BLACKROCK MUNIYIELD FUND INC
Form N-CSR
July 02, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-06414

Name of Fund: BlackRock MuniYield Fund, Inc. (MYD)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock MuniYield Fund, 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: 04/30/2012

Date of reporting period: 04/30/2012

Item 1 – Report to Stockholders

April 30, 2012

Annual Report

BlackRock MuniYield Fund, Inc. (MYD)
BlackRock MuniYield Quality Fund, Inc. (MQY)
BlackRock MuniYield Quality Fund II, Inc. (MQT)

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Dear Shareholder

One year ago at this time, risk assets were in a broad retreat as political strife in Greece ignited fears about sovereign debt problems spreading across Europe and economic indicators signaled that the global recovery had slowed. Confidence was further shaken by the prolonged debt ceiling debate in Washington, DC. Early in August 2011, Standard & Poor s downgraded the US government s credit rating and turmoil erupted in financial markets around the world. Extraordinary levels of volatility persisted in the months that followed as the European debt crisis intensified. Macro news flow became the dominant force in financial markets, driving asset prices up and down in lock step, in a risk on/risk off trading pattern. By the end of the third quarter in 2011, equity markets had fallen nearly 20% from their April peak while safe-haven assets such as US Treasuries and gold had rallied to historic highs.

October 2011 brought enough positive economic data to assuage fears of a global double-dip recession. Additionally, European leaders began making concerted efforts to stem the region s debt crisis. Investors began to reenter the markets, putting risk assets on the road to recovery. Improving sentiment carried over into early 2012 as a number of factors elicited greater optimism. Sovereign debt problems in Europe became less pressing. Greece secured its second bailout package and completed the restructuring of its national debt. The European Central Bank gave financial markets a boost by providing additional liquidity through its long-term refinancing operations. The outlook for the global economy grew less dim as stronger data from the United States, particularly from the labor market, lifted sentiment. Hopes for additional monetary stimulus from the US Federal Reserve and strong corporate earnings pushed risk assets (including stocks, commodities and high yield bonds) higher through the first two months of the year while rising Treasury yields pressured higher-quality fixed income assets. The risk rally softened in late March, however, due to renewed fears about slowing growth in China and Europe s debt troubles. Equity markets staggered downward in April as Spain s financial situation became increasingly severe and elections in Greece and France added to uncertainty about the future of the euro zone. In the United States, disappointing jobs reports in April revealed that the recent acceleration in the labor market had been a short-lived surge. Overall, US economic data signaled that the pace of the recovery had slowed, but not to the extent that warranted additional monetary stimulus.

Thanks in large part to an exceptionally strong first quarter of 2012, equities and high yield bonds posted solid returns for the 6-month period ended April 30, 2012. On a 12-month basis, US large-cap stocks and high yield bonds delivered positive results; however, small-cap stocks finished in negative territory. International and emerging equities, which experienced significant downturns in 2011, lagged the broader rebound. Fixed income securities, including corporate, government and municipal bonds, performed well despite recent yield volatility. US Treasury bonds finished strong, with an April rally erasing the effects of their broad sell-off during February and March. Continued low short-term interest rates kept yields on money market securities near their all-time lows.

Financial markets have regained a significant degree of stability since the period of turmoil we endured last year; however, considerable headwinds remain. Political uncertainty in Europe elevates concerns about additional flare ups in the debt crisis. Higher energy prices and slowing growth in China continue to pose risks for the global economy. Potential political leadership changes around the world create additional layers of uncertainty. But, we believe that with these challenges come opportu-nities. We remain committed to working with you and your financial professional to identify actionable ideas for your portfolio. We encourage you to visit **www.blackrock.com/newworld** for more information.

Sincerely,
Rob Kapito
President, BlackRock Advisors, LLC

Financial markets have regained a significant degree of stability since the period of turmoil we endured last year; however, considerable headwinds remain.

Rob Kapito
President, BlackRock Advisors, LLC

Total Returns as of April 30, 2012

	6-month	12-month
US large cap equities (S&P 500® Index)	12.77%	4.76%

US small cap equities (Russell 2000® Index)	11.02	(4.25)
International equities (MSCI Europe, Australasia, Far East Index)	2.44	(12.82)
Emerging market equities (MSCI Emerging Markets Index)	3.93	(12.61)
3-month Treasury bill (BofA Merrill Lynch 3-Month Treasury Bill Index)	0.01	0.05
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	3.83	16.41
US investment grade bonds (Barclays US Aggregate Bond Index)	2.44	7.54
Tax-exempt municipal bonds (S&P Municipal Bond Index)	5.71	11.90
US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index)	6.91	5.89

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Municipal Market Overview

For the 12-Month Period Ended April 30, 2012

One year ago, the municipal bond market was steadily recovering from a difficult fourth quarter of 2010 that brought severe losses amid a steepening US Treasury yield curve and a flood of inflated headlines about municipal finance troubles. Retail investors had lost confidence in municipals and retreated from the market. Political uncertainty surrounding the midterm elections and tax policies exacerbated the situation. These conditions combined with seasonal illiquidity weakened willful market participation from the trading community. December 2010 brought declining demand with no comparable reduction in supply as issuers rushed their deals to market before the Build America Bond program was retired. This supply-demand imbalance led to wider quality spreads and higher yields for municipal bonds heading into 2011.

Demand is usually strong at the beginning of a new year, but retail investors continued to move away from municipal mutual funds in the first half of 2011. From the middle of November 2010, outflows persisted for 29 consecutive weeks, totaling $35.1 billion before the trend finally broke in June 2011. However, weak demand was counterbalanced by lower supply in 2011. According to Thomson Reuters, new issuance was down 32% in 2011 as compared to the prior year. While these technical factors were improving, municipalities were struggling to balance their budgets, although the late-2010 predictions for widespread municipal defaults did not materialize. Other concerns that resonated at the beginning of the year, such as rising interest rates, weakening credits and higher rates of inflation, abated as these scenarios also did not come to fruition.

On August 5, 2011, Standard & Poor s (S&P) downgraded the US government s credit rating from AAA to AA+. While this led to the downgrade of approximately 11,000 municipal issues directly tied to the US debt rating, this represented a very small fraction of the municipal market and said nothing about the individual municipal credits themselves. In fact, demand for municipal bonds increased as severe volatility in US equities drove investors to more stable asset classes. The municipal market benefited from an exuberant Treasury market and continued muted new issuance. As supply remained constrained, demand from both traditional and non-traditional buyers was strong, pushing long-term municipal bond yields lower and sparking a curve-flattening trend that continued through year end. Ultimately, 2011 was one of the strongest performance years in municipal market history. The S&P Municipal Bond Index returned 10.62% in 2011, making municipal bonds a top-performing fixed income asset class for the year.

Municipal market supply-and-demand technicals typically strengthen considerably upon the conclusion of tax season as net negative supply takes hold. This theme remained intact for 2012. Overall, the municipal yield curve flattened during the period from April 30, 2011 to April 30, 2012. As measured by Thomson Municipal Market Data, yields declined by 133 basis points (bps) to 3.25% on AAA-rated 30-year municipal bonds and by 98 bps to 1.87% on 10-year bonds, while yields on 5-year issues fell 68 bps to 0.82%. While the entire municipal curve flattened over the 12-month time period, the spread between 2- and 30-year maturities tightened by 108 bps, and in the 2- to 10-year range, the spread tightened by 73 bps.

The fundamental picture for municipalities continues to improve. Austerity has been the general theme across the country, while a small number of states continue to rely on a kick-the-can approach to close their budget shortfalls, with aggressive revenue projections and accounting gimmicks. It has been well over a year since the fiscal problems plaguing state and local governments first became highly publicized. Thus far, the prophecy of widespread defaults across the municipal market has not materialized. Year-to-date through the end of April, less than $470 million in par value of municipal bonds have defaulted for the first time. This represents only 0.0125% in total municipal bonds outstanding, as compared to 0.065% for the full year 2011. (Data provided by Bank of America.) BlackRock maintains the view that municipal bond defaults will remain in the periphery and the overall market is fundamentally sound. We continue to recognize that careful credit research and security selection remain imperative amid uncertainty in this economic environment.

