end of year | \$ | 7.03 | \$ | 8.53 | \$ | 7.3 |
| ----- | | | | | | |
| Total Investment Return(3) | | | | | | |
| Based on net asset value | | (5.69%) | | 15.51% | | 9.7 |
| Based on market price | | (8.30%) | | 25.98% | | (3.5 |
| ----- | | | | | | |
| Ratios to Average Net Assets | | | | | | |
| Total expenses after fees paid indirectly and excluding interest expense | | 0.96% | | 1.04% | | 1.0 |
| Total expenses after fees paid indirectly | | 2.47% | | 3.38% | | 2.4 |
| Total expenses | | 2.47% | | 3.38% | | 2.4 |
| Net investment income | | 9.01% | | 8.25% | | 8.4 |
| ----- | | | | | | |
| Supplemental Data | | | | | | |
| Net assets, end of year (000) | \$ | 284,361 | \$ | 335,479 | \$ | 315,69 |
| Portfolio turnover | | 38% | | 62% | | 5 |
| Amount of loan outstanding, end of year (000) | \$ | 71,700 | \$ | 129,700 | \$ | 141,00 |
| Average amount of loan outstanding during the year (000) | \$ | 88,466 | \$ | 134,704 | \$ | 109,14 |
| Asset coverage, end of year, per \$1,000 of loan outstanding ... | \$ | 4,966 | \$ | 3,587 | \$ | 3,23 |

(1) Based on average shares outstanding.

(2) Amount is less than \$0.01 per share.

(3) Total investment returns based on market value, which can be significantly greater or lesser than net asset value, may result in substantially different returns. Total investment returns exclude the effects of sales charges.

See Notes to Financial Statements.

=====
Notes to Financial Statements

1. Significant Accounting Policies:

BlackRock Corporate High Yield Fund III, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end management investment company. The Fund's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which may require the use of management accruals and estimates. Actual results may differ from these estimates. The Fund determines and makes available for publication the net asset value of its Common Stock on a daily basis.

The following is a summary of significant accounting policies followed by the Fund:

Valuation of Investments: The Fund values its corporate bond investments on the basis of last available bid price or current market quotations provided by dealers or pricing services selected under the supervision of the Fund's Board of Directors (the "Board"). Floating rate loan interests are valued at the mean between the last available bid prices from one or more brokers or dealers as obtained from a pricing service. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrixes, market transactions in comparable investments, various relationships observed in the market between investments, and calculated yield measures based on valuation technology commonly employed in the market for such investments. Swap agreements are valued by quoted fair values received daily by the Fund's pricing service. Short-term securities are valued at amortized cost. Investments in open-end investment companies are valued at net asset value each business day.

Equity investments traded on a recognized securities exchange or on the NASDAQ Global Market System are valued at the last reported sale price that day or the NASDAQ official closing price, if applicable. Equity investments traded on a recognized securities exchange for which there were no sales on that day are valued at the last available bid price.

Exchange-traded options are valued at the mean between the last bid and ask prices at the close of the options market in which the options trade. Over-the-counter ("OTC") options are valued by an independent pricing service using a mathematical model that incorporates a number of market data factors.

In the event that application of these methods of valuation results in a price for an investment which is deemed not to be representative of the market value of such investment, the investment will be valued by a method approved by the Board as reflecting fair value ("Fair Value Assets"). When determining the price for Fair Value Assets, the investment advisor and/or sub-advisor seeks to determine the price that the Fund might reasonably expect to receive from the current sale of that asset in an arm's-length transaction. Fair value determinations shall be based upon all available factors that the investment advisor and/or subadvisor deems relevant. The pricing of all Fair Value Assets is subsequently reported to the Board or a committee thereof.

Generally, trading in foreign securities is substantially completed each day at

various times prior to the close of business on the New York Stock Exchange ("NYSE"). The values of such securities used in computing the net assets of the Fund are determined as of such times. Foreign currency exchange rates will be determined as of the close of business on the NYSE. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of business on the NYSE that may not be reflected in the computation of the Fund's net assets. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities may be valued at their fair value as determined in good faith by the Board or by the investment advisor using a pricing service and/or procedures approved by the Board.

Derivative Financial Instruments: The Fund may engage in various portfolio investment strategies to increase the return of the Fund and to hedge, or protect, its exposure to interest rate movements and movements in the securities markets. Losses may arise if the value of the contract decreases due to an unfavorable change in the price of the underlying security or if the counterparty does not perform under the contract.

- o Forward foreign currency contracts -- The Fund may enter into forward foreign currency contracts as a hedge against either specific transactions or portfolio positions. Forward currency contracts, when used by the Fund, help to manage the overall exposure to the foreign currency backing some of the investments held by the Fund. The contract is marked-to-market daily and the change in market value is recorded by the Fund as an unrealized gain or loss. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed.
- o Options -- The Fund may purchase and write call and put options. When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. When a security is purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium received or paid).

=====
Notes to Financial Statements (continued)

A call option gives the purchaser of the option the right (but not the obligation) to buy, and obligates the seller to sell (when the option is exercised), the underlying position at the exercise price at any time or at a specified time during the option period. A put option gives the holder the right to sell and obligates the writer to buy the underlying position at the exercise price at any time or at a specified time during the option period.

- o Credit default swaps -- The Fund may invest in credit default swaps, which are agreements in which one party pays fixed periodic payments to a

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

counterparty in consideration for a guarantee from the counter-party to make a specific payment should a negative credit event take place. These periodic payments received or made by the Fund are recorded in the accompanying Statement of Operations as realized gains or losses, respectively. Gains or losses are realized upon termination of the swap agreements. Swaps are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). When the swap is terminated, the Fund will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Fund's basis in the contract, if any.

Foreign Currency Transactions: Foreign currency amounts are translated into United States dollars on the following basis: (i) market value of investment securities, assets and liabilities at the current rate of exchange; and (ii) purchases and sales of investment securities, income and expenses at the rates of exchange prevailing on the respective dates of such transactions.

The Fund reports foreign currency related transactions as components of realized gains for financial reporting purposes, whereas such components are treated as ordinary income for federal income tax purposes.

Floating Rate Loans: The Fund invests in floating rate loans, which are generally non-investment grade, made by banks, other financial institutions and privately and publicly offered corporations. Floating rate loans generally pay interest at rates that are periodically determined 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 European banks, such as LIBOR (London InterBank Offered Rate), (ii) the prime rate offered by one or more U.S. banks or (iii) the certificate of deposit rate. The Fund considers these investments to be investments in debt securities for purposes of its investment policies.

The Fund earns and/or pays facility and other fees on floating rate loans. Other fees earned/paid include commitment, amendment, consent, commissions and prepayment penalty fees. Facility, amendment and consent fees are typically amortized as premium and/or accreted as discount over the term of the loan. Commitment, commission and various other fees are recorded as income or expense. Prepayment penalty fees are recognized on the accrual method. When the Fund buys a floating rate loan it may receive a facility fee and when it sells a floating rate loan it may pay a facility fee. On an ongoing basis, a Fund may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a floating rate loan. In certain circumstances, a Fund may receive a prepayment penalty fee upon the prepayment of a floating rate loan by a borrower. Other fees received by a Fund may include covenant waiver fees and covenant modification fees.

The Fund may invest in multiple series or tranches of a loan. A different series or tranche may have varying terms and carry different associated risks.

Floating rate loans are usually freely callable at the issuer's option. The Fund may invest in such loans in the form of participations in loans ("Participations") and assignments of all or a portion of loans from third parties. Participations typically will result in the Fund having a contractual relationship only with the lender, not with the borrower.

The Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the Participation and only upon receipt by the lender of the payments from the borrower. In connection with purchasing Participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loans, nor any rights of offset against the borrower, and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the Participation.

As a result, the Fund will assume the credit risk of both the borrower and the lender that is selling the Participation. The Fund's investments in loan participation interests involve the risk of insolvency of the financial intermediaries who are parties to the transactions. In the event of the insolvency of the lender selling the Participation, the Fund may be treated as a general creditor of the lender and may not benefit from any offset between the lender and the borrower.

Capital Trusts: These securities are typically issued by corporations, generally in the form of interest-bearing notes with preferred securities characteristics, or by an affiliated business trust of a corporation, generally in the form of beneficial interests in subordinated debentures or similarly structured securities. The securities can be structured as either fixed or adjustable coupon securities that can have either a perpetual or stated maturity date. Dividends can be deferred without creating an event of default or acceleration, although maturity cannot take place unless all cumulative payment obligations have been met. The deferral of payments does not affect the purchase or sale of these securities in the open market. Payments on these securities are treated as interest rather than dividends for Federal income tax purposes. These securities can have a rating that is slightly below that of the issuing company's senior debt securities.

