

BLACKROCK MUNIYIELD QUALITY FUND III, INC.
Form N-Q
December 21, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY**

Investment Company Act file number 811-06540

Name of Fund: BlackRock MuniYield Quality Fund III, Inc. (MYI)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock MuniYield Quality Fund III, Inc., 55 East 52nd Street, New York, NY 10055

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

Date of fiscal year end: 07/31/2013

Date of reporting period: 10/31/2012

Item 1 – Schedule of Investments

BlackRock MuniYield Quality Fund III, Inc. (MYI)

Schedule of Investments October 31, 2012 (Unaudited)

(Percentages shown are based on Net Assets)

| | Par (000) | Value |
|---|--------------|--------------|
| Municipal Bonds | | |
| Alabama — 0.4% | | |
| Birmingham Special Care Facilities Financing Authority, RB, Children's Hospital (AGC), 6.00%, 6/01/39 | \$3,605 | \$ 4,287,282 |
| Alaska — 2.0% | | |
| Alaska Housing Finance Corp., RB, General Housing, Series B (NPFGC), 5.25%, 12/01/30 | 2,000 | 2,092,720 |
| Alaska Housing Finance Corp., Refunding RB, General Mortgage Revenue Bonds, Series A, 4.13%, 12/01/37 | 3,455 | 3,532,668 |
| Alaska Industrial Development & Export Authority, RB, Providence Health Services, Series A, 5.50%, 10/01/41 | 2,690 | 3,114,563 |
| Borough of Matanuska-Susitna Alaska, RB, Goose Creek Correctional Center (AGC), 6.00%, 9/01/28 | 10,150 | 12,304,439 |
| | | 21,044,390 |
| Arizona — 0.5% | | |
| Maricopa County & Phoenix Industrial Development Authorities, Refunding RB, S/F, Series A-2, AMT (Ginnie Mae), 5.80%, 7/01/40 | 770 | 793,485 |
| State of Arizona, COP, Department of Administration, Series A (AGM), 5.00%, 10/01/27 | 3,725 | 4,200,757 |
| | | 4,994,242 |
| California — 14.0% | | |
| Alameda Corridor Transportation Authority, Refunding RB, CAB, Subordinate Lien, Series A (AMBAC), 5.40%, 10/01/24 (a) | 10,000 | 11,235,100 |
| California Health Facilities Financing Authority, RB: | | |
| Saint Joseph Health System, Series A, 5.75%, 7/01/39 | 1,550 | 1,790,560 |
| Sutter Health, Series B, 5.88%, 8/15/31 | 3,200 | 3,861,792 |
| California HFA, RB, Home Mortgage, Series K, AMT, 5.50%, 2/01/42 | 3,340 | 3,458,269 |
| California State University, RB, Systemwide, Series A: | | |
| 5.50%, 11/01/39 | 1,525 | 1,748,626 |
| (NPFGC), 5.00%, 5/01/13 (b) | 9,865 | 10,100,478 |
| California State University, Refunding RB, Systemwide, Series A (AGM), 5.00%, 11/01/37 | 3,545 | 4,037,152 |
| California Statewide Communities Development Authority, RB: | | |
| Kaiser Permanente, Series A, 5.00%, 4/01/42 | 4,030 | 4,463,547 |
| Saint Joseph Health System, Series E (AGM), 5.25%, 7/01/47 | 4,000 | 4,439,760 |
| | | Value |

| | Par (000) | |
|---|--------------|--------------|
| Municipal Bonds | | |
| California (continued) | | |
| City of Redding California, COP, Refunding, Series A (AGM), 5.00%, 6/01/30 | \$ 1,900 | \$ 2,107,366 |
| City of San Jose California, Refunding ARB, AMT: Series A (AMBAC), 5.50%, 3/01/32 | 11,965 | 12,854,119 |
| Series A-1, 5.75%, 3/01/34 | 2,300 | 2,660,341 |
| Coast Community College District, GO, Refunding, Election of 2002, Series C (AGM), 5.41%, 8/01/33 (c) | 8,100 | 2,674,539 |
| County of Sacramento California, RB, Senior Series A (AGM), 5.00%, 7/01/41 | 12,500 | 13,596,250 |
| Dublin Unified School District California, GO, CAB, Election of 2004, Series D, 6.03%, 8/01/34 (c) | 5,000 | 1,377,400 |
| Fairfield-Suisun Unified School District California, GO, Election of 2002 (NPFGC), 5.50%, 8/01/14 (b) | 5,800 | 6,232,622 |
| Grossmont Union High School District, GO, CAB, Election of 2004, 4.68%, 8/01/31 (c) | 5,110 | 2,146,456 |
| Long Beach Unified School District, GO, Election of 2008, Series B, 4.93%, 8/01/34 (c) | 5,000 | 1,735,450 |
| Los Angeles Community College District California, GO, Election of 2001, Series A (AGM), 5.00%, 8/01/32 | 1,200 | 1,364,856 |
| Norwalk-La Mirada Unified School District California, GO, CAB, Refunding, Election of 2002, Series E (AGC), 5.06%, 8/01/38 (c) | 7,620 | 2,107,159 |
| Oceanside Unified School District California, GO, Series A (AGC), 5.25%, 8/01/33 | 2,500 | 2,806,150 |
| Port of Oakland, Refunding RB, Series M (NPFGC), 5.38%, 11/01/27 | 8,030 | 8,030,000 |
| Poway Unified School District, GO, Refunding, CAB (c): School Facilities Improvement, 4.80%, 8/01/35 | 7,820 | 2,656,610 |
| School Facilities Improvement, Election of 2008, Series B, 4.82%, 8/01/36 | 10,000 | 3,226,500 |
| Rio Hondo Community College District California, GO, CAB, Election of 2004, Series C (c): 4.89%, 8/01/37 | 8,000 | 2,418,960 |
| 4.91%, 8/01/38 | 12,940 | 3,709,380 |
| San Bernardino Community College District, GO, Election of 2002, Series C (AGM), 5.00%, 8/01/31 | 2,165 | 2,401,158 |
| San Diego Unified School District California, GO, Refunding, CAB, Series R-1, 4.68%, 7/01/31 (c) | 3,485 | 1,469,520 |