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Fund Summary as of April 30, 2012 **BlackRock MuniYield Fund, Inc.**

Fund Overview

BlackRock MuniYield Fund, Inc. s (MYD) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal bonds exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). The Fund invests, under normal market conditions, at least 75% of its assets in municipal bonds rated investment grade and invests primarily in long-term municipal bonds with a maturity of more than ten years at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund s investment objective will be achieved.

Performance

For the 12 months ended April 30, 2012, the Fund returned 26.06% based on market price and 24.76% based on net asset value (NAV). For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 25.51% based on market price and 23.04% based on NAV. All returns reflect reinvestment of dividends. The Fund s premium to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The primary factors contributing to positive performance during the period were the Fund s duration positioning (preference for securities with a higher sensitivity to interest rate movements) and yield curve-flattening bias. The Fund has consistently emphasized longer-dated securities in order to benefit from long-term rates declining faster than short-term rates, a scenario that occurred during the period. In addition, sector concentrations in health and transportation proved beneficial, as did the avoidance of pre-refunded and escrowed issues, which underperformed the broader market. The Fund s holdings generated a high distribution yield, which in the aggregate, had a meaningful impact on returns. Detracting from performance was the Fund s long-standing focus on corporate-related debt, which modestly underperformed the market during the period.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions.
These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange (NYSE)	MYD
Initial Offering Date	November 29, 1991
Yield on Closing Market Price as of April 30, 2012 ($15.49)[1]	6.47%
Tax Equivalent Yield[2]	9.95%
Current Monthly Distribution per Common Share[3]	$0.0835
Current Annualized Distribution per Common Share[3]	$1.002
Economic Leverage as of April 30, 2012[4]	38%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The distribution rate is not constant and is subject to change.

4 Represents Variable Rate Demand Preferred Shares (VRDP Shares) and tender option bond trusts (TOBs) as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 8.

The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/12	4/30/11	Change	High	Low
Market Price	$ 15.49	$ 13.17	17.62%	$ 15.98	$ 12.73
Net Asset Value	$ 15.19	$ 13.05	16.40%	$ 15.20	$ 13.05

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

Sector Allocations

	4/30/12	4/30/11
Health	22%	23%
Transportation	19	15
State	14	13
Utilities	11	10
Corporate	11	15
Education	11	9
County/City/Special District/School District	9	9
Tobacco	2	1
Housing	1	5

Credit Quality Allocations[5]

	4/30/12	4/30/11
AAA/Aaa	9%	13%
AA/Aa	40	36
A	27	22
BBB/Baa	10	12
BB/Ba	2	2
B	3	3
CCC/Caa	1	2
CC/Ca		1
Not Rated[6]	8	9

5 Using the higher of Standard and Poor s (S&P s) or Moody s Investor Service (Moody s) ratings.

6 The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of April 30, 2012 and April 30, 2011, the market value of these securities was $3,159,009 and $3,786,237, each representing less than 1%, respectively, of the Fund s long-term investments.

Fund Summary as of April 30, 2012

BlackRock MuniYield Quality Fund, Inc.

Fund Overview

BlackRock MuniYield Quality Fund, Inc. s (MQY) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal bonds exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). The Fund invests in municipal bonds which are in the three highest quality rating categories (A or better) or, if unrated, of comparable quality at the time of investment. The Fund invests primarily in long-term municipal bonds with maturities of more than ten years at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund s investment objective will be achieved.

Performance

For the 12 months ended April 30, 2012, the Fund returned 29.85% based on market price and 25.78% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 25.51% based on market price and 23.04% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The largest drivers of Fund performance during the period were the decline in interest rates (bond prices rise when interest rates fall), the flattening of the yield curve (long-term interest rates fell more than short and intermediate rates) and tightening of credit spreads. The Fund s exposure to zero-coupon bonds and the health sector contributed positively to performance as these bonds derived the greatest benefit from the declining interest rates and spread tightening during the period.

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Fund Information

Symbol on NYSE	MQY
Initial Offering Date	June 26, 1992
Yield on Closing Market Price as of April 30, 2012 ($16.05)[1]	5.98%
Tax Equivalent Yield[2]	9.20%
Current Monthly Distribution per Common Share[3]	$0.080
Current Annualized Distribution per Common Share[3]	$0.960
Economic Leverage as of April 30, 2012[4]	37%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The distribution rate is not constant and is subject to change.

4 Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 8.

The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/12	4/30/11	Change	High	Low
Market Price	$ 16.05	$ 13.15	22.05%	$ 16.88	$ 12.76
Net Asset Value	$ 16.22	$ 13.72	18.22%	$ 16.28	$ 13.72

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

Sector Allocations

	4/30/12	4/30/11
County/City/Special District/School District	24%	25%
State	19	15
Transportation	18	22
Utilities	16	17
Health	11	9
Education	6	4
Housing	4	3
Corporate	2	3
Tobacco		2

Credit Quality Allocations[5]

	4/30/12	4/30/11
AAA/Aaa	11%	12%
AA/Aa	64	59
A	20	23
BBB/Baa	5	6

[5] Using the higher of S&P s or Moody s ratings.

Fund Summary as of April 30, 2012 **BlackRock MuniYield Quality Fund II, Inc.**

Fund Overview

BlackRock MuniYield Quality Fund II, Inc. s (MQT) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal bonds exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). The Fund invests in municipal bonds which are in the three highest quality rating categories (A or better) or, if unrated, of comparable quality at the time of investment. The Fund invests primarily in long-term municipal bonds with maturities of more than ten years at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund s investment objective will be achieved.

Performance

For the 12 months ended April 30, 2012, the Fund returned 28.04% based on market price and 26.85% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 25.51% based on market price and 23.04% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV. The largest drivers of Fund performance during the period were the decline in interest rates (bond prices rise when interest rates fall), the flattening of the yield curve (long-term interest rates fell more than short and intermediate rates) and tightening of credit spreads. The Fund s exposure to zero-coupon bonds and the health sector contributed positively to performance as these bonds derived the greatest benefit from the declining interest rates and spread tightening during the period.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions.
These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on NYSE	MQT
Initial Offering Date	August 28, 1992
Yield on Closing Market Price as of April 30, 2012 ($13.93)[1]	5.99%
Tax Equivalent Yield[2]	9.22%
Current Monthly Distribution per Common Share[3]	$0.0695
Current Annualized Distribution per Common Share[3]	$0.8340
Economic Leverage as of April 30, 2012[4]	37%

1 Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

2 Tax equivalent yield assumes the maximum federal tax rate of 35%.

3 The distribution rate is not constant and is subject to change.

4 Represents Variable Rate Muni Term Preferred Shares (VMTP Shares) and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VMTP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 8.

The table below summarizes the changes in the Fund s market price and NAV per share:

	4/30/12	4/30/11	Change	High	Low
Market Price	$ 13.93	$ 11.59	20.19%	$ 14.59	$ 11.05
Net Asset Value	$ 14.11	$ 11.85	19.07%	$ 14.15	$ 11.85

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

Sector Allocations

	4/30/12	4/30/11
County/City/Special District/School District	28%	29%
Transportation	20	22
State	18	17
Utilities	11	13
Health	10	8
Housing	6	7
Education	6	3
Corporate	1	1

Credit Quality Allocations[5]

	4/30/12	4/30/11
AAA/Aaa	12%	9%
AA/Aa	67	68
A	11	19
BBB/Baa	10	4

5 Using the higher of S&P s or Moody s ratings.

The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the yield and NAV of their common shares (Common Shares). However, these objectives cannot be achieved in all interest rate environments.

