

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 52<sup>nd</sup> 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
<b>Municipal Bonds</b>		
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

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

	Par (000)	Value
<b>Municipal Bonds</b>		
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
<b>Florida — 14.5%</b>		
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

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

	Par (000)	Value
<b>Municipal Bonds</b>		
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
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Railsplitter Tobacco

Settlement Authority, RB,  
6.00%, 6/01/28

1,700	2,018,240
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Regional Transportation  
Authority, RB, Series C  
(NPFGC), 7.75%, 6/01/20

1,000	1,241,340
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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
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Indiana Finance Authority,  
RB, Wastewater Utility,  
5.25%, 10/01/38

2,900	3,324,009
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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
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Series B, 5.75%, 1/01/34	1,050	1,104,789
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Series B, 6.00%, 1/01/39	5,000	6,049,750
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Indianapolis Local Public  
Improvement Bond Bank,  
Refunding RB, Waterworks



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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%, 12,650 14,400,380  
8/15/37

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  
(AGM), 5.15%, 7/01/26 12,005 12,143,778

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

	Par (000)	Value
<b>Municipal Bonds</b>		
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
<b>Michigan — 7.0%</b>		
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

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Wayne County Airport Authority, Refunding RB, AMT (AGC), 5.38%, 12/01/32	5,000	5,344,150
		72,633,914

Minnesota — 0.6% City of Minneapolis Minnesota, Refunding RB, Fairview Health Services, Series B (AGC), 6.50%, 11/15/38	5,500	6,792,830
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Mississippi — 0.2% Medical Center Educational Building Corp., RB, University of Mississippi Medical Center Facilities and Expansion and Renovation Project, Series A, 5.00%, 6/01/41	2,000	2,275,580
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	Par (000)	Value
Municipal Bonds		
Nebraska — 0.3% Central Plains Energy Project Nebraska, RB, Gas Project No. 3, 5.25%, 9/01/37	\$2,825	\$ 3,098,093
Nevada — 2.7% City of Las Vegas Nevada, GO, Limited Tax, Performing Arts Center, 6.00%, 4/01/34 County of Clark Nevada, ARB: Las Vegas-McCarran International Airport, Series A (AGC), 5.25%, 7/01/39 Subordinate Lien, Series A-2 (NPFGC), 5.00%, 7/01/30	2,250  5,170 19,250	2,649,892  5,826,073 20,188,245
		28,664,210
New Jersey — 4.8% New Jersey EDA, RB, Cigarette Tax, 5.75%, 6/15/14 (b) New Jersey EDA, Refunding RB, School Facilities Construction, Series N-1: (AMBAC), 5.50%, 9/01/24 (NPFGC), 5.50%, 9/01/28	4,000  6,500 1,685	4,351,360  8,282,170 2,192,859

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

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

	Par (000)	Value
<b>Municipal Bonds</b>		
<b>New York (concluded)</b>		
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
<b>North Carolina — 0.2%</b>		
North Carolina Medical Care Commission, RB, Novant Health Obligation, Series A, 4.75%, 11/01/43	2,075	2,218,756
<b>Ohio — 0.6%</b>		
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
<b>Pennsylvania — 2.6%</b>		
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
<b>Puerto Rico — 3.0%</b>		
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

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
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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
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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. OCTOBER 31, 2012

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

	Par (000)	Value
<b>Municipal Bonds</b>		
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

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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

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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

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**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

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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
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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
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Louisiana — 1.1% State of Louisiana Gas & Fuels, RB, Series A (AGM), 5.00%, 5/01/36	10,000	11,200,000
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Michigan — 1.2% Michigan Finance Authority, Refunding RB, Trinity Health, 5.00%, 12/01/39	11,600	12,895,836
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Nevada — 0.6% Clark County Water Reclamation District, GO, Series B: 5.50%, 7/01/29	510	628,954
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Par (000)	Value
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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
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6,662,865

New Jersey — 1.3%  
Garden State Preservation  
Trust, RB, Election of 2005,  
Series A (AGM), 5.75%, 10,000 13,351,000  
11/01/28

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%, 19,500 20,829,705  
7/15/30

Port Authority of New York  
& New Jersey, Refunding  
RB, Consolidated, 143rd 5,180 5,687,537  
Series, AMT, 5.00%,  
10/01/30

Triborough Bridge & Tunnel  
Authority, RB, General,  
Series A-2, 5.25%, 11/15/34 4,500 5,373,945  
(g)

51,865,035

North Carolina — 0.9%  
North Carolina HFA, RB,  
Series 31-A, AMT, 5.25%, 9,456 9,884,622  
7/01/38

Ohio — 0.7%  
County of Montgomery  
Ohio, RB, Catholic Health,  
Series C-1 (AGM), 5.00%, 4,990 5,319,939  
10/01/41

State of Ohio, RB, Cleveland  
Clinic Health, Series B, 1,520 1,738,865  
5.50%, 1/01/34

7,058,804

Puerto Rico — 0.7%  
Puerto Rico Sales Tax  
Financing Corp., Refunding  
RB, Senior Series C, 5.25%, 6,540 7,178,762  
8/01/40

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, 1,144 1,170,234  
Homeownership Mortgage,  
Series K, 5.05%, 5/01/36

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

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

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**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		1,630,432,726
(Cost – \$1,464,163,422) – 156.2%		

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



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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  
BHA Berkshire Hathaway Assurance Corp.  
CAB Capital Appreciation Bonds  
COP Certificates of Participation  
EDA Economic Development Authority  
ERB Education Revenue Bonds  
GAB Grant Anticipation Bonds  
Ginnie Mae Government National Mortgage Association  
GO General Obligation Bonds  
HDA Housing Development Authority  
HFA Housing Finance Agency  
ISD Independent School District  
MRB Mortgage Revenue Bonds  
NPG National Public Finance Guarantee Corp.  
PSIF Public School Fund Guaranteed  
RB Revenue Bonds  
S/F Single-Family  
Syn Synovis 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 <sup>1</sup>	—	\$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
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<sup>1</sup>See 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

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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