BLACKROCK MUNIYIELD QUALITY FUND III, INC. OCTOBER 31, 2012

1

BlackRock MuniYield Quality Fund III, Inc. (MYI)**Schedule of Investments (continued)****(Percentages shown are based on Net Assets)**

| | Par (000) | Value |
|---|--------------|--------------|
| Municipal Bonds | | |
| California (concluded) | | |
| San Joaquin County Transportation Authority, Refunding RB, Limited Tax, Measure K, Series A, 6.00%, 3/01/36 | \$ 1,830 | \$ 2,244,166 |
| San Marcos Unified School District, GO, Election of 2010, Series A: | | |
| 5.00%, 8/01/34 | 1,800 | 2,042,550 |
| 5.00%, 8/01/38 | 1,600 | 1,797,424 |
| State of California, GO: | | |
| 5.50%, 3/01/40 | 1,020 | 1,177,264 |
| Series 2007-2 (NPFGC), 5.50%, 4/01/30 | 10 | 10,540 |
| Various Purpose, 5.00%, 4/01/42 | 2,000 | 2,218,520 |
| State of California, GO, Refunding: | | |
| 5.00%, 2/01/38 | 4,000 | 4,447,040 |
| 5.00%, 10/01/41 | 2,555 | 2,823,633 |
| Various Purpose, 5.00%, 9/01/41 | 2,700 | 2,981,556 |
| Walnut Valley Unified School District, GO, CAB, Election of 2007, Series B, 4.96%, 8/01/36 (c) | 6,545 | 2,045,313 |
| West Valley-Mission Community College District, GO, Refunding, Election of 2004, Series A (AGM), 5.00%, 8/01/30 | 3,600 | 4,031,460 |
| | | 146,529,586 |
| Florida — 14.5% | | |
| Broward County School Board Florida, COP, Series A (AGM), 5.25%, 7/01/33 | 13,100 | 14,850,160 |
| Broward County Water & Sewer Utility, Refunding RB, Series A, 5.25%, 10/01/34 | 2,250 | 2,700,563 |
| City of Jacksonville, Refunding RB, Transportation, Series A, 5.00%, 10/01/30 | 770 | 896,919 |
| Collier County School Board, COP (AGM), 5.00%, 2/15/23 | 5,000 | 5,623,000 |
| County of Lee Florida, Refunding RB, Series A, AMT: | | |
| 5.63%, 10/01/26 | 2,600 | 2,961,998 |
| 5.38%, 10/01/32 | 3,440 | 3,802,163 |
| County of Miami-Dade Florida, GO, Building Better Communities Program: | | |
| Series B, 6.38%, 7/01/28 | 6,000 | 7,217,580 |
| Series B-1, 5.75%, 7/01/33 | 3,700 | 4,342,209 |
| County of Miami-Dade Florida, RB, Water & Sewer System (AGM), 5.00%, 10/01/39 | 11,700 | 13,101,426 |
| County of Miami-Dade Florida, Refunding RB: | | |
| Miami International Airport AMT (AGC), 5.00%, 10/01/40 | 11,000 | 11,596,640 |
| Miami International Airport AMT (NPFGC), 5.38%, 10/01/25 | 7,500 | 7,515,525 |
| | | Value |

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

| | Par (000) | |
|--|--------------|--------------|
| Municipal Bonds | | |
| Florida (concluded) | | |
| County of Miami-Dade Florida, Refunding RB (concluded): | | |
| Miami International Airport, AMT (NPFGC), 5.38%, 10/01/27 | \$ 1,000 | \$ 1,001,820 |
| Miami International Airport, Series A, AMT (AGM), 5.50%, 10/01/41 | 19,020 | 20,770,981 |
| Series C (BHAC), 6.00%, 10/01/23 | 20,095 | 24,892,681 |
| Special Obligation, Series B, 5.00%, 10/01/35 (d) | 2,520 | 2,798,636 |
| Special Obligation, Series B, 5.00%, 10/01/37 (d) | 1,940 | 2,152,799 |
| Transit System Sales Surtax (AGM), 5.00%, 7/01/35 | 2,800 | 3,060,708 |
| Highlands County Health Facilities Authority, RB, Adventist Health System/Sunbelt, Series B, 6.00%, 11/15/37 (e) | 1,750 | 2,054,203 |
| Orange County School Board, COP, Series A (AGC), 5.50%, 8/01/34 | 12,000 | 13,883,760 |
| Sarasota County Public Hospital District, RB, Sarasota Memorial Hospital Project, Series A, 5.63%, 7/01/39 | 5,135 | 5,707,604 |
| | | 150,931,375 |
| Georgia — 1.7% | | |
| Burke County Development Authority, Refunding RB, Oglethorpe Power Corp., Vogtle Project, Series C, 5.70%, 1/01/43 | 6,450 | 7,026,566 |
| City of Atlanta Georgia, Refunding RB, General, Series B (AGM), 5.25%, 1/01/33 | 10,000 | 10,596,000 |
| | | 17,622,566 |
| Illinois — 17.6% | | |
| Chicago Illinois Board of Education, GO, Series A, 5.50%, 12/01/39 | 6,470 | 7,573,588 |
| Chicago Illinois Transit Authority, RB, Sales Tax Receipts, 5.25%, 12/01/36 | 1,620 | 1,859,290 |
| Chicago Park District, GO, Harbor Facilities, Series C: | | |
| 5.25%, 1/01/37 | 4,000 | 4,572,680 |
| 5.25%, 1/01/40 | 1,505 | 1,719,312 |
| City of Chicago Illinois, ARB: | | |
| O'Hare International Airport, General Third Lien, Series A, 5.75%, 1/01/39 | 9,000 | 10,623,330 |
| O'Hare International Airport, General, Third Lien, Series B-2 AMT (NPFGC), 5.25%, 1/01/27 | 10,000 | 10,278,900 |
| O'Hare International Airport, Third Lien, Series B-2 AMT (NPFGC), 6.00%, 1/01/27 | 26,230 | 27,558,025 |
| City of Chicago Illinois, GO, CAB, City Colleges (NPFGC) (c): | | |
| 4.56%, 1/01/29 | 4,000 | 1,929,720 |
| BLACKROCK MUNIYIELD QUALITY FUND III, INC. OCTOBER 31, 2012 | | 2 |