To obtain leverage, the Funds issue Variable Rate Demand Preferred Shares (VRDP Shares) or Variable Rate Muni Term Preferred Shares (VMTP Shares) and previously issued and had outstanding Auction Market Preferred Shares (AMPS) (VRDP Shares, VMTP Shares and as applicable AMPS, are collectively referred to as Preferred Shares). Preferred shares pay dividends at prevailing short-term interest rates, and the Funds invest the proceeds in long-term municipal bonds. In general, the concept of leveraging is based on the premise that the financing cost of assets to be obtained from leverage, which will be based on short-term interest rates, will normally be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the total assets of each Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Fund s shareholders will benefit from the incremental net income.

To illustrate these concepts, assume a Fund s Common Shares capitalization is $100 million and it issues Preferred Shares for an additional $50 million, creating a total value of $150 million available for investment in long-term municipal bonds. If prevailing short-term interest rates are 3% and long-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund pays dividends on the $50 million of Preferred Shares based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with assets received from Preferred Shares issuance earn income based on long-term interest rates. In this case, the dividends paid to holders of Preferred Shares (Preferred Shareholders) are significantly lower than the income earned on the Fund s long-term investments, and therefore the Common Shareholders are the beneficiaries of the incremental net income.

If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental net income pickup will be reduced or eliminated completely. Furthermore, if prevailing short-term interest rates rise above long-term interest rates, the yield curve has a negative slope. In this case, the Fund pays higher short-term interest rates whereas the Fund s total portfolio earns income based on lower long-term interest rates.

Furthermore, the value of the Funds portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the redemption value of the Funds Preferred Shares and/or debt securities does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Funds NAV positively or negatively in addition to the impact on Fund performance from leverage from Preferred Shares and borrowings discussed above.

The Funds may also leverage their assets through the use of TOBs, as described in Note 1 of the Notes to Financial Statements. TOB investments generally will provide the Funds with economic benefits in periods of declining short-term interest rates, but expose the Funds to risks during periods of rising short-term interest rates similar to those associated with Preferred Shares issued by the Funds, as described above. Additionally, fluctuations in the market value of municipal bonds deposited into the TOB trust may adversely affect each Fund s NAV per share.

The use of leverage may enhance opportunities for increased income to the Funds and Common Shareholders, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes in the Funds NAVs, market prices and dividend rates than comparable portfolios without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the Funds net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each Fund s net income will be less than if leverage had not been used, and therefore the amount available for distribution to Common Shareholders will be reduced. Each Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause a Fund to incur losses. The use of leverage may limit each Fund s ability to invest in certain types of securities or use certain types of hedging strategies, such as in the case of certain restrictions imposed by rating agencies that rate the Preferred Shares issued by the Funds. Each Fund will incur expenses in connection with the use of leverage, all of which are borne by Common Shareholders and may reduce income to the Common Shares.

Under the Investment Company Act of 1940, as amended (the 1940 Act), the Funds are permitted to issue senior securities in the form of equity securities (e.g., Preferred Shares) up to 50% of their total managed assets (each Fund s total assets less the sum of its accrued liabilities). In addition, each Fund voluntarily limits its economic leverage to 50% of its total managed assets and 45% for Funds with VRDP Shares or VMTP Shares. As of April 30, 2012, the Funds had economic leverage from Preferred Shares and/or TOBs as a percentage of their total managed assets as follows:

	Percent of Economic Leverage
MYD	38%
MQY	37%
MQT	37%

Derivative Financial Instruments

The Funds may invest in various derivative financial instruments, including financial futures contracts as specified in Note 2 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a market without owning or taking physical custody of securities or to hedge market, interest rate and/or other risks. Derivative financial instruments involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The Funds ability to use a derivative financial instrument successfully depends on the investment advisor s ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation a Fund can realize on an investment, may result in lower dividends paid to shareholders or may cause a Fund to hold an investment that it might otherwise sell. The Funds investments in these instruments are discussed in detail in the Notes to Financial Statements.

Schedule of Investments April 30, 2012

BlackRock MuniYield Fund, Inc. (MYD)
(Percentages shown are based on Net Assets)

Municipal Bonds		Par (000)		Value
Alabama 0.7%				
County of Jefferson Alabama, RB, Series A, 5.50%, 1/01/22	$	5,250	$	5,222,385
Alaska 1.0%				
Northern Tobacco Securitization Corp., Refunding RB, Tobacco Settlement, Asset-Backed, Series A:				
4.63%, 6/01/23		2,500		2,473,200
5.00%, 6/01/46		6,450		4,883,037
				7,356,237
Arizona 5.9%				
Maricopa County IDA, RB, Arizona Charter Schools Project, Series A, 6.75%, 7/01/29		3,300		2,274,855
Phoenix IDA Arizona, Refunding RB, America West Airlines, Inc. Project, AMT:				
6.25%, 6/01/19		3,000		2,720,670
6.30%, 4/01/23		5,090		4,462,199
Pima County IDA, IDRB, Tucson Electric Power Co., Series A, 6.38%, 9/01/29		3,000		3,075,030
Pima County IDA Arizona, Prerefunded ERB, Prerefunded, Arizona Charter Schools II, Series A, 6.75%, 7/01/31		245		247,717
Pima County IDA Arizona, Unrefunded ERB, Unrefunded, Arizona Charter Schools II, Series A, 6.75%, 7/01/31		475		475,095
Salt Verde Financial Corp., RB, Senior:				
5.00%, 12/01/32		7,365		7,507,513
5.00%, 12/01/37		14,190		14,395,045
Vistancia Community Facilities District Arizona, GO, 5.75%, 7/15/24		2,125		2,258,833
Yavapai County IDA Arizona, RB, Yavapai Regional Medical Center, Series A, 6.00%, 8/01/33		3,900		3,956,862
				41,373,819

Municipal Bonds		Par (000)		Value
California 10.2%				
California Health Facilities Financing Authority, Refunding RB:				
Catholic Healthcare West, Series A, 6.00%, 7/01/34	$	3,155	$	3,655,446
St. Joseph Health System, Series A, 5.75%, 7/01/39		4,425		5,009,277
Sutter Health, Series B, 6.00%, 8/15/42		6,465		7,578,467
California State Public Works Board, RB, Various Capital Projects, Sub-Series I-1, 6.38%, 11/01/34		2,385		2,785,203
California Statewide Communities Development Authority, RB:				
John Muir Health, 5.13%, 7/01/39		4,375		4,581,631
Kaiser Permanente, Series A, 5.00%, 4/01/42		4,455		4,752,728
		1,605		1,768,405

City of Los Angeles Department of Airports, RB, Series A, 5.25%, 5/15/40		
City of Los Angeles Department of Airports, Refunding RB, Senior, Los Angeles International Airport, Series A, 5.00%, 5/15/40	11,970	13,000,258
State of California, GO:		
(AMBAC), 5.00%, 4/01/31	10	10,429
Various Purpose, 6.00%, 3/01/33	5,085	6,049,167
Various Purpose, 6.50%, 4/01/33	14,075	17,151,795
Various Purpose, 5.00%, 10/01/41	5,190	5,526,727
		71,869,533
Colorado 2.4%		
City & County of Denver Colorado, RB, Series D, AMT (AMBAC), 7.75%, 11/15/13	2,785	2,945,305
Colorado Housing & Finance Authority, Refunding RB, S/F Program, Senior Series D-2, AMT, 6.90%, 4/01/29	105	110,192
Plaza Metropolitan District No. 1 Colorado, Tax Allocation Bonds, Public Improvement Fee, Tax Increment:		
8.00%, 12/01/25	6,850	7,075,707
Subordinate, 8.13%, 12/01/25	1,885	1,846,075