Preferred Stock: The Fund may invest in preferred stocks. Preferred stock has a preference over common stock in liquidation (and generally in receiving dividends as well) but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 17

=====

Notes to Financial Statements (continued)

with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Segregation: In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission ("SEC") require that the Fund segregate assets in connection with certain investments (e.g., futures) and certain borrowings, the Fund will, consistent with certain interpretive letters issued by the SEC, designate on its books and records cash or other liquid debt securities having a market value at least equal to the amount that would otherwise be required to be physically segregated.

Investment Transactions and Investment Income: Investment transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Fund has determined the ex-dividend date.

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

Interest income is recognized on the accrual basis. The Fund amortizes all premiums and discounts on debt securities.

Dividends and Distributions: Dividends from net investment income are declared and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

Income Taxes: It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no federal income tax provision is required. Under the applicable foreign tax laws, a withholding tax may be imposed on interest, dividends and capital gains at various rates.

Effective November 30, 2007, the Fund implemented Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, including investment companies, before being measured and recognized in the financial statements. The investment advisor has evaluated the application of FIN 48 to the Fund, and has determined that the adoption of FIN 48 does not have a material impact on the Fund's financial statements. The Fund files U.S. federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Fund's U.S. federal tax returns remain open for the years ended May 31, 2005 through May 31, 2007. The statutes of limitations on the Fund's state and local tax returns may remain open for an additional year depending upon the jurisdiction.

Recent Accounting Pronouncements: In September 2006, Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"), was issued and is effective for fiscal years beginning after November 15, 2007. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The impact on the Fund's financial statement disclosures, if any, is currently being assessed.

In addition, in February 2007, Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"), was issued and is effective for fiscal years beginning after November 15, 2007. FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. FAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The impact on the Fund's financial statement disclosures, if any, is currently being assessed.

In March 2008, Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities -- an amendment of FASB Statement No. 133" ("FAS 161"), was issued and is effective for fiscal years beginning after November 15, 2008. FAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect an entity's results of operations and financial position. The impact on the Fund's financial statement disclosures, if any, is currently being assessed.

Deferred Compensation and BlackRock Closed-End Share Equivalent Investment Plan: Under the deferred compensation plan approved by the Fund's Board, non-interested Directors ("Independent Directors") may defer a portion of their annual complex-wide compensation. Deferred amounts earn an approximate return as

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

though equivalent dollar amounts have been invested in common shares of other certain BlackRock Closed-End Funds selected by the Independent Directors. This has approximately the same economic effect for the Independent Directors as if the Independent Directors had invested the deferred amounts directly in other certain BlackRock Closed-End Funds.

18 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

=====

Notes to Financial Statements (continued)

The deferred compensation plan is not funded and obligations thereunder represent general unsecured claims against the general assets of the Fund. The Fund may, however, elect to invest in common stock of other certain BlackRock Closed-End Funds selected by the Independent Directors in order to match its deferred compensation obligations.

Other: Expenses directly related to the Fund are charged to that Fund. Other operating expenses shared by several funds are pro-rated among those funds on the basis of relative net assets or other appropriate methods.

2. Investment Advisory Agreement and Other Transactions with Affiliates:

The Fund entered into an Investment Advisory Agreement with BlackRock Advisors, LLC (the "Advisor"), an indirect, wholly owned subsidiary of BlackRock, Inc., to provide investment advisory and administration services. Merrill Lynch & Co., Inc. and The PNC Financial Services Group, Inc. are principal owners of BlackRock, Inc.

The Advisor is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays the Advisor a monthly fee at an annual rate of 0.60% of the average daily value of the Fund's net assets plus the proceeds of any outstanding borrowings used for leverage.

The Advisor has entered into a separate sub-advisory agreement with BlackRock Financial Management, Inc. ("BFM"), an affiliate of the Advisor, under which the Advisor pays BFM, for services it provides, a monthly fee that is an annual percentage of the investment advisory fee paid by the Fund to the Advisor.

For the year ended May 31, 2008, the Fund reimbursed the Advisor \$5,298, for certain accounting services, which is included in accounting services in the Statement of Operations.

Pursuant to the terms of the custody agreement, custodian fees may be reduced by amounts calculated on uninvested cash balances, which are shown on the Statement of Operations as fees paid indirectly.

Certain officers and/or directors of the Fund are officers and/or directors of BlackRock, Inc. or its affiliates.

3. Investments:

Purchases and sales (including paydowns) of investments, excluding short-term securities, for the year ended May 31, 2008 were \$147,334,146 and \$201,930,377, respectively.

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

4. Capital Share Transactions:

The Fund is authorized to issue 200,000,000 shares of capital stock, par value \$0.10, all of which were initially classified as Common Stock. The Board is authorized, however, to classify and reclassify any unissued shares of capital stock without approval of the holders of Common Stock.

Shares issued and outstanding during the years ended May 31, 2008 and May 31, 2007 remained constant.

5. Short-Term Borrowings:

On May 16, 2008, the Fund renewed its revolving credit and security agreement funded by a commercial paper asset securitization program with Citicorp North America, Inc. ("Citicorp") as agent, certain secondary backstop lenders, and certain asset securitization conduits as lenders (the "Lenders"). The agreement was renewed for one year and has a maximum limit of \$143,000,000. Under the Citicorp program, the conduits will fund advances to the Fund through the issuance of highly rated commercial paper. As security for its obligations to the Lenders under the revolving securitization facility, the Fund has granted a security interest in substantially all of its assets to and in favor of the Lenders. The interest rate on the Fund's borrowings is based on the interest rate carried by the commercial paper plus a program fee. The Fund pays additional borrowing costs including a backstop commitment fee. These amounts are shown on the Statement of Operations as borrowing costs.

For the year ended May 31, 2008, the daily weighted average interest rate was 5.15%.

6. Income Tax Information:

Reclassification: Accounting principles generally accepted in the United States of America require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. Accordingly, during the current year, \$18,095,581 has been reclassified between paid-in capital in excess of par and accumulated net realized capital losses, and \$57,339 has been reclassified between accumulated net realized capital losses and undistributed net investment income as a result of permanent differences attributable to expiration of capital loss carryforwards, amortization methods on fixed income securities, and foreign currency transactions. These reclassifications have no effect on net assets or net asset values per share.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 19

=====

Notes to Financial Statements (concluded)

The tax character of distributions paid during the fiscal years ended May 31, 2008 and May 31, 2007 was as follows:

| | 5/31/2008 | 5/31/2007 |
|-----------------------------------|--------------|--------------|
| Distributions paid from: | | |
| Ordinary income | \$28,767,885 | \$25,076,686 |
| Total taxable distributions | \$28,767,885 | \$25,076,686 |
| | \$28,767,885 | \$25,076,686 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

As of May 31, 2008, the components of accumulated losses on a tax basis were as follows:

| | |
|---|-----------------|
| Undistributed net ordinary income | \$ 3,543,427 |
| Undistributed long-term net capital gains | -- |
| Total undistributed net earnings | 3,543,427 |
| Capital loss carryforward | (208,933,784) * |
| Net unrealized losses | (36,679,791) ** |
| Total accumulated net losses | \$(242,070,148) |

* On May 31, 2008, the Fund had a capital loss carryforward of \$208,933,784, of which \$34,200,029 expires in 2009, \$52,918,036 expires in 2010, \$119,513,437 expires in 2011, \$1,938,881 expires in 2012 and \$363,401 expires in 2016. This amount will be available to offset any future realized capital gains.

** The difference between book-basis and tax-basis net unrealized losses is attributable primarily to the tax deferral of losses on wash sales, the difference between book and tax amortization methods for premiums and discounts on fixed income securities, the book/tax differences in the accrual of income on securities in default, the realization for tax purposes of unrealized gains (losses) on certain foreign currency contracts, the deferral of post-October capital losses for tax purposes, the accounting for swap agreements and other book/tax temporary differences.

7. Subsequent Event:

The Fund paid a net investment income dividend in the amount of \$0.060000 per share on June 30, 2008 to shareholders of record on June 16, 2008.

20 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

=====

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of BlackRock Corporate High Yield Fund III, Inc.:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of BlackRock Corporate High Yield Fund III, Inc. (the "Fund") as of May 31, 2008, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

investment advisory agreement (the "Advisory Agreement") with BlackRock Advisors, LLC (the "Advisor"), the Fund's investment adviser. The Board also considered the approval of the Fund's subadvisory agreement (the "Subadvisory Agreement" and, together with the "Advisory Agreement," the "Agreements") between the Advisor and BlackRock Financial Management Inc. (the "Subadvisor"). The Advisor and the Subadvisor are collectively referred to herein as the "Advisors" and, together with BlackRock, Inc., "BlackRock."