BlackRock MuniYield Quality Fund III, Inc. (MYI)**Schedule of Investments (continued)****(Percentages shown are based on Net Assets)**

| | Par (000) | Value |
|--|--------------|--------------|
| Municipal Bonds | | |
| Illinois (concluded) | | |
| City of Chicago Illinois, GO, CAB, City Colleges (NPFGC) (c) (concluded): | | |
| 4.79%, 1/01/33 | \$7,950 | \$ 3,060,511 |
| City of Chicago Illinois, Refunding ARB, O'Hare International Airport, General, Third Lien, Series C-2, AMT (AGM), 5.25%, 1/01/30 | | |
| | 16,400 | 16,754,732 |
| City of Chicago Illinois, Refunding RB, Water System, Second Lien, Series A (AMBAC), 5.00%, 11/01/36 | | |
| | 3,500 | 3,892,525 |
| Cook County Forest Preserve District, GO, Series C, 5.00%, 12/15/37 | | |
| | 890 | 1,006,777 |
| Cook County Forest Preserve District, GO, Refunding, Limited Tax Project, Series B, 5.00%, 12/15/37 | | |
| | 775 | 876,688 |
| Illinois Finance Authority, RB, Series A, 5.75%, 8/15/34 | | |
| | 8,700 | 10,336,122 |
| Illinois Finance Authority, Refunding RB, Northwestern Memorial Hospital, Series A, 6.00%, 8/15/39 | | |
| | 5,250 | 6,171,847 |
| Illinois Municipal Electric Agency, RB, Series A (NPFGC): | | |
| 5.00%, 2/01/35 | 17,935 | 19,200,135 |
| 5.25%, 2/01/35 | 15,000 | 16,205,850 |
| Illinois State Toll Highway Authority, RB, Series B: | | |
| 5.50%, 1/01/33 | 4,000 | 4,497,800 |
| (BHAC), 5.50%, 1/01/33 | 2,000 | 2,268,300 |
| | 5,000 | 2,649,850 |

| | | |
|---|--------|-------------|
| Kane, Kendall, Etc. Counties Community College District No. 516 Illinois, GO, CAB, Series E (NPFGC), 4.90%, 12/15/25 (c) | | |
| Metropolitan Pier & Exposition Authority, RB, CAB, McCormick Place Expansion Project, Series A (NPFGC) (c): | | |
| 4.25%, 12/15/26 | 9,600 | 5,300,832 |
| 4.65%, 6/15/32 | 14,000 | 5,680,640 |
| 4.78%, 12/15/34 | 41,880 | 14,728,777 |
| Metropolitan Pier & Exposition Authority, Refunding RB, CAB, McCormick Place Expansion Project, Series B (AGM), 5.11%, 6/15/44 (c) | | |
| | 9,430 | 1,912,310 |
| Railsplitter Tobacco Settlement Authority, RB, 6.00%, 6/01/28 | | |
| | 1,700 | 2,018,240 |
| Regional Transportation Authority, RB, Series C (NPFGC), 7.75%, 6/01/20 | | |
| | | 1,241,340 |
| | | 183,918,121 |

| | | |
|--|-------|-----------|
| Indiana — 2.9% | | |
| City of Indianapolis Indiana, Refunding RB, Second Lien, Series B (AGC), 5.25%, 8/15/27 | | |
| | 5,000 | 5,597,400 |
| Indiana Finance Authority, RB, Wastewater Utility, 5.25%, 10/01/38 | | |
| | 2,900 | 3,324,009 |

Par
(000) Value

Municipal Bonds

| | | |
|---|---------|--------------|
| Indiana (concluded) | | |
| Indiana Municipal Power Agency, RB: | | |
| Series A (NPFGC), 5.00%, 1/01/37 | \$3,850 | \$ 4,165,007 |
| Series B, 5.75%, 1/01/34 | 1,050 | 1,104,789 |
| Series B, 6.00%, 1/01/39 | 5,000 | 6,049,750 |
| Indianapolis Local Public Improvement Bond Bank, Refunding RB, Waterworks | | |

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

Project, Series A:

| | | |
|-----------------------|-------|------------|
| 5.75%, 1/01/38 | 2,900 | 3,315,976 |
| (AGC), 5.25%, 1/01/29 | 1,350 | 1,531,170 |
| (AGC), 5.50%, 1/01/38 | 4,250 | 4,828,552 |
| | | 29,916,653 |

Iowa — 3.3%

| | | |
|--|--------|------------|
| Iowa Finance Authority, RB, Series A (AGC), 5.63%, 8/15/37 | 12,650 | 14,400,380 |
| Iowa Student Loan Liquidity Corp., RB, Senior Series A-2, AMT: | | |
| 5.60%, 12/01/26 | 4,530 | 5,131,720 |
| 5.70%, 12/01/27 | 4,530 | 5,138,470 |
| 5.75%, 12/01/28 | 2,400 | 2,713,704 |
| 5.80%, 12/01/29 | 3,060 | 3,461,227 |
| 5.85%, 12/01/30 | 3,170 | 3,578,518 |
| | | 34,424,019 |

Kentucky — 1.0%

| | | |
|---|-------|------------|
| Kentucky State Property & Buildings Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/28 Louisville & Jefferson County Metropolitan Sewer District Kentucky, RB, Series A (NPFGC), 5.25%, 5/15/37 | 4,000 | 4,727,680 |
| | 5,000 | 5,350,000 |
| | | 10,077,680 |

Louisiana — 1.1%

| | | |
|---|-------|------------|
| New Orleans Aviation Board Louisiana, RB, New Orleans Aviation, Series A, AMT (AGM), 5.25%, 1/01/32 Parish of Saint Charles Louisiana Gulf Opportunity Zone, RB, Valero Energy Corp. Project, 4.00%, 12/01/40 (e) | 6,405 | 6,927,136 |
| | 4,270 | 4,686,709 |
| | | 11,613,845 |

Maine — 0.1%

| | | |
|---|-----|---------|
| Maine State Housing Authority, Refunding RB, | 920 | 955,834 |
|---|-----|---------|