Portfolio Abbreviations

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

ACA	American Capital Access Corp.
AGC	Assured Guaranty Corp.
AGM	Assured Guaranty Municipal Corp.
AMBAC	American Municipal Bond Assurance Corp.
AMT	Alternative Minimum Tax (subject to)
ARB	Airport Revenue Bonds
BHAC	Berkshire Hathaway Assurance Corp.
CAB	Capital Appreciation Bonds
COP	Certificates of Participation
EDA	Economic Development Authority
EDC	Economic Development Corp.
ERB	Education Revenue Bonds
FHA	Federal Housing Administration
GAB	Grant Anticipation Bonds
GARB	General Airport Revenue Bonds
GO	General Obligation Bonds
HDA	Housing Development Authority
HFA	Housing Finance Agency
HRB	Housing Revenue Bonds
IDA	Industrial Development Authority
IDRB	Industrial Development Revenue Bonds
ISD	Independent School District
LOC	Letter of Credit
MRB	Mortgage Revenue Bonds
NPFGC	National Public Finance Guarantee Corp.
PSF-GTD	Permanent School Fund Guaranteed
Radian	Radian Financial Guaranty
RB	Revenue Bonds
S/F	Single-Family
SO	Special Obligation
Syncora	Syncora Guaranteed

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniYield Fund, Inc. (MYD)
(Percentages shown are based on Net Assets)

Municipal Bonds	Par (000)	Value
Colorado (concluded)		
University of Colorado, RB, Series A:		
5.25%, 6/01/30	$ 2,250	$ 2,675,205
5.38%, 6/01/32	1,250	1,489,175
5.38%, 6/01/38	830	953,828
		17,095,487
Connecticut 1.6%		
Connecticut State Health & Educational Facility Authority, RB:		
Ascension Health Senior Credit, 5.00%, 11/15/40	2,770	2,980,493
Wesleyan University, 5.00%, 7/01/35	2,225	2,475,290
Wesleyan University, 5.00%, 7/01/39	5,000	5,502,550
		10,958,333
Delaware 1.6%		
County of Sussex Delaware, RB, NRG Energy, Inc., Indian River Project, 6.00%, 10/01/40	2,305	2,495,900
Delaware State EDA, RB, Exempt Facilities, Indian River Power, 5.38%, 10/01/45	8,275	8,543,193
		11,039,093
District of Columbia 2.8%		
District of Columbia, Tax Allocation Bonds, City Market of Street Project, 5.13%, 6/01/41	4,440	4,626,746
Metropolitan Washington Airports Authority, RB:		
CAB, Second Senior Lien, Series B (AGC), 7.00%, 10/01/31 (a)	8,350	3,000,740
CAB, Second Senior Lien, Series B (AGC), 7.03%, 10/01/32 (a)	15,000	5,063,250
CAB, Second Senior Lien, Series B (AGC), 7.05%, 10/01/33 (a)	13,410	4,266,257
First Senior Lien, Series A, 5.25%, 10/01/44	2,425	2,609,809
		19,566,802
Florida 7.1%		
Broward County Water & Sewer Utility Revenue, RB, Series A, 5.25%, 10/01/34	2,155	2,444,244
City of Clearwater Florida, RB, Series A, 5.25%, 12/01/39	6,900	7,703,091
County of Miami-Dade Florida, Refunding RB, Miami International Airport, Series A-1, 5.38%, 10/01/41	7,530	8,320,349
Greater Orlando Aviation Authority Florida, RB, Special Purpose, JetBlue Airways Corp., AMT, 6.50%, 11/15/36	2,500	2,518,050
Hillsborough County IDA, RB, National Gypsum Co., AMT:		
Series A, 7.13%, 4/01/30	11,500	11,390,175
Series B, 7.13%, 4/01/30	5,000	4,949,250
Mid-Bay Bridge Authority, RB, Series A, 7.25%, 10/01/40	4,615	5,349,569
Midtown Miami Community Development District, Special Assessment Bonds, Series B, 6.50%, 5/01/37	5,080	5,147,259

Municipal Bonds		Par (000)		Value
Santa Rosa Bay Bridge Authority, RB, 6.25%, 7/01/28 (b)(c)		4,620		1,795,979
				49,617,966
Georgia 1.3%				
DeKalb Private Hospital Authority, Refunding RB, Children s Healthcare, 5.25%, 11/15/39	$	1,700	$	1,838,295
Metropolitan Atlanta Rapid Transit Authority, RB, Third Series, 5.00%, 7/01/39		6,945		7,535,950
				9,374,245
Hawaii 0.4%				
State of Hawaii, Refunding RB, Series A, 5.25%, 7/01/30		2,760		3,044,777
Idaho 1.4%				
Power County Industrial Development Corp., RB, FMC Corp. Project, AMT, 6.45%, 8/01/32		10,000		10,012,600
Illinois 10.4%				
Bolingbrook Special Service Area No. 1, Special Tax Bonds, Forest City Project, 5.90%, 3/01/27		1,000		880,890
Chicago Board of Education Illinois, GO, Series A:				
5.50%, 12/01/39		4,280		4,837,813
5.00%, 12/01/41		1,410		1,516,652
City of Chicago Illinois, RB, Series A, 5.25%, 1/01/38		1,660		1,847,480
City of Chicago Illinois, RB, O Hare International Airport, General Third Lien:				
Series A, 5.63%, 1/01/35		4,200		4,804,758
Series A, 5.75%, 1/01/39		3,500		4,008,235
Series C, 6.50%, 1/01/41		11,920		14,296,967
City of Chicago Illinois Transit Authority, RB, 5.25%, 12/01/40		2,130		2,361,680
Illinois Finance Authority, RB, Navistar International, Recovery Zone, 6.50%, 10/15/40		3,130		3,386,597
Illinois Finance Authority, Refunding RB:				
Ascension Health, Series A, 5.00%, 11/15/37 (d)		1,970		2,141,252
Ascension Health, Series A, 5.00%, 11/15/42 (d)		3,575		3,865,040
Central Dupage Health, Series B, 5.50%, 11/01/39		3,235		3,540,255
Friendship Village Schaumburg, Series A, 5.63%, 2/15/37		875		789,670
Metropolitan Pier & Exposition Authority, Refunding RB, McCormick Place Expansion Project:				
CAB, Series B (AGM), 6.25%, 6/15/46 (a)		11,405		1,808,491
CAB, Series B (AGM), 6.25%, 6/15/47 (a)		27,225		4,048,630
Series B (AGM), 5.00%, 6/15/50		6,405		6,671,512
Series B-2, 5.00%, 6/15/50		5,085		5,294,807
Railsplitter Tobacco Settlement Authority, RB:				
5.50%, 6/01/23		2,730		3,119,762
6.00%, 6/01/28		2,335		2,649,665
State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/34		1,275		1,402,755
				73,272,911
Indiana 2.2%				
Indiana Finance Authority, RB:				
Sisters of St. Francis Health, 5.25%, 11/01/39		1,690		1,817,832
Waste Water Utility, First Lien, CWA Authority, Series A, 5.25%, 10/01/38		3,200		3,567,104
Indiana Finance Authority, Refunding RB, Parkview Health System, Series A, 5.75%, 5/01/31		6,645		7,357,676

Indiana Municipal Power Agency, RB, Series B, 6.00%, 1/01/39	2,230	2,554,643
		15,297,255

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniYield Fund, Inc. (MYD)
(Percentages shown are based on Net Assets)