Activities and Composition of the Board

The Board of Directors of the Fund consists of thirteen individuals, eleven of whom are not "interested persons" of the Fund as defined in the Investment Company Act of 1940 (the "1940 Act") (the "Independent Directors"). The Directors are responsible for the oversight of the operations of the Fund and perform the various duties imposed on the directors of investment companies by the 1940 Act. The Independent Directors have retained independent legal counsel to assist them in connection with their duties. The Chairman of the Board is an Independent Director. The Board has established four standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee and a Performance Oversight Committee.

Advisory Agreement and Subadvisory Agreement

Upon the consummation of the combination of BlackRock, Inc.'s investment management business with Merrill Lynch & Co., Inc.'s investment management business, including Merrill Lynch Investment Managers, L.P., and certain affiliates, the Fund entered into the Advisory Agreement and the Subadvisory Agreement, each with an initial two-year term. Consistent with the 1940 Act, after the Advisory and Subadvisory Agreement's respective initial two-year term, the Board is required to consider the continuation of the Fund's Advisory Agreement and Subadvisory Agreement on an annual basis. In connection with this process, the Board assessed, among other things, the nature, scope and quality of the services provided to the Fund by the personnel of BlackRock and its affiliates, including investment management, administrative services, secondary market support services, oversight of fund accounting, and assistance in meeting legal and regulatory requirements. The Board also received and assessed information regarding the services provided to the Fund by certain unaffiliated service providers.

Throughout the year, the Board also considered a range of information in connection with its oversight of the services provided by BlackRock and its affiliates. Among the matters the Board considered were: (a) investment performance for one, three and five years, as applicable, against peer funds, as well as senior management and portfolio managers' analysis of the reasons for underperformance, if applicable; (b) fees, including advisory and other fees paid to BlackRock and its affiliates by the Fund, such as transfer agency fees and fees for marketing and distribution; (c) Fund operating expenses paid to third parties; (d) the resources devoted to and compliance reports relating to the Fund's investment objective, policies and restrictions; (e) the Fund's compliance with its Code of Ethics and compliance policies and procedures; (f) the nature, cost and character of non-investment management services provided by BlackRock and its affiliates; (g) BlackRock's and other service providers' internal controls; (h) BlackRock's implementation of the proxy voting guidelines approved by the Board; (i) the use of equity brokerage commissions and execution quality; (j) valuation and liquidity procedures; and (k) reviews of BlackRock's business, including BlackRock's response to the increasing scale of its business.

Board Considerations in Approving the Advisory Agreement and Subadvisory Agreement

To assist the Board in its evaluation of the Agreements, the Directors received

information from BlackRock in advance of the April 22, 2008 meeting which detailed, among other things, the organization, business lines and capabilities of the Advisors, including: (a) the responsibilities of various departments and key personnel and biographical information relating to key personnel; (b) financial statements for BlackRock; (c) the advisory and/or administrative fees paid by the Fund to the Advisors, including comparisons, compiled by Lipper, an independent third party, with the management fees of funds with similar investment objectives ("Peers"); (d) the profitability of BlackRock and certain industry profitability analyses for advisers to registered investment companies; (e) the expenses of BlackRock in providing various services; (f) non-investment advisory reimbursements, if applicable, and "fallout" benefits to BlackRock; (g) economies of scale, if any, generated through the Advisors' management of all of the BlackRock closed-end funds (the "Fund Complex"); (h) the expenses of the Fund, including comparisons of the Fund's expense ratios (both before and after any fee waivers) with the expense ratios of its Peers; and (i) the Fund's performance for the past one-, three- and five-year periods, when applicable, as well as the Fund's performance compared to its Peers.

The Board also considered other matters it deemed important to the approval process, where applicable, such as payments made to BlackRock or its affiliates relating to the distribution of Fund shares, services related to the valuation and pricing of Fund portfolio holdings, allocation of fund brokerage fees (including the related benefits to BlackRock of "soft dollars") and direct and indirect benefits to BlackRock and its affiliates from their relationship with the Fund.

In addition to the foregoing materials, independent legal counsel to the Independent Directors provided a legal memorandum outlining, among other things, the duties of the Board under the 1940 Act, as well as the general principles of relevant law in reviewing and approving advisory contracts, the requirements of the 1940 Act in such matters, an adviser's fiduciary duty with respect to advisory agreements and compensation,

22 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

=====
Disclosure of Investment Advisory Agreement and Subadvisory Agreement
(continued)

and the standards used by courts in determining whether investment company boards of directors have fulfilled their duties and the factors to be considered by boards in voting on advisory agreements.

The Independent Directors reviewed this information and discussed it with independent legal counsel prior to the meeting on April 22, 2008. At the Board meeting on April 22, 2008, BlackRock made a presentation to and responded to questions from the Board. Following the meeting on April 22, 2008, the Board presented BlackRock with questions and requests for additional information. BlackRock responded to these requests with additional written materials provided to the Directors prior to the meetings on May 29 and 30, 2008. At the Board meeting on May 29 and 30, 2008, BlackRock responded to further questions from the Board. In connection with BlackRock's presentations, the Board considered each Agreement and, in consultation with independent legal counsel, reviewed the factors set out in judicial decisions and Securities and Exchange Commission ("SEC") statements relating to the renewal of the Agreements.

I. Matters Considered by the Board

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

In connection with its deliberations with respect to the Agreements, the Board considered all factors it believed relevant with respect to the Fund, including the following: the nature, extent and quality of the services provided by the Advisors; the investment performance of the Fund; the costs of the services to be provided and profits to be realized by the Advisors and their affiliates from their relationship with the Fund; the extent to which economies of scale would be realized as the Fund Complex grows; and whether BlackRock realizes other benefits from its relationship with the Fund.

A. Nature, Extent and Quality of the Services: In evaluating the nature, extent and quality of the Advisors' services, the Board reviewed information concerning the types of services that the Advisors provide and are expected to provide to the Fund, narrative and statistical information concerning the Fund's performance record and how such performance compares to the Fund's Peers, information describing BlackRock's organization and its various departments, the experience and responsibilities of key personnel and available resources. The Board noted the willingness of the personnel of BlackRock to engage in open, candid discussions with the Board. The Board further considered the quality of the Advisors' investment process in making portfolio management decisions.

In addition to advisory services, the Directors considered the quality of the administrative or non-investment advisory services provided to the Fund. In this regard, the Advisors and their affiliates provided the Fund with such administrative, transfer agency, shareholder and other services, as applicable (exclusive of, and in addition to, any such services provided by others for the Fund), and officers and other personnel as are necessary for the operations of the Fund. In addition to investment management services, the Advisors and their affiliates provided the Fund with services such as: preparing shareholder reports and communications, including annual and semi-annual financial statements and Fund websites; communications with analysts to support secondary market trading; assisting with daily accounting and pricing; preparing periodic filings with regulators and stock exchanges; overseeing and coordinating the activities of other service providers; administering and organizing Board meetings and preparing the Board materials for such meetings; providing legal and compliance support (such as helping to prepare proxy statements and responding to regulatory inquiries); and performing other Fund administrative tasks necessary for the operation of the Fund (such as tax reporting and fulfilling regulatory filing requirements). The Board considered the Advisors' policies and procedures for assuring compliance with applicable laws and regulations.

B. The Investment Performance of the Fund and BlackRock: As previously noted, the Board received performance information regarding the Fund and its Peers. Among other things, the Board received materials reflecting the Fund's historic performance and the Fund's performance compared to its Peers. More specifically, the Fund's one-, three- and five-year total returns (when applicable) were evaluated relative to its respective Peers (including the Peers' median performance).

The Board reviewed a narrative analysis of the Peer rankings prepared by Lipper and summarized by BlackRock at the Board's request. The summary placed the Peer rankings into context by analyzing various factors that affect these comparisons.

The Board noted that in general the Fund performed better than its Peers in that its performance was at or above the median in at least two for the one-, three- and five-year periods reported.

After considering this information, the Boards concluded that the performance of the Fund, in light of and after considering the other facts and circumstances applicable to the Fund, supports a conclusion that the Fund's Agreements should be renewed.

C. Consideration of the Advisory Fees and the Cost of the Services and Profits to be Realized by BlackRock and its Affiliates from the Relationship with the Fund: In evaluating the management fees and expenses that a Fund is expected to bear, the Board considered the Fund's current management fee structure and the Fund's expense ratios in absolute terms as well as relative to the fees and expense ratios of its applicable Peers. The Board, among other things, reviewed comparisons of the Fund's gross management fees before and after any applicable reimbursements and fee waivers and total expense ratios before and after any applicable waivers with those of its applicable Peers. The Board also reviewed a narrative analysis of the Peer rankings prepared by Lipper and summarized by BlackRock at the request of the Board. This summary placed the Peer rankings into context by analyzing various factors that affect these comparisons.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 23

=====

Disclosure of Investment Advisory Agreement and Subadvisory Agreement
(continued)

The Board noted that the Fund paid contractual management fees lower than or equal to the median contractual fees paid by its Peers. This comparison was made without giving effect to any expense reimbursements or fee waivers.