Series B-1, AMT, 4.00%,
11/15/27

Massachusetts — 3.7%

Massachusetts HFA, RB:

S/F Housing, Series 128

AMT (AGM), 4.88%, 10,760 11,082,477

12/01/38 (e)

Series B, 7.00%, 12/01/38 3,150 3,631,793

Massachusetts HFA, Refunding

RB, AMT:

Rental Housing, Series A 12,005 12,143,778
(AGM), 5.15%, 7/01/26

BLACKROCK MUNIYIELD QUALITY FUND III, INC. OCTOBER 31, 2012

3

BlackRock MuniYield Quality Fund III, Inc. (MYI)**Schedule of Investments (continued)****(Percentages shown are based on Net Assets)**

| | Par (000) | Value |
|---|--------------|--------------|
| Municipal Bonds | | |
| Massachusetts (concluded) | | |
| Massachusetts HFA, Refunding RB, AMT (concluded): | | |
| Series C, 5.35%, 12/01/42 | \$3,100 | \$ 3,336,995 |
| Massachusetts Port Authority, Refunding RB, BOSFUEL Project, AMT (NPFGC), 5.00%, 7/01/38 | | |
| | 8,275 | 8,559,494 |
| | | 38,754,537 |
| Michigan — 7.0% | | |
| City of Detroit Michigan, RB, Series B (AGM): | | |
| Second Lien, 6.25%, 7/01/36 | 1,075 | 1,255,622 |
| Second Lien, 7.00%, 7/01/36 | 500 | 607,200 |
| Senior Lien, 7.50%, 7/01/33 | 1,000 | 1,254,200 |
| City of Detroit Michigan, Refunding RB: | | |
| Senior Lien, Series C-1 (AGM), 7.00%, 7/01/27 | 1,500 | 1,836,660 |
| Senior Lien, Series D (AGM), 5.00%, 7/01/23 | 5,000 | 5,371,600 |
| Series D (NPFGC), 5.00%, 7/01/33 | 5,000 | 5,234,700 |
| Lansing Board of Water & Light Utilities, RB, Series A, 5.50%, 7/01/41 | 3,185 | 3,783,207 |
| Michigan State Building Authority, Refunding RB, Facilities Program: | | |
| Series I, 6.25%, 10/15/38 | 3,125 | 3,657,437 |
| Series I (AGC), 5.25%, 10/15/24 | 1,750 | 2,104,043 |
| Series I (AGC), 5.25%, 10/15/25 | 3,250 | 3,921,287 |
| Series I-A, 5.38%, 10/15/36 | 2,075 | 2,406,461 |
| Series II-A, 5.38%, 10/15/41 | 1,900 | 2,193,949 |
| Series II-A (AGM), 5.25%, 10/15/36 | 8,040 | 9,267,145 |
| Michigan State HDA, RB, Series C, 5.50%, 12/01/28 | 2,735 | 2,976,719 |
| Michigan Strategic Fund, Refunding RB, Detroit Edison Co. Project, Series A, Series A (Syncora), 5.50%, 6/01/30 | 2,500 | 2,536,100 |
| State of Michigan, RB, GAB (AGM): | | |
| 5.25%, 9/15/22 | 10,000 | 11,475,600 |
| 5.25%, 9/15/26 | 6,650 | 7,407,834 |

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

Wayne County Airport Authority,
Refunding RB, AMT (AGC), 5.38%, 5,000 5,344,150
12/01/32

72,633,914

Minnesota — 0.6%

City of Minneapolis Minnesota,
Refunding RB, Fairview Health
Services, Series B (AGC), 6.50%, 5,500 6,792,830
11/15/38

Mississippi — 0.2%

Medical Center Educational Building
Corp., RB, University of Mississippi
Medical Center Facilities and 2,000 2,275,580
Expansion and Renovation Project,
Series A, 5.00%, 6/01/41

Par
(000) Value

Municipal Bonds

Nebraska — 0.3%

Central Plains Energy Project
Nebraska, RB, Gas Project No. 3, \$2,825 \$ 3,098,093
5.25%, 9/01/37

Nevada — 2.7%

City of Las Vegas Nevada, GO,
Limited Tax, Performing Arts Center, 2,250 2,649,892
6.00%, 4/01/34

County of Clark Nevada, ARB:

Las Vegas-McCarran International
Airport, Series A (AGC), 5.25%, 5,170 5,826,073
7/01/39

Subordinate Lien, Series A-2
(NPFGC), 5.00%, 7/01/30 19,250 20,188,245

28,664,210

New Jersey — 4.8%

New Jersey EDA, RB, Cigarette Tax,
5.75%, 6/15/14 (b) 4,000 4,351,360

New Jersey EDA, Refunding RB,
School Facilities Construction, Series
N-1:

(AMBAC), 5.50%, 9/01/24 6,500 8,282,170

(NPFGC), 5.50%, 9/01/28 1,685 2,192,859

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

| | | |
|---|--------|------------|
| New Jersey Higher Education Student Assistance Authority, Refunding RB, Series 1, AMT: | | |
| 5.50%, 12/01/25 | 1,250 | 1,453,887 |
| 5.50%, 12/01/26 | 1,800 | 2,075,472 |
| 5.75%, 12/01/28 | 200 | 232,384 |
| 5.88%, 12/01/33 | 6,895 | 7,874,090 |
| New Jersey Transportation Trust Fund Authority, RB, Transportation System: | | |
| CAB, Series A, 4.61%, 12/15/35 (c) | 18,525 | 6,454,295 |
| CAB, Series C (AGC), 3.94%, 12/15/25 (c) | 10,000 | 5,994,000 |
| Series A (NPFGC), 5.75%, 6/15/25 | 4,000 | 5,171,280 |
| Series B, 5.25%, 6/15/36 | 4,970 | 5,744,376 |
| | | 49,826,173 |
| New York — 3.2% | | |
| City of New York New York, GO, Series J, 5.25%, 5/15/14 (b) | 10,000 | 10,753,000 |
| Hudson New York Yards Infrastructure Corp., RB, 5.75%, 2/15/47 | 1,920 | 2,266,906 |
| New York City Transitional Finance Authority, RB, Fiscal 2009, Series S-4, 5.50%, 1/15/34 | 7,250 | 8,429,357 |
| New York State Dormitory Authority, ERB, Series B, 5.25%, 3/15/38 | 3,250 | 3,922,978 |
| New York State Thruway Authority, Refunding RB, Series I, 5.00%, 1/01/37 | 3,210 | 3,657,570 |

