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BLACKROCK CORPORATE HIGH YIELD FUND III INC

Form N-Q

October 26, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT  
INVESTMENT COMPANY

Investment Company Act File number 811-8497

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

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

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

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 05/31/2007

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

Item 1 - Schedule of Investments

BlackRock Corporate High Yield Fund III, Inc.  
Schedule of Investments as of August 31, 2006 (in U.S. dollars)

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

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

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

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

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

BlackRock Corporate High Yield Fund III, Inc.

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Schedule of Investments as of August 31, 2006

(in U.S. dollars)

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

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

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(in U.S. dollars)

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

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

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

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



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

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

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

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

- (a) Represents a step bond; the interest rate shown reflects the effective yield at the time of purchase.
- (b) Convertible security.
- (c) Non-income producing security.
- (d) Floating rate security.
- (e) Non-income producing security; issuer filed for bankruptcy or is in default of interest payments.
- (f) Represents the current yield as of August 31, 2006.
- (g) Represents a pay-in-kind security which may pay interest/dividends in additional face/shares.
- (h) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the

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expiration date.

- (i) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (j) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Affiliate	Net Activity	Interest Income
Merrill Lynch Liquidity Series, LLC Cash Sweep Series I	\$ (67,367)	\$ 8,144

- (k) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity.
- (l) Floating rate loan interests in which the Fund invests generally pay interest at rates that are periodically redetermined by reference to a base lending rate plus a premium. The base lending rates are generally (i) the lending rate offered by one or more major European banks, such as LIBOR (London InterBank Offered Rate), (ii) the prime rate offered by one or more major U.S. banks or (iii) the certificate of deposit rate.
- o For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report which may combine industry sub-classifications for reporting ease. Industries are shown as percent of net assets.

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

(in U.S. dollars)

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

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

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

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

\$ 400,000

17,68

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

Broker, UBS Warburg  
Expires June 2011

\$1,000,000

(1,81

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

Broker, UBS Warburg  
Expires June 2011

\$2,950,000

(8,75

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

Broker, UBS Warburg  
Expires June 2011

\$2,950,000

11,26

Total

\$ 51,85

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Item 2 - Controls and Procedures

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

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

Item 3 - Exhibits

Certifications - Attached hereto

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

BlackRock Corporate High Yield Fund III, Inc.

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

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

Date: October 19, 2006

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

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

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

Date: October 19, 2006

By: /s/ Donald C. Burke

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

Date: October 19, 2006