The Board also compared the management fees charged and services provided to the closed-end investment companies managed by the Advisors to the management fees charged by the Advisors to other types of clients (such as open-end investment companies and separately managed institutional accounts) in similar investment categories. The Board noted certain differences in services provided and costs incurred by the Advisors with respect to closed-end funds compared to separately managed accounts and open-end funds in general and the reasons for such differences.

In connection with the Board's consideration of the fees and expense information, the Board reviewed the considerable investment management experience of the Advisors and considered the high level of investment management, administrative and other services provided by the Advisors. In light of these factors and the other facts and circumstances applicable to the Fund, the Board concluded that the fees paid and level of expenses incurred by the Fund under its Agreements support a conclusion that the Fund's Agreements should be renewed.

D. Profitability of BlackRock: The Board also considered BlackRock's profitability in conjunction with its review of fees. The Board reviewed BlackRock's profitability with respect to the Fund Complex and other fund complexes managed by the Advisors. In reviewing profitability, the Board recognized that one of the most difficult issues in determining profitability is establishing a method of allocating expenses. The Board also reviewed BlackRock's assumptions and methodology of allocating expenses, noting the inherent limitations in allocating costs among various advisory products. The Board also recognized that individual fund or product line profitability of other advisors is generally not publicly available.

The Board recognized that profitability may be affected by numerous factors including, among other things, the types of funds managed, expense allocations and business mix, and therefore comparability of profitability is somewhat limited. Nevertheless, to the extent available, the Board considered BlackRock's operating margin compared to the operating margin estimated by BlackRock for a

leading investment management firm whose operations consist primarily of advising closed-end funds. The comparison indicated that BlackRock's operating margin was approximately the same as the operating margin of such firm.

In evaluating the reasonableness of the Advisors' compensation, the Board also considered any other revenues paid to the Advisors, including partial reimbursements paid to the Advisors for certain non-investment advisory services, if applicable. The Board noted that these payments were less than the Advisors' costs for providing these services. The Board also considered indirect benefits (such as soft dollar arrangements) that the Advisors and their affiliates are expected to receive, which are attributable to their management of the Fund.

The Board concluded that BlackRock's profitability, in light of all the other facts and circumstances applicable to the Fund, supports a conclusion that the Fund's Agreements should be renewed.

E. Economies of Scale: In reviewing the Fund's fees and expenses, the Board examined the potential benefits of economies of scale, and whether any economies of scale should be reflected in the Fund's fee structure, for example through the use of breakpoints for the Fund or the Fund Complex. In this regard, the Board reviewed information provided by BlackRock, noting that most closed-end fund complexes do not have fund-level breakpoints because closed-end funds generally do not experience substantial growth after their initial public offering and each fund is managed independently consistent with its own investment objectives. The Board noted that only three closed-end funds in the Fund Complex have breakpoints in their respective fee structures. Information provided by Lipper also revealed that only one closed-end fund complex used a complex-level breakpoint structure.

24 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

=====
Disclosure of Investment Advisory Agreement and Subadvisory Agreement
(concluded)

F. Other Factors: In evaluating fees, the Board also considered indirect benefits or profits the Advisors or their affiliates may receive as a result of their relationships with the Fund ("fall-out benefits"). The Directors, including the Independent Directors, considered the intangible benefits that accrue to the Advisors and their affiliates by virtue of their relationships with the Fund, including potential benefits accruing to the Advisors and their affiliates as a result of participating in offerings of the Fund's shares, potentially stronger relationships with members of the broker-dealer community, increased name recognition of the Advisors and their affiliates, enhanced sales of other investment funds and products sponsored by the Advisors and their affiliates and increased assets under management which may increase the benefits realized by the Advisors from soft dollar arrangements with broker-dealers. The Board also considered the unquantifiable nature of these potential benefits.

II. Conclusion with Respect to the Agreements

In reviewing the Agreements, the Directors did not identify any single factor discussed above as all-important or controlling and different Directors may have attributed different weights to the various factors considered. The Directors, including the Independent Directors, unanimously determined that each of the factors described above, in light of all the other factors and all of the facts and circumstances applicable to the Fund, was acceptable for the Fund and

supported the Directors' conclusion that the terms of each Agreement were fair and reasonable, that the Fund's fees are reasonable in light of the services provided to the Fund and that each Agreement should be approved.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC.

MAY 31, 2008

25

=====

Automatic Dividend Reinvestment Plan

How the Plan Works -- The Fund offers a Dividend Reinvestment Plan (the "Plan") under which income and capital gains dividends paid by a Fund are automatically reinvested in additional shares of Common Stock of the Fund. The Plan is administered on behalf of the shareholders by Computershare Trust Company, N.A. (the "Plan Agent"). Under the Plan, whenever the Fund declares a dividend, participants in the Plan will receive the equivalent in shares of Common Stock of the Fund. The Plan Agent will acquire the shares for the participant's account either (i) through receipt of additional unissued but authorized shares of the Fund's ("newly issued shares") or (ii) by purchase of outstanding shares of Common Stock on the open market on the New York Stock Exchange or elsewhere. If, on the dividend payment date, the Fund's net asset value per share is equal to or less than the market price per share plus estimated brokerage commissions (a condition often referred to as a "market premium"), the Plan Agent will invest the dividend amount in newly issued shares. If the Fund's net asset value per share is greater than the market price per share (a condition often referred to as a "market discount"), the Plan Agent will invest the dividend amount by purchasing on the open market additional shares. If the Plan Agent is unable to invest the full dividend amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any uninvested portion in newly issued shares. The shares acquired are credited to each shareholder's account. The amount credited is determined by dividing the dollar amount of the dividend by either (i) when the shares are newly issued, the net asset value per share on the date the shares are issued or (ii) when shares are purchased in the open market, the average purchase price per share.

Participation in the Plan -- Participation in the Plan is automatic, that is, a shareholder is automatically enrolled in the Plan when he or she purchases shares of Common Stock of the Fund unless the shareholder specifically elects not to participate in the Plan. Shareholders who elect not to participate will receive all dividend distributions in cash. Shareholders who do not wish to participate in the Plan must advise the Plan Agent in writing (at the address set forth below) that they elect not to participate in the Plan. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by writing to the Plan Agent.

Benefits of the Plan -- The Plan provides an easy, convenient way for shareholders to make additional, regular investments in the Fund. The Plan promotes a long-term strategy of investing at a lower cost. All shares acquired pursuant to the Plan receive voting rights. In addition, if the market price plus commissions of a Fund's shares is above the net asset value, participants in the Plan will receive shares of the Fund for less than they could otherwise purchase them and with a cash value greater than the value of any cash distribution they would have received. However, there may not be enough shares available in the market to make distributions in shares at prices below the net asset value. Also, since the Fund does not redeem shares, the price on resale may be more or less than the net asset value.

Plan Fees -- There are no enrollment fees or brokerage fees for participating in

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

the Plan. The Plan Agent's service fees for handling the reinvestment of distributions are paid for by the Fund. However, brokerage commissions may be incurred when the Fund purchases shares on the open market and shareholders will pay a pro rata share of any such commissions.

Tax Implications -- The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. Therefore, income and capital gains may still be realized even though shareholders do not receive cash. The value of shares acquired pursuant to the Plan will generally be excluded from gross income to the extent that the cash amount reinvested would be excluded from gross income. If, when the Fund's shares are trading at a market premium, the Fund issues shares pursuant to the Plan that have a greater fair market value than the amount of cash reinvested, it is possible that all or a portion of the discount from the market value (which may not exceed 5% of the fair market value of the Fund's shares) could be viewed as a taxable distribution. If the discount is viewed as a taxable distribution, it is also possible that the taxable character of this discount would be allocable to all the shareholders, including shareholders who do not participate in the Plan. Thus, shareholders who do not participate in the Plan might be required to report as ordinary income a portion of their distributions equal to their allocable share of the discount.

Contact Information -- All correspondence concerning the Plan, including any questions about the Plan, should be directed to the Plan Agent at Computershare Trust Company, N.A., P.O. Box 43010, Providence, RI 02940-3010, Telephone: (800) 426-5523.