BLACKROCK MUNIYIELD QUALITY FUND III, INC. OCTOBER 31, 2012

4

BlackRock MuniYield Quality Fund III, Inc. (MYI)**Schedule of Investments (continued)****(Percentages shown are based on Net Assets)**

| | Par (000) | Value |
|--|--------------|--------------|
| Municipal Bonds | | |
| New York (concluded) | | |
| Port Authority of New York & New Jersey, Refunding RB, Consolidated 172nd Series, AMT, 4.50%, 4/01/37 | \$3,970 | \$ 4,289,347 |
| | | 33,319,158 |
| North Carolina — 0.2% | | |
| North Carolina Medical Care Commission, RB, Novant Health Obligation, Series A, 4.75%, 11/01/43 | 2,075 | 2,218,756 |
| Ohio — 0.6% | | |
| County of Allen Ohio, Refunding RB, Catholic HealthCare Partners, Series A, 5.00%, 5/01/42 | 2,030 | 2,226,139 |
| County of Lucas Ohio, Refunding RB, Promedica Healthcare, Series A, 6.50%, 11/15/37 | 3,000 | 3,752,970 |
| | | 5,979,109 |
| Pennsylvania — 2.6% | | |
| Pennsylvania Turnpike Commission, RB: | | |
| Series A (AMBAC), 5.50%, 12/01/31 | 15,600 | 16,907,904 |
| Subordinate, Special Motor License Fund, 6.00%, 12/01/36 | 2,575 | 3,169,413 |
| Pennsylvania Turnpike Commission, Refunding RB, Sub-Series C (AGC), 6.25%, 6/01/38 | 5,695 | 6,911,053 |
| | | 26,988,370 |
| Puerto Rico — 3.0% | | |
| Puerto Rico Sales Tax Financing Corp., RB, First Sub-Series A: | | |
| 5.75%, 8/01/37 | 2,000 | 2,208,860 |
| 6.38%, 8/01/39 | 10,195 | 11,783,789 |
| 5.50%, 8/01/42 | 5,155 | 5,500,076 |
| Puerto Rico Sales Tax Financing Corp., Refunding RB: | | |
| CAB, Series A (NPFGC), 5.58%, 8/01/41 (c) | 7,500 | 1,540,125 |
| CAB, Series A (NPFGC), 5.60%, 8/01/42 (c) | 3,190 | 617,520 |
| CAB, Series C, 5.44%, 8/01/38 (c) | 9,400 | 2,359,870 |
| CAB, Series C, 5.45%, 8/01/39 (c) | 24,000 | 5,695,680 |
| First Sub-Series C, 6.00%, 8/01/39 | 1,180 | 1,320,833 |
| | | 31,026,753 |

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

South Carolina — 0.4%

| | | |
|--|-------|-----------|
| South Carolina Jobs-EDA, Refunding RB, Palmetto Health, Series A (AGM), 6.50%, 8/01/39 | 3,600 | 4,429,080 |
|--|-------|-----------|

Par
(000) Value

Municipal Bonds

Tennessee — 0.1%

| | | |
|--|-------|------------|
| Memphis Center City Revenue Finance Corp., RB, Pyramid and Pinch Distribution, Series B (AGM), 5.25%, 11/01/30 | \$485 | \$ 570,093 |
|--|-------|------------|

Texas — 13.3%

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

| | | |
|--|--------|------------|
| (AGC), 6.00%, 11/15/35 | 5,700 | 7,020,177 |
| (AGC), 5.38%, 11/15/38 | 3,650 | 4,224,510 |
| (AGM), 5.00%, 11/15/36 | 10,000 | 11,384,100 |
| Dallas ISD, GO, School Building (PSF-GTD), 6.38%, 2/15/34 | 10,000 | 12,381,900 |
| Dallas-Fort Worth International Airport Facilities Improvement Corp., Refunding RB, Joint Series A, AMT (NPFGC), 5.63%, 11/01/26 | 5,670 | 5,670,000 |
| Grand Prairie ISD Texas, GO, CAB, Refunding, 5.43%, 8/15/28 (c) | 10,000 | 4,291,300 |
| Harris County Hospital District, Refunding RB, Senior Lien, Series A (NPFGC), 5.25%, 2/15/37 | 4,055 | 4,300,287 |
| Judson ISD Texas, GO, School Building (AGC), 5.00%, 2/01/37 | 10,000 | 10,872,700 |
| Midland County Fresh Water Supply District No 1, Refunding RB, CAB, City of Midland Project, 4.63%, 9/15/36 (c) | 5,810 | 1,946,408 |
| North Texas Tollway Authority, Refunding RB: | | |
| First Tier, Series A, 6.00%, 1/01/28 | 6,275 | 7,342,754 |
| First Tier, System, Series A (NPFGC), 5.13%, 1/01/28 | 20,000 | 22,059,600 |
| First Tier, System, Series B (NPFGC), 5.75%, 1/01/40 | 10,000 | 11,225,200 |
| San Antonio Public Facilities Corp., Refunding RB, Convention Center Refinancing and Expansion Project: | | |
| 4.00%, 9/15/42 | 4,400 | 4,439,204 |
| CAB, 4.92%, 9/15/35 (c) | 7,160 | 2,357,501 |
| CAB, 4.97%, 9/15/36 (c) | 12,195 | 3,780,206 |
| CAB, 5.02%, 9/15/37 (c) | 8,730 | 2,542,700 |
| Texas Department of Housing & Community Affairs, MRB, Series A, AMT (NPFGC), 5.45%, 9/01/23 | 3,740 | 3,746,171 |
| Texas State Turnpike Authority, RB (AMBAC): | | |
| CAB, 5.97%, 8/15/31 (c) | 20,265 | 6,704,878 |
| First Tier, Series A, 5.50%, 8/15/39 | 5,500 | 5,540,975 |
| First Tier, Series A, 5.00%, 8/15/42 | 6,900 | 6,945,057 |