Municipal Bonds		Par (000)		Value
Iowa 0.7%				
Iowa Student Loan Liquidity Corp., RB, Senior Series A-1, AMT, 5.15%, 12/01/22	$	4,165	$	4,633,021
Kansas 1.2%				
Kansas Development Finance Authority, Refunding RB:				
Adventist Health, 5.75%, 11/15/38		4,380		5,009,494
Sisters of Leavenworth, Series A, 5.00%, 1/01/40		3,365		3,585,172
				8,594,666
Louisiana 3.7%				
East Baton Rouge Sewerage Commission, RB, Series A, 5.25%, 2/01/39		1,610		1,769,921
Louisiana Local Government Environmental Facilities & Community Development Authority, RB, Westlake Chemical Corp. Projects, 6.75%, 11/01/32		9,000		9,908,820
New Orleans Aviation Board, Refunding RB, Passenger Facility Charge, Series A, 5.25%, 1/01/41		1,260		1,345,907
Port of New Orleans Louisiana, Refunding RB, Continental Grain Co. Project, 6.50%, 1/01/17		13,000		13,016,640
				26,041,288
Maine 0.8%				
Maine Health & Higher Educational Facilities Authority, RB, Series A, 5.00%, 7/01/39		3,140		3,321,838
Maine State Turnpike Authority, RB, Series A, 5.00%, 7/01/42		1,790		1,998,499
				5,320,337
Maryland 1.7%				
County of Prince George s Maryland, SO, National Harbor Project, 5.20%, 7/01/34		1,500		1,468,965
Maryland EDC, RB, Transportation Facilities Project, Series A, 5.75%, 6/01/35		880		933,319
Maryland EDC, Refunding RB, CNX Marine Terminals, Inc., 5.75%, 9/01/25		1,690		1,768,957
Maryland Health & Higher Educational Facilities Authority, Refunding RB, Ascension Health, Series B, 5.00%, 11/15/51 (d)		6,690		7,221,721
Maryland Industrial Development Financing Authority, RB, Our Lady Of Good Counsel School, Series A, 6.00%, 5/01/35		500		509,875
				11,902,837
Massachusetts 2.2%				
Massachusetts Bay Transportation Authority, Refunding RB, Senior Series A-1, 5.25%, 7/01/29		3,250		4,169,685
Massachusetts Development Finance Agency, RB:				
Seven Hills Foundation & Affiliates (Radian), 5.00%, 9/01/35		3,500		3,211,040
Wellsley College, Series J, 5.00%, 7/01/42		3,680		4,158,841
Massachusetts Health & Educational Facilities Authority, Refunding RB, Partners Healthcare,		3,640		3,881,114

Municipal Bonds		Par (000)		Value
Series J1, 5.00%, 7/01/39				
				15,420,680
Michigan 4.1%				
City of Detroit Michigan, Senior Lien, RB:				
Series A, 5.25%, 7/01/41	$	6,250	$	6,372,563
Series B (AGM), 7.50%, 7/01/33		1,835		2,299,365
Kalamazoo Hospital Finance Authority, Refunding RB, Bronson Methodist Hospital, 5.50%, 5/15/36		2,795		3,022,904
Michigan State Hospital Finance Authority, Refunding RB, Hospital, Henry Ford Health, 5.75%, 11/15/39		6,085		6,672,689
Royal Oak Hospital Finance Authority Michigan, Refunding RB, William Beaumont Hospital:				
8.00%, 9/01/29		2,000		2,539,920
8.25%, 9/01/39		6,365		8,094,243
				29,001,684
Minnesota 2.9%				
City of Eden Prairie Minnesota, RB, Rolling Hills Project, Series A (Ginnie Mae):				
6.00%, 8/20/21		420		441,966
6.20%, 2/20/43		2,000		2,102,540
City of Minneapolis Minnesota, HRB, Gaar Scott Loft Project, Mandatory Put Bonds, AMT, 5.95%, 5/01/30 (e)		835		836,829
Tobacco Securitization Authority Minnesota, Refunding RB, Tobacco Settlement, Series B:				
5.25%, 3/01/25		9,110		10,260,137
5.25%, 3/01/31		6,215		6,836,003
				20,477,475
Mississippi 0.0%				
University of Southern Mississippi, RB, Campus Facilities Improvements Project, 5.38%, 9/01/36		280		311,590
Nebraska 0.7%				
Central Plains Energy Project, RB, Gas Project, Project #3:				
5.25%, 9/01/37		1,670		1,736,132
5.00%, 9/01/42		2,925		2,934,184
				4,670,316
New Jersey 6.8%				
New Jersey EDA, RB:				
Continental Airlines, Inc. Project, AMT, 6.25%, 9/15/19		3,905		3,914,372
Continental Airlines, Inc. Project, AMT, 6.25%, 9/15/29		11,000		11,026,400
First Mortgage, Lions Gate Project, Series A, 5.75%, 1/01/25		710		699,904
First Mortgage, Lions Gate Project, Series A, 5.88%, 1/01/37		230		218,923
First Mortgage, Presbyterian Homes, Series A, 6.38%, 11/01/31		3,000		2,800,620
Kapkowski Road Landfill Project, Series 1998B-MB, AMT, 6.50%, 4/01/31		2,500		2,834,500
Motor Vehicle Surcharge, Series A (NPFGC), 5.00%, 7/01/29		10,000		10,678,700
New Jersey EDA, Refunding RB:				
5.00%, 6/15/23		945		1,059,544
5.00%, 6/15/25		1,035		1,131,431

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniYield Fund, Inc. (MYD)
(Percentages shown are based on Net Assets)

Municipal Bonds		Par (000)		Value
New Jersey (concluded)				
New Jersey Health Care Facilities Financing Authority, RB, Pascack Valley Hospital Association (b)(c):				
6.00%, 7/01/13	$	1,335	$	13
6.63%, 7/01/36		1,835		18
New Jersey Transportation Trust Fund Authority, RB, Transportation System:				
CAB, Series C (AMBAC), 5.05%, 12/15/35 (a)		13,110		3,799,147
Series A, 5.50%, 6/15/41		3,630		4,137,982
Series B, 5.25%, 6/15/36		4,990		5,575,926
				47,877,480
New York 4.3%				
Dutchess County Industrial Development Agency New York, Refunding RB, St. Francis Hospital, Series A, 7.50%, 3/01/29		2,100		2,142,525
Metropolitan Transportation Authority, Refunding RB:				
Series B, 5.00%, 11/15/34		4,910		5,428,692
Transportation, Series D, 5.25%, 11/15/40		2,465		2,697,228
New York City Industrial Development Agency, RB, British Airways Plc Project, AMT, 7.63%, 12/01/32		1,250		1,290,625
New York Liberty Development Corp., Refunding RB, Second Priority, Bank of America Tower at One Bryant Park Project, 6.38%, 7/15/49		2,480		2,761,058
Oneida County Industrial Development Agency, RB, Hamilton College Civic Facility, Series 2002, 5.00%, 9/15/26		1,990		2,246,770
Port Authority of New York & New Jersey, RB, JFK International Air Terminal:				
6.00%, 12/01/36		2,625		2,939,449
6.00%, 12/01/42		1,485		1,645,915
Triborough Bridge & Tunnel Authority, RB, Subordinate Bonds, 5.25%, 11/15/30		5,000		5,271,100
Westchester County Industrial Development Agency New York, MRB, Kendal on Hudson Project, Series A, 6.38%, 1/01/24		3,450		3,467,905
				29,891,267
North Carolina 1.2%				
North Carolina HFA, RB:				
Home Ownership, Series 8A, AMT, 6.20%, 7/01/16		45		45,101
S/F, Series II (FHA), 6.20%, 3/01/16		235		235,806
North Carolina Medical Care Commission, RB, Duke University Health System, Series A, 5.00%, 6/01/42		2,805		3,017,703
North Carolina Medical Care Commission, Refunding RB, First Mortgage, Presbyterian Homes, 5.40%, 10/01/27		5,000		5,013,400
				8,312,010
Ohio 0.6%				
County of Montgomery Ohio, Refunding RB, Catholic Healthcare, Series A, 5.00%, 5/01/39		2,840		2,994,212