26 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

=====
Officers and Directors

| Name, Address and Year of Birth | Position(s) Held with Fund | Length of Time Served as a Director(2) | Principal Occupation(s) During Past Five Years | |
|--|--|--|--|--------|
| ----- Non-Interested Directors(1) ----- | | | | |
| Richard E. Cavanagh 40 East 52nd Street New York, NY 10022 1946 | Chairman of the Board and Director | Since 2007 | Trustee, Aircraft Finance Trust since 1999; Director, The Guardian Life Insurance Company of America since 1998; Chairman and Trustee, Educational Testing Service since 1997; Director, The Fremont Group since 1996; Formerly President and Chief Executive Officer of The Conference Board, Inc. (global business research organization) from 1995 to 2007. | 1 1 |
| Karen P. Robards 40 East 52nd Street | Vice Chair of the Board, | Since 2007 | Partner of Robards & Company, LLC (financial advisory firm) since | 1 1 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | | | |
|--|---|--|---|----------------|
| <p>New York, NY 10022 1950</p> | <p>Chair of the Audit Committee and Director</p> | <p>1987; Co-founder and Director of the Cooke Center for Learning and Development, (a not-for-profit organization) since 1987; Formerly Director of Enable Medical Corp. from 1996 to 2005; Formerly an investment banker at Morgan Stanley from 1976 to 1987.</p> | | |
| <hr/> | | | | |
| <p>G. Nicholas Beckwith, III 40 East 52nd Street New York, NY 10022 1945</p> | <p>Director</p> | <p>Since 2007</p> | <p>Chairman and Chief Executive Officer, Arch Street Management, LLC (Beckwith Family Foundation) and various Beckwith property companies since 2005; Chairman of the Board of Directors, University of Pittsburgh Medical Center since 2002; Board of Directors, Shady Side Hospital Foundation since 1977; Board of Directors, Beckwith Institute for Innovation In Patient Care since 1991; Member, Advisory Council on Biology and Medicine, Brown University since 2002; Trustee, Claude Worthington Benedum Foundation (charitable foundation) since 1989; Board of Trustees, Chatham College since 1981; Board of Trustees, University of Pittsburgh since 2002; Emeritus Trustee, Shady Side Academy since 1977; Formerly Chairman and Manager, Penn West Industrial Trucks LLC (sales, rental and servicing of material handling equipment) from 2005 to 2007; Formerly Chairman, President and Chief Executive Officer, Beckwith Machinery Company (sales, rental and servicing of construction and equipment) from 1985 to 2005; Formerly Board of Directors, National Retail Properties (REIT) from 2006 to 2007.</p> | <p>1 1</p> |
| <hr/> | | | | |
| <p>Kent Dixon 40 East 52nd Street New York, NY 10022 1937</p> | <p>Director and Member of the Audit Committee</p> | <p>Since 2007</p> | <p>Consultant/Investor since 1988.</p> | <p>1 1</p> |
| <hr/> | | | | |
| <p>Frank J. Fabozzi 40 East 52nd Street New York, NY 10022 1948</p> | <p>Director and Member of the Audit Committee</p> | <p>Since 2007</p> | <p>Consultant/Editor of The Journal of Portfolio Management since 2006; Professor in the Practice of Finance and Becton Fellow, Yale University, School of Management, since 2006; Formerly Adjunct Professor of Finance and Becton Fellow, Yale University from 1994 to 2006.</p> | <p>1 1</p> |
| <hr/> | | | | |
| <p>Kathleen F. Feldstein 40 East 52nd Street</p> | <p>Director</p> | <p>Since 2007</p> | <p>President of Economics Studies, Inc. (private economic consulting</p> | <p>1 1</p> |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

New York, NY 10022
1941

firm) since 1987; Chair, Board of Trustees, McLean Hospital since 2000; Member of the Corporation of Partners Community Healthcare, Inc. since 2005; Member of the Corporation of Partners HealthCare since 1995; Member of the Corporation of Sherrill House (healthcare) since 1990; Trustee, Museum of Fine Arts, Boston since 1992; Member of the Visiting Committee to the Harvard University Art Museum since 2003; Trustee, The Committee for Economic Development (research organization) since 1990; Member of the Advisory Board to the International School of Business, Brandeis University since 2002; Formerly Director of Bell South (communications) from 1998 to 2006; Formerly Director of Ionics (water purification) from 1992 to 2005; Formerly Director of John Hancock Financial Services from 1994 to 2003; Formerly Director of Knight Ridder (media) from 1998 to 2006.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 27

Officers and Directors (continued)

| Name, Address and Year of Birth | Position(s) Held with Fund | Length of Time Served as a Director(2) | Principal Occupation(s) During Past Five Years | |
|--|--|--|--|--------|
| ----- | | | | |
| Non-Interested Directors(1) (concluded) | | | | |
| ----- | | | | |
| James T. Flynn 40 East 52nd Street New York, NY 10022 1939 | Director and Member of the Audit Committee | Since 2007 | Formerly Chief Financial Officer of JPMorgan & Co., Inc. from 1990 to 1995. | 1 1 |
| Jerrold B. Harris 40 East 52nd Street New York, NY 10022 1942 | Director | Since 2007 | Trustee, Ursinus College since 2000; Director, Troemner LLC (scientific equipment) since 2000. | 1 1 |
| R. Glenn Hubbard 40 East 52nd Street | Director | Since 2007 | Dean of Columbia Business School since 2004; Columbia faculty member | 1 1 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

New York, NY 10022
1958

since 1988; Formerly Co-Director of Columbia Business School's Entrepreneurship Program from 1997 to 2004; Visiting Professor at the John F. Kennedy School of Government at Harvard University and the Harvard Business School since 1985 and at the University of Chicago since 1994; Formerly Chairman of the U.S. Council of Economic Advisers under the President of the United States from 2001 to 2003.

| | | | | |
|---|---|-------------------|--|----------------|
| <p>W. Carl Kester 40 East 52nd Street New York, NY 10022 1951</p> | <p>Director and Member of the Audit Committee</p> | <p>Since 2007</p> | <p>Mizuho Financial Group Professor of Finance, Harvard Business School; Deputy Dean for Academic Affairs since 2006; Unit Head, Finance, Harvard Business School from 2005 to 2006; Senior Associate Dean and Chairman of the MBA Program of Harvard Business School from 1999 to 2005; Member of the faculty of Harvard Business School since 1981; Independent Consultant since 1978.</p> | <p>1 1</p> |
| <p>Robert S. Salomon, Jr. 40 East 52nd Street New York, NY 10022 1936</p> | <p>Director and Member of the Audit Committee</p> | <p>Since 1998</p> | <p>Formerly Principal of STI Management LLC (investment adviser) from 1994 to 2005.</p> | <p>1 1</p> |

- (1) Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.
- (2) Following the combination of Merrill Lynch Investment Managers, L.P. ("MLIM") and BlackRock, Inc. ("BlackRock") in September 2006, the various legacy MLIM and legacy BlackRock Fund boards were realigned and consolidated into three new Fund boards in 2007. As a result, although the chart shows certain directors as joining the Fund's board in 2007, each director first became a member of the board of directors of other legacy MLIM or legacy BlackRock Funds as follows: G. Nicholas Beckwith, III since 1999; Richard E. Cavanagh since 1994; Kent Dixon since 1988; Frank J. Fabozzi since 1988; Kathleen F. Feldstein since 2005; James T. Flynn since 1996; Jerrold B. Harris since 1999; R. Glenn Hubbard since 2004; W. Carl Kester since 1998; Karen P. Robards since 1998 and Robert S. Salomon, Jr. since 1996.

28 BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008

=====
Officers and Directors (concluded)

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| Name, Address and Year of Birth | Position(s) Held with Fund | Length of Time Served as a Director | Principal Occupation(s) During Past Five Years |
|---------------------------------|----------------------------|-------------------------------------|--|
|---------------------------------|----------------------------|-------------------------------------|--|

Interested Directors(1)

| | | | |
|---|----------|------------|---|
| Richard S. Davis 40 East 52nd Street New York, NY 10022 1945 | Director | Since 2007 | Managing Director, BlackRock, Inc. since 2005; Formerly Chief Executive Officer, State Street Research & Management Company from 2000 to 2005; Formerly Chairman of the Board of Trustees, State Street Research Mutual Funds from 2000 to 2005; Formerly Chairman, SSR Realty from 2000 to 2004. |
|---|----------|------------|---|

| | | | |
|---|----------|------------|---|
| Henry Gabbay 40 East 52nd Street New York, NY 10022 1947 | Director | Since 2007 | Consultant, BlackRock, Inc. since 2007; Formerly Managing Director, BlackRock, Inc. from 1989 to 2007; Formerly Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; Formerly President of BlackRock Funds and BlackRock Bond Allocation Target Shares from 2005 to 2007; Formerly Treasurer of certain closed-end Funds in the BlackRock fund complex from 1989 to 2006. |
|---|----------|------------|---|

(1) Messrs. Davis and Gabbay are both "interested persons," as defined in the Investment Company Act of 1940, of the Fund based on their positions with BlackRock, Inc. and its affiliates. Directors serve until their resignation, removal or death, or until December 31 of the year in which they turn 72.

| Name, Address and Year of Birth | Position(s) Held with Fund | Length of Time Served | Principal Occupation(s) During Past Five Years |
|---------------------------------|----------------------------|-----------------------|--|
|---------------------------------|----------------------------|-----------------------|--|