138,775,628

BlackRock MuniYield Quality Fund III, Inc. (MYI)**Schedule of Investments (continued)****(Percentages shown are based on Net Assets)**

| | Par (000) | Value |
|---|--------------|---------------|
| Municipal Bonds | | |
| Utah — 1.6% | | |
| Utah Transit Authority, Refunding RB, CAB, Sub-Series A (c): | | |
| (AGC), 3.35%, 6/15/20 | \$10,000 | \$ 7,762,600 |
| (NPFGC), 4.17%, 6/15/24 | 13,930 | 8,622,949 |
| | | 16,385,549 |
| Vermont — 0.1% | | |
| Vermont HFA, Refunding RB, Multiple Purpose, Series C, AMT (AGM), 5.50%, 11/01/38 (e) | 1,510 | 1,610,113 |
| Washington — 1.1% | | |
| Washington Health Care Facilities Authority, RB, Series A: | | |
| 5.00%, 10/01/39 | 1,125 | 1,225,159 |
| 5.25%, 10/01/39 | 2,725 | 3,030,282 |
| 5.00%, 8/15/44 | 1,020 | 1,115,727 |
| Washington Health Care Facilities Authority, Refunding RB, Catholic Health Initiatives, Series D, 6.38%, 10/01/36 | 5,400 | 6,608,952 |
| | | 11,980,120 |
| Wisconsin — 0.9% | | |
| Wisconsin Health & Educational Facilities Authority, RB: | | |
| Ascension Health Senior Credit Group, 5.00%, 11/15/33 | 3,745 | 4,161,818 |
| SynergyHealth Inc., 6.00%, 8/01/13 (b) | 3,395 | 3,540,544 |
| Wisconsin Health & Educational Facilities Authority, Refunding RB, Froedtert & Community Health, 5.00%, 4/01/42 | 1,300 | 1,450,618 |
| | | 9,152,980 |
| Total Municipal Bonds – 105.5% | | 1,100,796,639 |
| Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (f) | | |
| Arizona — 1.5% | | |
| Arizona School Facilities Board, COP (AGC), 5.13%, 9/01/21 (g) | 10,000 | 11,437,600 |
| | 3,500 | 3,981,530 |

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

Salt River Project Agricultural Improvement & Power
District, RB, Series A, 5.00%, 1/01/38

15,419,130

California — 11.7%

Alameda County Joint Powers Authority, Refunding RB,
Lease (AGM), 5.00%, 12/01/34

6,990 7,616,863

California State University, RB, Systemwide, Series A
(AGM):

5.00%, 11/01/33 (g)

7,996 8,755,084

Par
(000) Value

Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (f)

California (concluded)

California State University, RB, Systemwide, Series A
(AGM) (concluded):

5.00%, 11/01/37

\$18,435 \$ 20,995,019

City of Riverside California, RB, Issue D (AGM), 5.00%,
10/01/38

20,000 21,768,600

Foothill-De Anza Community College District, GO,
Election of 1999, Series C (NPFGC), 5.00%, 8/01/36

7,500 8,198,025

Las Virgenes Unified School District California, GO, Series
A (AGM), 5.00%, 8/01/31

10,000 10,789,092

Los Angeles Community College District California, GO,
Refunding, Series A, 6.00%, 8/01/33

5,248 6,627,240

Orange County Sanitation District, COP, Series B (AGM),
5.00%, 2/01/37

10,780 12,039,751

San Diego Community College District California, GO,
Election of 2002, 5.25%, 8/01/33

1,047 1,265,157

San Diego County Water Authority, COP, Refunding,
Series 2008-A (AGM), 5.00%, 5/01/33

9,370 10,403,980

San Francisco Bay Area Rapid Transit District, RB (AGM),
5.00%, 7/01/14 (b)

10,000 10,774,184

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

2,205 2,648,146

121,881,141

Colorado — 0.3%

Colorado Health Facilities Authority, Refunding RB,
Catholic Healthcare, Series A, 5.50%, 7/01/34 (g)

2,469 2,823,789

Connecticut — 0.5%

Connecticut State Health & Educational Facility Authority,
RB, Yale University, Series T-1, 4.70%, 7/01/29

5,010 5,661,300

District of Columbia — 2.6%

District of Columbia, RB, Series A, 5.50%, 12/01/30 (g)

2,595 3,254,052

4,281 5,222,086

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

| | | |
|--|--------|------------|
| District of Columbia Water & Sewer Authority, Refunding RB, Series A, 6.00%, 10/01/35 (g) | | |
| Metropolitan Washington Airports Authority, RB, Series B, AMT (AMBAC), 5.00%, 10/01/32 | 10,000 | 10,718,500 |
| Metropolitan Washington Airports Authority, Refunding ARB, Series B, AMT, 5.00%, 10/01/30 | 6,880 | 7,893,493 |
| | | 27,088,131 |

BLACKROCK MUNIYIELD QUALITY FUND III, INC. OCTOBER 31, 2012

6

BlackRock MuniYield Quality Fund III, Inc. (MYI)**Schedule of Investments (continued)****(Percentages shown are based on Net Assets)**

| | Par (000) | Value |
|--|--------------|--------------|
| Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (f) | | |
| Florida — 3.8% | | |
| City of Tallahassee Florida, RB, Energy System (NPFGC), 5.00%, 10/01/32 | \$3,300 | \$ 3,691,875 |
| (g) | | |
| County of Miami-Dade Florida, RB: | | |
| 5.00%, 7/01/42 | 4,840 | 5,460,488 |
| (Syncora), 5.00%, 7/01/31 | 19,800 | 21,264,210 |
| Florida State Board of Education, GO, Series D, 5.00%, 6/01/37 (g) | 3,299 | 3,803,563 |
| Highlands County Health Facilities Authority, RB, Adventist, Series C, 5.25%, 11/15/36 (e) | 5,400 | 5,915,538 |
| | | 40,135,674 |
| Georgia — 1.1% | | |
| Metropolitan Atlanta Rapid Transit Authority, Refunding RB, Third Indenture, Series B (AGM), 5.00%, 7/01/37 | 10,000 | 11,388,591 |
| Hawaii — 1.0% | | |
| Honolulu City & County Board of Water Supply, RB, Series A (NPFGC), 5.00%, 7/01/14 (b) | 9,830 | 10,597,526 |
| Illinois — 3.5% | | |
| City of Chicago Illinois, GO, Refunding, Series A (AGC), 5.25%, 1/01/24 (g) | 11,000 | 12,474,440 |
| City of Chicago Illinois, RB, Motor Fuel Tax, Series A (AGC), 5.00%, 1/01/38 | 4,000 | 4,259,760 |
| City of Chicago Illinois, Refunding RB, Sales Tax | 2,190 | 2,463,881 |