Municipal Bonds		Par (000)		Value
Toledo-Lucas County Port Authority, RB, St. Mary Woods Project, Series A:				
6.00%, 5/15/24		750		359,902
6.00%, 5/15/34		2,250		1,074,240
				4,428,354
Oregon 0.2%				
City of Tigard Washington County Oregon, Refunding RB, Water System (d):				
5.00%, 8/01/37	$	510	$	569,808
5.00%, 8/01/42		595		663,157
				1,232,965
Pennsylvania 1.9%				
Allegheny County Hospital Development Authority, Refunding RB, Health System, West Penn, Series A, 5.38%, 11/15/40		4,150		3,458,818
Pennsylvania Economic Development Financing Authority, RB:				
Aqua Pennsylvania, Inc. Project, 5.00%, 11/15/40		3,805		4,151,407
National Gypsum Co., Series A, AMT, 6.25%, 11/01/27		5,270		4,784,053
Philadelphia Authority for Industrial Development, RB, Commercial Development, AMT, 7.75%, 12/01/17 (e)		1,265		1,266,607
				13,660,885
Puerto Rico 3.7%				
Puerto Rico Commonwealth Aqueduct & Sewer Authority, Refunding RB, Senior Lien, Series A:				
5.13%, 7/01/37		695		693,485
5.25%, 7/01/42		1,165		1,161,412
Puerto Rico Sales Tax Financing Corp., RB:				
CAB, Series C, 6.25%, 8/01/39 (a)		22,915		5,073,152
First Sub-Series A, 6.50%, 8/01/44		10,120		11,865,194
Puerto Rico Sales Tax Financing Corp., Refunding RB, CAB, First Sub-Series C, 6.58%, 8/01/38 (a)		23,695		5,070,493
Puerto Rico Sales Tax Financing Corp., Refunding RB, CAB, Series A (AMBAC), 6.41%, 8/01/47 (a)		14,900		1,951,602
				25,815,338
Rhode Island 0.5%				
Central Falls Detention Facility Corp., Refunding RB, 7.25%, 7/15/35		4,240		3,521,617
South Carolina 2.2%				
South Carolina State Ports Authority, RB, 5.25%, 7/01/40		6,695		7,351,244
South Carolina State Public Service Authority, RB:				
Santee Cooper Project, Series C, 5.00%, 12/01/36		3,125		3,471,594
Series D, 5.00%, 12/01/43		4,265		4,664,161
				15,486,999
Tennessee 0.5%				
Hardeman County Correctional Facilities Corp. Tennessee, RB, 7.75%, 8/01/17		2,870		2,869,570
Rutherford County Health & Educational Facilities Board, Refunding RB, Ascension Health, Series C, 5.00%, 11/15/47 (d)		430		464,176
				3,333,746
Texas 14.3%				
		4,365		4,812,456

Central Texas Regional Mobility Authority, RB, Senior Lien, 6.25%, 1/01/46		
City of Dallas Texas, Refunding RB, Waterworks & Sewer System, 5.00%, 10/01/35	3,060	3,444,397

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniYield Fund, Inc. (MYD)
(Percentages shown are based on Net Assets)

Municipal Bonds		Par (000)		Value
Texas (concluded)				
City of Houston Texas, RB, Special Facilities, Continental Airlines, Series E, AMT:				
7.38%, 7/01/22	$	3,500	$	3,526,705
7.00%, 7/01/29		3,000		3,014,070
City of Houston Texas, Refunding RB, Senior Lien, Series A, 5.50%, 7/01/39		3,100		3,421,284
Gulf Coast IDA, RB, Citgo Petroleum Corp. Project, Mandatory Put Bonds, AMT, 7.50%, 5/01/25 (e)		3,900		3,939,351
Houston Industrial Development Corp., RB, Senior, Air Cargo, AMT, 6.38%, 1/01/23		1,485		1,483,693
La Vernia Higher Education Finance Corp., RB, KIPP, Inc., Series A, 6.38%, 8/15/44		1,000		1,121,970
Matagorda County Navigation District No. 1 Texas, Refunding RB, Central Power & Light Co. Project, Series A, 6.30%, 11/01/29		4,320		4,931,755
North Texas Tollway Authority, RB:				
CAB, Special Projects System, Series B, 7.55%, 9/01/37 (a)		4,110		988,619
Toll, 2nd Tier, Series F, 6.13%, 1/01/31		12,140		13,359,585
San Antonio Energy Acquisition Public Facility Corp., RB, Gas Supply, 5.50%, 8/01/25		6,365		7,130,455
Texas Private Activity Bond Surface Transportation Corp., RB, Senior Lien:				
LBJ Infrastructure Group LLC, LBJ Freeway Managed Lanes Project, 7.00%, 6/30/40		8,730		10,155,260
NTE Mobility Partners LLC, North Tarrant Express Managed Lanes Project, 6.88%, 12/31/39		6,655		7,632,553
Texas State Public Finance Authority, Refunding ERB, KIPP, Inc., Series A (ACA), 5.00%, 2/15/36		1,000		1,009,300
Texas State Turnpike Authority, RB (AMBAC):				
CAB, 6.06%, 8/15/35 (a)		15,000		3,728,700
First Tier, Series A, 5.50%, 8/15/39		13,210		13,266,539
University of Texas System, Refunding RB, Financing System:				
Series A, 5.00%, 8/15/22		5,000		6,393,100
Series B, 5.00%, 8/15/43		6,240		7,129,699
				100,489,491
Virginia 2.0%				
James City County EDA, RB, First Mortgage, Williamsburg Lodge, Series A:				
5.35%, 9/01/26		1,500		1,417,890
5.50%, 9/01/34		2,000		1,809,380
Virginia Small Business Financing Authority, RB, Senior Lien, Elizabeth River Crossings OPCP LLC Project:				
5.25%, 1/01/32		3,270		3,357,930
6.00%, 1/01/37		3,715		4,035,828
5.50%, 1/01/42		2,335		2,402,248
Winchester IDA Virginia, RB, Westminster-Canterbury, Series A, 5.20%, 1/01/27		1,000		1,023,370

				14,046,646

Municipal Bonds		Par (000)		Value
Washington 1.0%				
Vancouver Housing Authority Washington, HRB, Teal Pointe Apartments Project, AMT:				
6.00%, 9/01/22	$	945	$	941,314
6.20%, 9/01/32		1,250		1,194,325
Washington Health Care Facilities Authority, RB, Swedish Health Services, Series A, 6.75%, 11/15/41		4,045		5,153,856
				7,289,495
Wisconsin 3.3%				
City of Milwaukee Wisconsin, RB, Senior, Air Cargo, AMT, 6.50%, 1/01/25		595		594,881
State of Wisconsin, Refunding RB, Series A, 6.00%, 5/01/36		14,300		17,309,292
Wisconsin Health & Educational Facilities Authority, RB, Ascension Health Senior Credit Group, 5.00%, 11/15/33		4,970		5,412,181
				23,316,354
Wyoming 1.1%				
County of Sweetwater Wyoming, Refunding RB, Idaho Power Co. Project, 5.25%, 7/15/26		6,195		6,967,083
Wyoming Municipal Power Agency, RB, Series A, 5.00%, 1/01/42		595		630,569
				7,597,652
Total Municipal Bonds 110.6%				777,775,636

Municipal Bonds Transferred to Tender Option Bond Trusts (f)				
Alabama 0.7%				
Alabama Special Care Facilities Financing Authority-Birmingham, Refunding RB, Ascension Health Senior Credit, Series C-2, 5.00%, 11/15/36		4,538		4,744,098
Arizona 0.7%				
Salt River Project Agricultural Improvement & Power District, RB, Series A, 5.00%, 1/01/38		4,909		5,324,240
California 6.6%				
Bay Area Toll Authority, Refunding RB, San Francisco Bay Area, Series F-1, 5.63%, 4/01/44		6,581		7,377,812
California Educational Facilities Authority, RB, University of Southern California, Series B, 5.25%, 10/01/39		5,310		6,024,567
Los Angeles Community College District California, GO, Election of 2001, Series A (AGM), 5.00%, 8/01/32		4,650		5,221,764
San Diego Community College District California, GO, Election of 2002, 5.25%, 8/01/33		2,154		2,471,913
San Francisco City & County Public Utilities Commission, RB, Series B, 5.00%, 11/01/39		19,080		21,073,479
University of California, RB, Limited Project, Series B, 4.75%, 5/15/38		4,429		4,528,873
				46,698,408

See Notes to Financial Statements.