Fund Officers(2)

| | | | |
|--|--|------------|--|
| Donald C. Burke 40 East 52nd Street New York, NY 10022 1960 | Fund President and Chief Executive Officer | Since 2007 | Managing Director of BlackRock, Inc. since 2006; Formerly Managing Director, Merrill Lynch Investment Managers, L.P. ("MLM") in 2006; First Vice President and Treasurer thereof from 1999 to 2006 and Vice President from 1997. |
|--|--|------------|--|

| | | | |
|---|----------------|------------|---|
| Anne F. Ackerley 40 East 52nd Street New York, NY 10022 1962 | Vice President | Since 2007 | Managing Director of BlackRock, Inc. since 2006; Formerly Managing Director, BlackRock's U.S. Retail Group since 2006; Formerly Managing Director, Merrill Lynch & Co. U.S. Retail Group from 2000 to 2006; Formerly Managing Director, Merrill Lynch & Co. U.S. Retail Group from 1988 to 2000, most recently as First Vice President of the Mergers and Acquisitions Group. |
|---|----------------|------------|---|

| | | | |
|--|-----------------|------------|---|
| Neal J. Andrews 40 East 52nd Street | Chief Financial | Since 2007 | Managing Director of BlackRock, Inc. since 2006; Formerly Managing Director, BlackRock's U.S. Retail Group since 2006; Formerly Managing Director, Merrill Lynch & Co. U.S. Retail Group from 2000 to 2006; Formerly Managing Director, Merrill Lynch & Co. U.S. Retail Group from 1988 to 2000, most recently as First Vice President of the Mergers and Acquisitions Group. |
|--|-----------------|------------|---|

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

New York, NY 10022 Officer PFPC Inc. from 1992 to 2006.
1966

Jay M. Fife Treasurer Since 2007 Managing Director of BlackRock, Inc. since 2007; Assistant Treasurer of the MLIM/FAM-advised of MLIM Fund Services Group from 2001 to 2006.
40 East 52nd Street
New York, NY 10022
1970

Brian P. Kindelan Chief Compliance Officer of the Fund Since 2007 Chief Compliance Officer of the BlackRock-advised Funds since 2007; Laundering Officer of the Funds since 2007; Counsel of BlackRock, Inc. since 2005; Director of BlackRock Advisors, Inc. from 2001 to 2004 and Counsel thereof from 1998 to 2000; Formerly Counsel of BlackRock, Inc. from 1995 to 1998.
40 East 52nd Street
New York, NY 10022
1959

Howard Surloff Secretary Since 2007 Managing Director of BlackRock, Inc. and General Counsel of BlackRock, Inc. since 2006; Formerly General Counsel of BlackRock, Inc. from 1993 to 2006.
40 East 52nd Street
New York, NY 10022
1965

(2) Officers of the Fund serve at the pleasure of the Board of Directors.

Custodian
State Street Bank and
Trust Company
Boston, MA 02101

Transfer Agent
Computershare Trust
Company N.A.
Providence, RI 02940

Accounting Agent
State Street Bank and
Trust Company
Princeton, NJ 08540

Independent Registered
Public Accounting Firm
Deloitte & Touche LLP
Princeton, NJ 08540

Legal Counsel
Skadden, Arps, Slate,
Meagher & Flom LLP
New York, NY 10036

BLACKROCK CORPORATE HIGH YIELD FUND III, INC. MAY 31, 2008 29

Additional Information

Fund Certification

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

The Fund listed for trading on the New York Stock Exchange ("NYSE") has filed with the NYSE its annual chief executive officer certification regarding compliance with the NYSE's listing standards. The Fund filed with the Securities and Exchange Commission ("SEC") the certification of its chief executive officer and chief financial officer required by section 302 of the Sarbanes-Oxley Act.

Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330. The Fund's Forms N-Q may also be obtained upon request and without charge by calling (800) 441-7762.

Electronic Delivery

Electronic copies of most financial reports are available on the Fund's website or shareholders can sign up for e-mail notifications of quarterly statements, annual and semi-annual reports by enrolling in the Fund's electronic delivery program.

Shareholders who hold accounts with investment advisors, banks or brokerages: Please contact your financial advisor to enroll. Please note that not all investment advisors, banks or brokerages may offer this service.

General Information

The Fund does not make available copies of its Statements of Additional Information because the Fund's shares are not continuously offered, which means that the Statement of Additional Information of the Fund has not been updated after completion of the Fund's offering and the information contained in the Fund's Statement of Additional Information may have become outdated.

During the period, there were no material changes in the Fund's investment objective or policies or to the Fund's charter or by-laws that were not approved by the shareholders or in the principal risk factors associated with investment in the Fund. There have been no changes in the persons who are primarily responsible for the day-to-day management of the Fund's portfolio.

The Fund will mail only one copy of shareholder documents, including annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called "householding" and it is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please contact the Fund at (800) 441-7762.

Quarterly performance, semi-annual and annual reports and other information regarding the Fund may be found on BlackRock's website, which can be accessed at <http://www.blackrock.com>. This reference to BlackRock's website is intended to allow investors public access to information regarding the Fund and does not, and is not intended to, incorporate BlackRock's website into this report.

=====
Additional Information (concluded)

BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, "Clients") and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal non-public information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our websites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

Proxy Voting Policy

The Board of Directors of the Fund has delegated the voting of proxies for Fund securities to the Investment Adviser pursuant to the Investment Adviser's proxy voting guidelines. Under these guidelines, the Investment Adviser will vote proxies related to Fund securities in the best interests of the Fund and its stockholders. From time to time, a vote may present a conflict between the interests of the Fund's stockholders, on the one hand, and those of the Investment Adviser, or any affiliated person of the Fund or the Investment Adviser, on the other. In such event, provided that the Investment Adviser's Equity Investment Policy Oversight Committee, or a sub-committee thereof (the "Committee") is aware of the real or potential conflict or material non-routine matter and if the Committee does not reasonably believe it is able to follow its

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

general voting guidelines (or if the particular proxy matter is not addressed in the guidelines) and vote impartially, the Committee may retain an independent fiduciary to advise the Committee on how to vote or to cast votes on behalf of the Investment Adviser's clients. If the Investment Adviser determines not to retain an independent fiduciary, or does not desire to follow the advice of such independent fiduciary, the Committee shall determine how to vote the proxy after consulting with the Investment Adviser's Portfolio Management Group and/or the Investment Adviser's Legal and Compliance Department and concluding that the vote cast is in its client's best interest notwithstanding the conflict. Information on how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, (i) at www.blackrock.com and (ii) on the SEC's website at <http://www.sec.gov>.

BLACKROCK CORPORATE HIGH YIELD FUND III, INC.

MAY 31, 2008

31

GO

[PAPERLESS LOGO]

It's Fast, Convenient, & Timely!

This report is transmitted to shareholders only. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. The Fund leverages its Common Stock, which creates risk for Common Stock shareholders, including the likelihood of greater volatility of net asset value and market price of Common Stock shares, and the risk that fluctuations in short-term interest rates may reduce the Common Stock's yield. Statements and other information herein are as dated and are subject to change.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free (800) 441-7762; (2) at www.blackrock.com; and (3) on the Securities and Exchange Commission's website at <http://www.sec.gov>. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available upon request and without charge (1) at www.blackrock.com or by calling (800) 441-7762 and (2) on the Securities and Exchange Commission's website at <http://www.sec.gov>.

BlackRock Corporate High Yield Fund III, Inc.
100 Bellevue Parkway
Wilmington, DE 19809

BLACKROCK

#COYIII-5/08

Item 2 - Code of Ethics - The registrant (or the "Fund") has adopted a code of ethics, as of the end of the period covered by this report, applicable to the registrant's principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions. During the period covered by this report, there have been no amendments to or waivers granted under the code of ethics. A copy of the code of ethics is available without charge at www.blackrock.com.

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

Item 3 - Audit Committee Financial Expert - The registrant's board of directors or trustees, as applicable (the "board of directors") has determined that (i) the registrant has the following audit committee financial experts serving on its audit committee and (ii) each audit committee financial expert is independent:

Kent Dixon (term began effective November 1, 2007)
 Frank J. Fabozzi (term began effective November 1, 2007)
 James T. Flynn (term began effective November 1, 2007)
 Joe Grills (term ended effective November 1, 2007)
 W. Carl Kester (term began effective November 1, 2007)
 Karen P. Robards (term began effective November 1, 2007)
 Robert S. Salomon, Jr.

The registrant's board of directors has determined that W. Carl Kester and Karen P. Robards qualify as financial experts pursuant to Item 3(c)(4) of Form N-CSR.

Prof. Kester has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Prof. Kester has been involved in providing valuation and other financial consulting services to corporate clients since 1978. Prof. Kester's financial consulting services present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements.