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

| | | |
|---|------------------------|------------------------------------|
| Revenue, Series A, 5.00%, 1/01/41 Illinois Finance Authority, RB, University of Chicago, Series B, 6.25%, 7/01/38 Metropolitan Pier & Exposition Authority, RB, McCormick Place Expansion Project, Series A, 5.00%, 6/15/42 State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/34 (g) | 10,000 720 3,499 | 12,454,000 805,637 4,015,984 |
| | | 36,473,702 |

| | | |
|---|-------|-----------|
| Kentucky — 0.7% Kentucky State Property & Building Commission, Refunding RB, Project No. 93 (AGC), 5.25%, 2/01/27 | 5,985 | 6,945,036 |
|---|-------|-----------|

| | | |
|--|--------|------------|
| Louisiana — 1.1% State of Louisiana Gas & Fuels, RB, Series A (AGM), 5.00%, 5/01/36 | 10,000 | 11,200,000 |
|--|--------|------------|

| | | |
|--|--------|------------|
| Michigan — 1.2% Michigan Finance Authority, Refunding RB, Trinity Health, 5.00%, 12/01/39 | 11,600 | 12,895,836 |
|--|--------|------------|

| | | |
|---|-----|---------|
| Nevada — 0.6% Clark County Water Reclamation District, GO, Series B: 5.50%, 7/01/29 | 510 | 628,954 |
|---|-----|---------|

| | Par (000) | Value |
|---|--------------|-------|
| Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (f) | | |

| | | |
|--|---------|--------------|
| Nevada (concluded) Clark County Water Reclamation District, GO, Series B (concluded): 5.75%, 7/01/34 | \$4,813 | \$ 6,033,911 |
| | | 6,662,865 |

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

| | | |
|---|--------|------------|
| New Jersey — 1.3% | | |
| Garden State Preservation Trust, RB, Election of 2005, Series A (AGM), 5.75%, 11/01/28 | 10,000 | 13,351,000 |
| New York — 5.0% | | |
| New York City Municipal Water Finance Authority, Refunding RB, Series DD, 5.00%, 6/15/37 | 17,567 | 19,973,848 |
| Port Authority of New York & New Jersey, RB, 155th Series, AMT (AGM), 5.13%, 7/15/30 | 19,500 | 20,829,705 |
| Port Authority of New York & New Jersey, Refunding RB, Consolidated, 143rd Series, AMT, 5.00%, 10/01/30 | 5,180 | 5,687,537 |
| Triborough Bridge & Tunnel Authority, RB, General, Series A-2, 5.25%, 11/15/34 (g) | 4,500 | 5,373,945 |
| | | 51,865,035 |
| North Carolina — 0.9% | | |
| North Carolina HFA, RB, Series 31-A, AMT, 5.25%, 7/01/38 | 9,456 | 9,884,622 |
| Ohio — 0.7% | | |
| County of Montgomery Ohio, RB, Catholic Health, Series C-1 (AGM), 5.00%, 10/01/41 | 4,990 | 5,319,939 |
| State of Ohio, RB, Cleveland Clinic Health, Series B, 5.50%, 1/01/34 | 1,520 | 1,738,865 |
| | | 7,058,804 |
| Puerto Rico — 0.7% | | |
| Puerto Rico Sales Tax Financing Corp., Refunding RB, Senior Series C, 5.25%, 8/01/40 | 6,540 | 7,178,762 |
| South Carolina — 0.4% | | |
| | 4,288 | 4,618,541 |

South Carolina State
 Housing Finance &
 Development Authority,
 Refunding RB, Series B-1,
 5.55%, 7/01/39

| | | |
|---|-------|-----------|
| South Dakota — 0.1% | | |
| South Dakota HDA, Refunding RB, Homeownership Mortgage, Series K, 5.05%, 5/01/36 | 1,144 | 1,170,234 |

| | | |
|--|--------|------------|
| Texas — 4.0% | | |
| Friendswood ISD Texas, GO, Schoolhouse (PSF-GTD), 5.00%, 2/15/37 | 12,955 | 14,587,050 |
| Houston ISD, GO, Schoolhouse (PSF-GTD), 5.00%, 2/15/33 | 10,000 | 11,403,700 |

BLACKROCK MUNIYIELD QUALITY FUND III, INC. OCTOBER 31, 2012

7

BlackRock MuniYield Quality Fund III, Inc. (MYI)**Schedule of Investments (continued)****(Percentages shown are based on Net Assets)**

| | Par (000) | Value |
|---|--------------|---------------|
| Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (f) | | |
| Texas (concluded) | | |
| North East ISD Texas, GO, School Building, Series A, 5.00%, 8/01/37 (g) | \$3,500 | 4,009,915 |
| Texas State University Systems, Refunding RB, 5.25%, 3/15/26 | 10,000 | 11,900,000 |
| | | 41,900,665 |
| Virginia — 0.4% | | |
| University of Virginia, Refunding RB, General, 5.00%, 6/01/40 | 3,944 | 4,557,559 |
| Washington — 5.6% | | |
| Central Puget Sound Regional Transit Authority, RB, Series A (AGM), 5.00%, 11/01/34 | 16,770 | 19,444,060 |
| County of King Washington, RB (AGM), 5.00%, 1/01/37 | 15,785 | 18,044,386 |
| Port of Seattle Washington, Refunding RB, Series B, AMT (NPFGC), 5.20%, 7/01/29 | 20,565 | 20,834,126 |
| | | 58,322,572 |
| Wisconsin — 2.0% | | |
| State of Wisconsin, Refunding RB, Series A, 6.00%, 5/01/36 | 10,000 | 12,261,700 |
| Wisconsin Health & Educational Facilities Authority, Refunding RB, Froedtert & Community Health, Inc., 5.25%, 4/01/39 (g) | 7,459 | 8,293,872 |
| | | 20,555,572 |
| Total Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts – 50.7% | | 529,636,087 |
| Total Long-Term Investments (Cost – \$1,464,163,422) – 156.2% | | 1,630,432,726 |

| | Shares | Value |
|--|-----------|---------------|
| Short-Term Securities | | |
| FFI Institutional Tax-Exempt Fund, 0.04% (h)(i) | 8,037,622 | \$ 8,037,622 |
| Total Short-Term Securities (Cost – \$8,037,622) – 0.8% | | 8,037,622 |
| Total Investments (Cost - \$1,472,201,044*) – 157.0% | | 1,638,470,348 |