Schedule of Investments (continued)

BlackRock MuniYield Fund, Inc. (MYD)
(Percentages shown are based on Net Assets)

Municipal Bonds Transferred to Tender Option Bond Trusts (f)	**Par (000)**	**Value**
Colorado 2.5%		
Colorado Health Facilities Authority, RB, Catholic Health (AGM):		
Series C-3, 5.10%, 10/01/41	$ 7,490	$ 7,848,172
Series C-7, 5.00%, 9/01/36	4,800	5,038,224
Colorado Health Facilities Authority, Refunding RB, Catholic Health, Series A, 5.50%, 7/01/34	4,299	4,810,859
		17,697,255
Connecticut 2.9%		
Connecticut State Health & Educational Facility Authority, RB, Yale University:		
Series T-1, 4.70%, 7/01/29	9,130	10,368,393
Series X-3, 4.85%, 7/01/37	9,270	10,277,000
		20,645,393
Florida 1.8%		
County of Miami-Dade Florida, RB, Water & Sewer System, 5.00%, 10/01/34	11,448	12,585,737
Georgia 1.0%		
Private Colleges & Universities Authority, Refunding RB, Emory University, Series C, 5.00%, 9/01/38	6,398	6,954,019
Massachusetts 1.5%		
Massachusetts School Building Authority, RB, Senior, Series B, 5.00%, 10/15/41	9,200	10,310,808
New Hampshire 0.7%		
New Hampshire Health & Education Facilities Authority, Refunding RB, Dartmouth College, 5.25%, 6/01/39	4,048	4,652,802
New York 10.0%		
Hudson New York Yards Infrastructure Corp., RB, 5.75%, 2/15/47	3,260	3,678,814
New York City Municipal Water Finance Authority, RB, Series FF-2, 5.50%, 6/15/40	3,194	3,650,104
New York City Transitional Finance Authority, RB, Future Tax Secured Revenue, Sub-Series E-1, 5.00%, 2/01/42	4,979	5,530,431
New York Liberty Development Corp., RB, 1 World Trade Center Port Authority Construction, 5.25%, 12/15/43	21,630	24,304,549
New York Liberty Development Corp., Refunding RB, 4 World Trade Center Project, 5.75%, 11/15/51	13,080	14,847,239
New York State Dormitory Authority, ERB, Series F, 5.00%, 3/15/35	16,723	18,126,784
		70,137,921
North Carolina 3.4%		
North Carolina Capital Facilities Finance Agency, Refunding RB:		
Duke University Project, Series A, 5.00%, 10/01/41	18,897	20,236,372
Wake Forest University, 5.00%, 1/01/38	3,120	3,403,826
		23,640,198
Ohio 4.4%		

State of Ohio, Refunding RB, Cleveland Clinic Health, Series A, 5.50%, 1/01/39		27,896		30,751,083

Municipal Bonds Transferred to Tender Option Bond Trusts (f)		**Par (000)**		**Value**
South Carolina 2.7%				
Charleston Educational Excellence Finance Corp., RB, Charleston County School (AGC):				
5.25%, 12/01/28	$	7,795	$	8,635,691
5.25%, 12/01/29		6,920		7,653,935
5.25%, 12/01/30		2,510		2,774,378
				19,064,004
Tennessee 1.7%				
Shelby County Health Educational & Housing Facilities Board, Refunding RB, St. Jude s Children s Research Hospital, 5.00%, 7/01/31		11,240		11,892,707
Texas 1.1%				
Harris County Metropolitan Transit Authority, RB, Series A, 5.00%, 11/01/41		6,920		7,635,251
Utah 1.1%				
City of Riverton Utah, RB, IHC Health Services, Inc., 5.00%, 8/15/41		7,303		7,827,502
Virginia 3.6%				
Fairfax County IDA Virginia, Refunding RB, Health Care, Inova Health System, Series A, 5.50%, 5/15/35		6,266		7,000,649
University of Virginia, Refunding RB, General, 5.00%, 6/01/40		10,618		11,711,644
Virginia Small Business Financing Authority, Refunding RB, Sentara Healthcare, 5.00%, 11/01/40		6,075		6,552,104
				25,264,397
Washington 0.8%				
Central Puget Sound Regional Transit Authority, RB, Series A (AGM), 5.00%, 11/01/32		5,384		6,051,602
Wisconsin 1.8%				
Wisconsin Health & Educational Facilities Authority, Refunding RB, Froedtert & Community Health, Inc., 5.25%, 4/01/39		11,458		12,452,304
Total Municipal Bonds Transferred to Tender Option Bond Trusts 49.0%				344,329,729
Total Long-Term Investments (Cost $1,038,871,666) 159.6%				1,122,105,365

Short-Term Securities	**Shares**	
FFI Institutional Tax-Exempt Fund, 0.09% (g)(h)	152,651	152,651

See Notes to Financial Statements.

Schedule of Investments (concluded)

BlackRock MuniYield Fund, Inc. (MYD)
(Percentages shown are based on Net Assets)

Short-Term Securities		Par (000)		Value
Washington Health Care Facilities Authority, RB, Multicare Health System, Series D (Barclays Bank Plc LOC), 0.25%, 5/07/12 (i)	$	7,900	$	7,900,000
Total Short-Term Securities (Cost $8,052,651) 1.1%				8,052,651
Total Investments (Cost $1,046,924,317) 160.7%				1,130,158,016
Other Assets Less Liabilities 0.4%				3,022,971
Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable (25.4)%				(178,491,099)
VRDP Shares, at Liquidation Value (35.7)%				(251,400,000)
Net Assets Applicable to Common Shares 100.0%			$	703,289,888

(a) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.

(b) Issuer filed for bankruptcy and/or is in default of interest payments.

(c) Non-income producing security.

(d) When-issued security. Unsettled when-issued transactions were as follows:

Counterparty		Value		Unrealized Appreciation
Wells Fargo	$	1,232,965	$	14,577
Morgan Stanley Co., Inc.	$	13,692,189	$	126,812

(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. See Note 1 of the Notes to Financial Statements for details of municipal bonds transferred to TOBs.

(g) Investments in companies considered to be an affiliate of the Fund during the year, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at April 30, 2011	Net Activity	Shares Held at April 30, 2012		Income
FFI Institutional Tax-Exempt Fund	16,277,332	(16,124,681)	152,651	$	3,384

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

(i) Variable rate security. Rate shown is as of report date and maturity shown is the date principal owed can be recovered through demand.

Financial futures contracts sold as of April 30,2012 were as follows:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Depreciation
608	10-Year US Treasury Note	Chicago Board of Trade	June 2012	$ 80,427,000	$ (1,002,968)

Fair Value Measurements Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial statement purposes as follows:

Level 1 unadjusted price quotations in active markets/exchanges for identical assets and liabilities

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 and derivative financial instruments)

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument 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 derivative financial instruments and other significant accounting policies, please refer to Note 1 of the Notes to Financial Statements.