Ms. Robards has a thorough understanding of generally accepted accounting principles, financial statements and internal control over financial reporting as well as audit committee functions. Ms. Robards has been President of Robards & Company, a financial advisory firm, since 1987. Ms. Robards was formerly an investment banker for more than 10 years where she was responsible for evaluating and assessing the performance of companies based on their financial results. Ms. Robards has over 30 years of experience analyzing financial statements. She also is a member of the audit committee of one publicly held company and a non-profit organization.

Under applicable securities laws, a person determined to be an audit committee financial expert will not be deemed an "expert" for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and board of directors in the absence of such designation or identification.

Item 4 - Principal Accountant Fees and Services

| Entity Name | (a) Audit Fees | | (b) Audit-Related Fees(1) | | (c) Tax Fees(2) | | (d) |
|-------------|-------------------------|--------------------------|---------------------------|--------------------------|-------------------------|--------------------------|-----|
| | Current Fiscal Year End | Previous Fiscal Year End | Current Fiscal Year End | Previous Fiscal Year End | Current Fiscal Year End | Previous Fiscal Year End | |
| | | | | | | | |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | | | | | |
|---|----------|----------|-----|---------|---------|---------|
| BlackRock Corporate High Yield Fund III, Inc. | \$41,000 | \$38,850 | \$0 | \$8,000 | \$6,100 | \$6,100 |
|---|----------|----------|-----|---------|---------|---------|

1 The nature of the services include assurance and related services reasonably related to the performance of the audit of financial statements not included in Audit Fees.

2 The nature of the services include tax compliance, tax advice and tax planning.

3 The nature of the services include a review of compliance procedures and attestation thereto.

(e) (1) Audit Committee Pre-Approval Policies and Procedures:

The registrant's audit committee (the "Committee") has adopted policies and procedures with regard to the pre-approval of services. Audit, audit-related and tax compliance services provided to the registrant on an annual basis require specific pre-approval by the Committee. The Committee also must approve other non-audit services provided to the registrant and those non-audit services provided to the registrant's affiliated service providers that relate directly to the operations and the financial reporting of the registrant. Certain of these non-audit services that the Committee believes are a) consistent with the SEC's auditor independence rules and b) routine and recurring services that will not impair the independence of the independent accountants may be approved by the Committee without consideration on a specific case-by-case basis ("general pre-approval"). The term of any general pre-approval is 12 months from the date of the pre-approval, unless the Committee provides for a different period. Tax or other non-audit services provided to the registrant which have a direct impact on the operation or financial reporting of the registrant will only be deemed pre-approved provided that any individual project does not exceed \$10,000 attributable to the registrant or \$50,000 for all of the registrants the Committee oversees. For this purpose, multiple projects will be aggregated to determine if they exceed the previously mentioned cost levels.

Any proposed services exceeding the pre-approved cost levels will require specific pre-approval by the Committee, as will any other services not subject to general pre-approval (e.g., unanticipated but permissible services). The Committee is informed of each service approved subject to general pre-approval at the next regularly scheduled in-person board meeting. At this meeting, an analysis of such services is presented to the Committee for ratification. The Committee may delegate to one or more of its members the authority to approve the provision of and fees for any specific engagement of permitted non-audit services, including services exceeding pre-approved cost levels.

(e) (2) None of the services described in each of Items 4(b) through (d) were approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

(f) Not Applicable

(g) Affiliates' Aggregate Non-Audit Fees:

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| Entity Name | Current Fiscal Year End | Previous Fiscal Year End |
|--|----------------------------|-----------------------------|
| BlackRock Corporate High Yield Fund III, Inc. | \$294,649 | \$2,993,417 |

(h) The registrant's audit committee has considered and determined that the provision of non-audit services that were rendered to the registrant's investment adviser (not including any non-affiliated sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by the registrant's investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

Regulation S-X Rule 2-01(c) (7) (ii) - \$287,500, 0%

Item 5 - Audit Committee of Listed Registrants - The following individuals are members of the registrant's separately-designated standing audit committee established in accordance with Section 3(a) (58) (A) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a) (58) (A)):

James H. Bodurtha (term ended effective November 1, 2007)
 Kent Dixon (term began effective November 1, 2007)
 Frank J. Fabozzi (term began effective November 1, 2007)
 James T. Flynn (term began effective November 1, 2007)
 Kenneth A. Froot (term ended effective November 1, 2007)
 Joe Grills (term ended effective November 1, 2007)
 W. Carl Kester (term began effective November 1, 2007)
 Herbert I. London (term ended effective November 1, 2007)
 Roberta Cooper Ramo (term ended effective November 1, 2007)
 Karen P. Robards (term began effective November 1, 2007)
 Robert S. Salomon, Jr.

Item 6 - Investments

(a) The registrant's Schedule of Investments is included as part of the Report to Stockholders filed under Item 1 of this form.
 (b) Not Applicable due to no such divestments during the semi-annual period covered since the previous Form N-CSR filing.

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - The registrant has delegated the voting of proxies relating to Fund portfolio securities to its investment adviser, BlackRock Advisors, LLC and its sub-adviser, as applicable. The Proxy Voting Policies of the Fund are attached hereto as Exhibit 99.PROXYPOL.

Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12 month period ended June 30 is available without charge (1) at www.blackrock.com and (2) on the Commission's web site at <http://www.sec.gov>.

Item 8 - Portfolio Managers of Closed-End Management Investment Companies - as of May 31, 2008.

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

(a) (1) BlackRock Corporate High Yield Fund III, Inc. is managed by a team of investment professionals comprised of Jeff Gary, CPA, Managing Director at BlackRock, Kevin J. Booth, CFA, Managing Director at BlackRock and James E. Keenan, CFA, Director at BlackRock. Each is a member of BlackRock's fixed income portfolio management group. Messrs.

Booth and Keenan are the Fund's co-portfolio managers and are responsible for the day-to-day management of the Fund's portfolio and the selection of its investments. Mr. Gary is also a member of the Fund's management team. Mr. Gary has been a member of the Fund's management team since 2006 and Mr. Keenan has been the Fund's portfolio manager since 2006 and Mr. Booth has been the Fund's portfolio manager since 2007.

Jeff Gary is the head of BlackRock's high yield team within the Fixed Income Portfolio Management Group. Prior to joining BlackRock in 2003, Mr. Gary was a Managing Director and portfolio manager with AIG (American General) Investment Group.

Kevin Booth is co-head of the high yield team within BlackRock's Fixed Income Portfolio Management Group. His primary responsibilities are managing portfolios and directing investment strategy. He specializes in hybrid high yield portfolios, consisting of leveraged bank loans, high yield bonds, and distressed obligations. Prior to joining BlackRock, Mr. Booth was a Managing Director (Global Fixed Income) of Merrill Lynch Investment Managers ("MLIM") in 2006, a Director from 1998 to 2006 and was a Vice President of MLIM from 1991 to 1998. He has been a portfolio manager with BlackRock or MLIM since 1992, and was a member of MLIM's bank loan group from 2000 to 2006.

James Keenan is a high yield portfolio manager and trader within BlackRock's Fixed Income Portfolio Management Group. His primary responsibilities are managing client portfolios, executing trades and ensuring consistency across high yield portfolios. Mr. Keenan has been with BlackRock since 2004. Prior to joining BlackRock, he was a senior high yield trader at Columbia Management Group. Mr. Keenan began his investment career at UBS Global Asset Management where he held roles as a trader, research analyst and a portfolio analyst from 1998 through 2003.

(a) (2) As of May 31, 2008:

| (i) Name of Portfolio Manager | (ii) Number of Other Accounts Managed and Assets by Account Type | | | (iii) Number of Assets for Which Perform |
|-------------------------------|--|----------------------------------|----------------|--|
| | Other Registered Investment Companies | Other Pooled Investment Vehicles | Other Accounts | Other Registered Investment Companies |
| Jeff Gary | 14 | 8 | 14 | 0 |

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

| | | | | |
|--------------|----------------|----------------|----------------|-----|
| | \$6.97 Billion | \$2.77 Billion | \$6.45 Billion | \$0 |
| Kevin Booth | 24 | 10 | 8 | 0 |
| | \$10.6 Billion | \$4.6 Billion | \$2.04 Billion | \$0 |
| James Keenan | 18 | 9 | 50 | 0 |
| | \$8.09 Billion | \$4.13 Billion | \$8.01 Billion | \$0 |