Edgar Filing: BLACKROCK MUNIYIELD QUALITY FUND III, INC. - Form N-Q

| | |
|---|------------------|
| Other Assets Less Liabilities – 1.0% | 10,467,274 |
| Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable – (23.8)% | (248,688,284) |
| VRDP Shares, at Liquidation Value – (34.2)% | (356,400,000) |
| Net Assets Applicable to Common Shares – 100.0% | \$ 1,043,849,338 |

* As of October 31, 2012, gross unrealized appreciation and gross unrealized depreciation based on cost for federal income tax purposes were as follows:

| | |
|-------------------------------|-----------------|
| Tax cost | \$1,226,051,869 |
| Gross unrealized appreciation | \$166,282,197 |
| Gross unrealized depreciation | (2,391,933) |
| Net unrealized appreciation | \$163,890,264 |

- (a) Represents a step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate shown is as of report date.
- (b) US government securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date indicated, typically at a premium to par.
- (c) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (d) When-issued security. Unsettled when-issued transactions were as follows:

| Counterparty Value | Unrealized Appreciation |
|--------------------|-------------------------|
| Citigroup, Inc. | \$ 4,951,435 \$ 44,943 |

- (e) Variable rate security. Rate shown is as of report date.
- (f) Securities represent bonds transferred to a TOB in exchange for which the Fund acquired residual interest certificates. These securities serve as collateral in a financing transaction. All or a portion of security is subject to a recourse agreement which may require the Fund to pay the Liquidity Provider in the event there is a shortfall between the TOB Trust Certificates and proceeds received from the sale of the security contributed to the TOB trust. In the case of a shortfall, the aggregate maximum potential amount the Fund could ultimately be required to pay under the agreements is \$30,628,149.
- (g)

BlackRock MuniYield Quality Fund III, Inc. (MYI)

Schedule of Investments (concluded)

(h) Investments in issuers considered to be an affiliate of the Fund during the period ended October 31, 2012, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

| Affiliate | Shares Held at July 31, 2012 | Net Activity | Shares Held at October 31, 2012 | Income |
|-----------------------------------|------------------------------------|-----------------|---------------------------------------|--------|
| FFI Institutional Tax-Exempt Fund | 21,624,366 | (13,586,744) | 8,037,622 | \$ 673 |

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

Portfolio Abbreviations

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

- AG Assured Guaranty Corp.
- AGM Assured Guaranty Municipal Corp.
- AMBA American Municipal Bond Assurance Corp.
- AMT Alternative Minimum Tax (subject to)
- ARB Airport Revenue Bonds
- BH Bankshire Hathaway Assurance Corp.
- CA Capital Appreciation Bonds
- CO Certificates of Participation
- EDA Economic Development Authority
- ER Education Revenue Bonds
- GA Grant Anticipation Bonds
- Ginnie Mae Government National Mortgage Association
- GO General Obligation Bonds
- HD Housing Development Authority
- HF Housing Finance Agency
- ISD Independent School District
- MR Mortgage Revenue Bonds
- NP National Public Finance Guarantee Corp.
- PSIF Public School Fund Guaranteed
- RB Revenue Bonds
- S/F Single-Family
- Syn Synora Guarantee

- Fair Value Measurements
 - Various inputs are used

in determining the fair value of investments.

These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial reporting purposes as follows:

- Level 1 — unadjusted price quotations in active markets/exchanges for identical assets and liabilities that the Fund has the ability to access

- Level 2 — other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

- Level 3 — unobservable inputs based on the best

information
available in the
circumstances,
to the extent
observable
inputs are not
available
(including the
Fund's own
assumptions
used in
determining
the fair value
of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|--------------|-----------------|---------|-----------------|
| Assets: | | | | |
| Investments: | | | | |
| Long Term Investments ¹ | — | \$1,630,432,726 | — | \$1,630,432,726 |
| Short-Term Securities | \$ 8,037,622 | — | — | 8,037,622 |

| | | | |
|-------|-----------|-----------------|-----------------|
| Total | \$ | | |
| | 8,037,622 | \$1,630,432,726 | \$1,638,470,348 |

¹See above Schedule of Investments for values in each state or political sub-division.

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

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|---------|------------------|---------|------------------|
| Liabilities: | | | | |
| TOB trust certificates | — | \$ (248,528,215) | — | \$ (248,528,215) |
| VRDP Shares | — | (356,400,000) | — | (356,400,000) |
| Total | — | \$ (604,928,215) | — | \$ (604,928,215) |

There were no transfers between levels during the period ended October 31, 2012.

BLACKROCK MUNIYIELD QUALITY FUND III, INC. OCTOBER 31, 2012

9

Item 2 – Controls and Procedures

2(a) – The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act)) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

2(b) – There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 – Exhibits

Certifications – Attached hereto

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

BlackRock MuniYield Quality Fund III, Inc.

By: /s/ John M. Perlowski

John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock MuniYield Quality Fund III, Inc.

Date: December 21, 2012

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

By: /s/ John M. Perlowski

John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock MuniYield Quality Fund III, Inc.

Date: December 21, 2012

By: /s/ Neal J. Andrews

Neal J. Andrews

Chief Financial Officer (principal financial officer) of
BlackRock MuniYield Quality Fund III, Inc.

Date: December 21, 2012