(iv) Potential Material Conflicts of Interest

BlackRock, Inc. and its affiliates (collectively, herein "BlackRock") has built a professional working environment, firm-wide compliance culture and compliance procedures and systems designed to protect against potential incentives that may favor one account over another. BlackRock has adopted policies and procedures that address the allocation of investment opportunities, execution of portfolio transactions, personal trading by employees and other potential conflicts of interest that are designed to ensure that all client accounts are treated equitably over time. Nevertheless, BlackRock furnishes investment management and advisory services to numerous clients in addition to the Fund, and BlackRock may, consistent with applicable law, make investment recommendations to other clients or accounts (including accounts which are hedge funds or have performance or higher fees paid to BlackRock, or in which portfolio managers have a personal interest in the receipt of such fees), which may be the same as or different from those made to the Fund. In addition, BlackRock, its affiliates and any officer, director, stockholder or employee may or may not have an interest in the securities whose purchase and sale BlackRock recommends to the Fund. BlackRock, or any of its affiliates, or any officer, director, stockholder, employee or any member of their families may take different actions than those recommended to the Fund by BlackRock with respect to the same securities. Moreover, BlackRock may refrain from rendering any advice or services concerning securities of companies of which any of BlackRock's (or its affiliates') officers, directors or employees are directors or officers, or companies as to which BlackRock or any of its affiliates or the officers, directors or employees of any of them has any substantial economic interest or possesses material non-public information. Each portfolio manager also may manage accounts whose investment strategies may at times be opposed to the strategy utilized for the Fund. In this regard, it should be noted that each portfolio manager currently manages certain accounts that are subject to performance fees. In addition, Mr. Keenan assists in managing certain hedge funds and may be entitled to receive a portion of any incentive fees earned on such funds and a portion of such incentive fees may be voluntarily or involuntarily deferred. Additional portfolio managers may in the future manage other such accounts or funds and may be entitled to receive incentive fees.

As a fiduciary, BlackRock owes a duty of loyalty to its clients and must treat each client fairly. When BlackRock purchases or sells securities for more than one account, the trades must be allocated in a manner consistent with its fiduciary duties. BlackRock attempts to allocate investments in a fair and equitable manner among client accounts, with no account receiving preferential treatment. To this

end, BlackRock has adopted a policy that is intended to ensure that investment opportunities are allocated fairly and equitably among client accounts over time. This policy also seeks to achieve reasonable efficiency in client transactions and provide BlackRock with sufficient flexibility to allocate investments in a manner that is consistent with the particular investment discipline and client base.

(a) (3) As of May 31, 2008:

Portfolio Manager Compensation Overview

BlackRock's financial arrangements with its portfolio managers, its competitive compensation and its career path emphasis at all levels reflect the value senior management places on key resources. Compensation may include a variety of components and may vary from year to year based on a number of factors. The principal components of compensation include a base salary, a performance-based discretionary bonus, participation in various benefits programs and one or more of the incentive compensation programs established by BlackRock such as its Long-Term Retention and Incentive Plan and Restricted Stock Program.

Base compensation. Generally, portfolio managers receive base compensation based on their seniority and/or their position with the firm. Senior portfolio managers who perform additional management functions within the portfolio management group or within BlackRock may receive additional compensation for serving in these other capacities.

Discretionary Incentive Compensation

Discretionary incentive compensation is a function of several components: the performance of BlackRock, Inc., the performance of the portfolio manager's group within BlackRock, the investment performance, including risk-adjusted returns, of the firm's assets under management or supervision by that portfolio manager relative to predetermined benchmarks, and the individual's seniority, role within the portfolio management team, teamwork and contribution to the overall performance of these portfolios and BlackRock. In most cases, including for the portfolio managers of the Fund, these benchmarks are the same as the benchmark or benchmarks against which the performance of the Fund or other accounts managed by the portfolio managers are measured. BlackRock's Chief Investment Officers determine the benchmarks against which the performance of funds and other accounts managed by each portfolio manager is compared and the period of time over which performance is evaluated. With respect to the portfolio managers, such benchmarks for the Fund include the following:

| Portfolio Manager | Benchmarks Applicable to Each Manager |
|-------------------|--|
| Kevin Booth | A combination of market-based indices (e.g., The Lehman Bro High Yield 2% Issuer Cap Index), certain customized indices peer groups. |
| Jeffrey Gary | A combination of market-based indices (e.g., The Lehman Bro |

High Yield 2% Issuer Cap Index), certain customized indices peer groups.

| | |
|--------------|--|
| James Keenan | A combination of market-based indices (e.g., The Lehman Bro High Yield 2% Issuer Cap Index), certain customized indices peer groups. |
|--------------|--|

BlackRock's Chief Investment Officers make a subjective determination with respect to the portfolio managers' compensation based on the performance of the funds and other accounts managed by each portfolio manager relative to the various benchmarks noted above. Performance is measured on both a pre-tax and after-tax basis over various time periods including 1, 3, 5 and 10-year periods, as applicable.

Distribution of Discretionary Incentive Compensation
Discretionary incentive compensation is distributed to portfolio managers in a combination of cash and BlackRock, Inc. restricted stock units which vest ratably over a number of years. The BlackRock, Inc. restricted stock units, if properly vested, will be settled in BlackRock, Inc. common stock. Typically, the cash bonus, when combined with base salary, represents more than 60% of total compensation for the portfolio managers. Paying a portion of annual bonuses in stock puts compensation earned by a portfolio

manager for a given year "at risk" based on the BlackRock's ability to sustain and improve its performance over future periods.

Long-Term Retention and Incentive Plan ("LTIP") --The LTIP is a long-term incentive plan that seeks to reward certain key employees. Prior to 2006, the plan provided for the grant of awards that were expressed as an amount of cash that, if properly vested and subject to the attainment of certain performance goals, will be settled in cash and/or in BlackRock, Inc. common stock. Beginning in 2006, awards are granted under the LTIP in the form of BlackRock, Inc. restricted stock units that, if properly vested and subject to the attainment of certain performance goals, will be settled in BlackRock, Inc. common stock. Each portfolio manager has received awards under the LTIP.

Deferred Compensation Program --A portion of the compensation paid to eligible BlackRock employees may be voluntarily deferred into an account that tracks the performance of certain of the firm's investment products. Each participant in the deferred compensation program is permitted to allocate his deferred amounts among the various investment options. Each portfolio manager has participated in the deferred compensation program.

Other compensation benefits. In addition to base compensation and discretionary incentive compensation, portfolio managers may be eligible to receive or participate in one or more of the following:

Incentive Savings Plans -- BlackRock, Inc. has created a variety of incentive savings plans in which BlackRock employees are eligible to participate, including a 401(k) plan, the BlackRock Retirement Savings Plan (RSP), and the BlackRock Employee Stock Purchase Plan (ESPP). The employer contribution components of the RSP include a company match equal to 50% of the first 6% of eligible pay contributed to the plan capped at \$4,000 per year, and a company

Edgar Filing: BLACKROCK CORPORATE HIGH YIELD FUND III INC - Form N-CSR

retirement contribution equal to 3% of eligible compensation, plus an additional contribution of 2% for any year in which BlackRock has positive net operating income. The RSP offers a range of investment options, including registered investment companies managed by the firm. BlackRock contributions follow the investment direction set by participants for their own contributions or, absent employee investment direction, are invested into a balanced portfolio. The ESPP allows for investment in BlackRock common stock at a 5% discount on the fair market value of the stock on the purchase date. Annual participation in the ESPP is limited to the purchase of 1,000 shares or a dollar value of \$25,000. Each portfolio manager is eligible to participate in these plans.

- (a) (4) Beneficial Ownership of Securities. As of May 31, 2008, Mr. Gary did not beneficially own any stock issued by the Fund. As of May 31, 2008, Mr. Booth beneficially owned stock issued by the Fund in the range of \$10,001-\$50,000. As of May 31, 2008, Mr. Keenan beneficially owned stock issued by the Fund in the range of \$10,001-\$50,000.

- Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers - Not Applicable due to no such purchases during the period covered by this report.
- Item 10 - Submission of Matters to a Vote of Security Holders - The registrant's Nominating and Governance Committee will consider nominees to the board of directors recommended by shareholders when a vacancy becomes available. Shareholders who wish to recommend a nominee should send nominations which include biographical information and set forth the qualifications of the proposed nominee to the registrant's Secretary. There have been no material changes to these procedures.
- Item 11 - Controls and Procedures
- 11(a) - The registrant's principal executive and principal financial officers or persons performing similar functions have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.
- 11(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.
- Item 12 - Exhibits attached hereto
- 12(a) (1) - Code of Ethics - See Item 2
- 12(a) (2) - Certifications - Attached hereto
- 12(a) (3) - Not Applicable
- 12(b) - 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/ Donald C. Burke

Donald C. Burke
Chief Executive Officer of
BlackRock Corporate High Yield Fund III, Inc.

Date: July 18, 2008

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/ Donald C. Burke

Donald C. Burke
Chief Executive Officer (principal executive officer) of
BlackRock Corporate High Yield Fund III, Inc.

Date: July 18, 2008

By: /s/ Neal J. Andrews

Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock Corporate High Yield Fund III, Inc.

Date: July 18, 2008