The following tables summarize the inputs used as of April 30, 2012 in determining the fair valuation of the Fund s investments and derivative financial instruments:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments[1]		$ 1,122,105,365		$ 1,122,105,365
Short-Term Securities	$ 152,651	7,900,000		8,052,651
Total	$ 152,651	$ 1,130,005,365		$ 1,130,158,016

[1] See above Schedule of Investments for value in each state or political subdivision.

Valuation Inputs	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments[2]				
Liabilities:				
Interest rate contracts	$ (1,002,968)		Effect a one-for-three reverse split of the common stock so that each three shares of common stock	

prior to the reverse split became one share of common stock, with the Company issuing such fractional shares as may be necessary to enable the stockholders to hold a full share.

Automatic Conversion of Promissory Notes

The board of directors created a new series of preferred stock comprised of 20,000,000 shares which were designated as the Series A Convertible Preferred Stock, having the rights, preferences, privileges and limitations set forth below under "Series A Convertible Preferred Stock."

In May 2007, the Company issued promissory notes in the principal amount of $3,400,000. See note 9. As a result of the filing of both the Articles of Amendment to the Company's Articles of Incorporation and the Certificate of Designation setting forth the rights, preferences, privileges and limitations for the Series A Convertible Preferred Stock on October 4, 2007, these notes were automatically converted into (i) 9,189,189 shares of Series A Convertible Preferred Stock and (ii) warrants to purchase a total of 735,632 shares of common stock at $1.50 per share, 2,833,333 shares of common stock at $2.07 per share, 681,034 shares of common stock at $2.40 per share and 264,367 shares of common stock at $3.00 per share. The 9,189,189 shares of Series A Convertible Preferred Stock are convertible into 3,063,063 shares of common stock. The number of shares of Series A Convertible Preferred Stock and warrants were based on the principal amount of the notes. Pursuant to the terms of the notes, no adjustment was made with respect to the interest.

Series A ConvertiblePreferred Stock

The Certificate of Designation for the Series A Convertible Preferred Stock provides that:

- Each share of Series A Convertible Preferred Stock is convertible into one-third of a share of common stock, subject to adjustment.

- If the Company issues common stock at a price, or options, warrants or other convertible securities with a conversion or exercise price less than the conversion price (presently $1.11 per share), with certain specified exceptions, the number of shares issuable upon conversion of one share of Series A Convertible Preferred Stock is adjusted to reflect a conversion price equal to the lower price.

- No dividends are payable with respect to the Series A Convertible Preferred Stock, and while the Series A Convertible Preferred Stock is outstanding, the Company may not pay dividends on or redeem shares of common stock.

- Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of the Series A Convertible Preferred Stock are entitled to a preference of $0.37 per share before any distributions or payments may be made with respect to the common stock or any other class or series of capital stock which is junior to the Series A Convertible Preferred Stock upon such voluntary or involuntary liquidation, dissolution or winding-up.

- The holders of the Series A Convertible Preferred Stock have no voting rights. However, so long as any shares of Series A Convertible Preferred Stock are outstanding, the Company shall not, without the affirmative approval of the holders of 75% of the outstanding shares of Series A Convertible Preferred Stock (a) alter or change adversely the powers, preferences or rights given to the Series A Convertible Preferred Stock or alter or amend the Certificate of Designation, (b) authorize or create any class of stock ranking as to dividends or distribution of assets upon liquidation senior to or otherwise pari passu with the Series A Convertible Preferred Stock, or any preferred stock possessing greater voting rights or the right to convert at a more favorable price than the Series A Convertible Preferred Stock, (c) amend the Company's Articles of Incorporation or other charter documents in breach of any of the provisions thereof, (d) increase the authorized number of shares of Series A Convertible Preferred Stock, or (e) enter into any agreement with respect to the foregoing.

The holders of the Series A Convertible Preferred Stock may not convert the Series A Convertible Preferred Stock to the extent that such conversion would result in the holders owning more than 4.9% of the Company's outstanding common stock. This limitation may not be amended or waived; however, such limitation does not apply with respect to a change of control. The shares of Series A Convertible Preferred Stock are automatically converted upon a change of control, as defined in the Certificate of Designation.

Warrants

The warrants that were issued upon automatic conversion of the notes into Series A Convertible Preferred Stock have a term of five years, and expire in May 2012. The warrants provide a cashless exercise feature; however, the holders of the warrants may not make a cashless exercise during the twelve months following the date of issuance and thereafter only if the sale by the holder of the underlying shares is covered by an effective registration statement.

The warrants provide that the exercise price of the warrants may be reduced by up to 50% if the Company's pre-tax income per share of common stock, on a fully-diluted basis, is less than $0.19941. Pre tax-income is defined as income before income taxes determined in accordance with GAAP plus (a) any charges relating to the transaction contemplated by the securities purchase agreement and the registration rights agreement, minus (b) the amount, if any, by which all non-recurring losses or expenses exceed all non-recurring items of income or gain. Pre-tax income shall not be adjusted if all non-recurring items of income or gain exceed all non-recurring losses or expenses. Items shall be deemed to be non-recurring only if they qualify as non-recurring pursuant to GAAP. For determining pre-tax income per share, all shares which are outstanding or which may be issuable upon exercise or conversion of options, warrants and other convertible securities are deemed to be outstanding, regardless of whether the shares would be counted for purposes of computing diluted earnings per shares under GAAP. An adjustment in the warrant exercise price does not affect the number of shares issuable upon exercise of the warrants. The following table sets forth the exercise price of the warrants if pre-tax income is 20% below the threshold (a “20% shortfall”) and 50% or more below the threshold (a “50% shortfall”):

	$1.50 Warrant Exercise Price	$2.07 Warrant Exercise Price	$2.40 Warrant Exercise Price	$3.00 Warrant Exercise Price
Unadjusted	$ 1.50	$ 2.07	$ 2.40	$ 3.00
20% shortfall	$ 1.20	$ 1.656	$ 1.92	$ 2.40
50% shortfall	$ 0.75	$ 1.035	$ 1.20	$ 1.50

The warrants also give the Company the right to redeem the warrants for $.01 per share of common stock issuable upon exercise of the warrants if the trading price per share of the common stock equals or exceeds the greater of (a) $4.14 or 200% of the exercise price for the $2.07 warrants, (b) $4.14 or 276% of the exercise price for the $1.50 warrants, (c) $4.14 or 172.5% of the exercise price for the $2.40 warrants, and (d) $5.25 or 175% of the exercise price for the $1.00 warrants on each trading day in the 20 trading days ending on the date prior to the date on which the warrants are called for redemption provided that the trading volume on each day in the computation period is at least 1,000 shares.

In order for the Company to exercise the right of redemption, a registration statement covering the sale of the underlying shares must be current and effective. In the event that, at any time subsequent to the date on which the warrants are called for redemption, the shares of common stock underlying the warrants are not subject to a current and effective registration statement, the Company’s right to call the warrants for redemption shall terminate with respect to all warrants that have not then been exercised or converted prior to that date.

The securities purchase agreement, the Certificate of Designation for the Series A Convertible Preferred Stock and the warrants provide that those securities may not be exercised or converted if such conversion or exercise would result in the holder and its affiliates having beneficial ownership of more than 4.9% of the Company’s outstanding common stock. Beneficial ownership is determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Rule 13d-3 thereunder. This limitation may not be waived.

The securities purchase agreement also obligated the Company, within 90 days after the closing, which was August 6, 2007, to appoint such number of independent directors as would result in a majority of its directors being independent directors and to establish an audit committee composed solely of independent directors and a compensation committee comprised of a majority of independent directors. Thereafter, the Company’s failure to meet these requirements for a period of 60 days for an excused reason, as defined in the purchase agreement, or 75 days for a reason which is not an excused reason, would result in the imposition of liquidated damages which are payable in cash or additional shares of Series A Convertible Preferred Stock. The liquidated damages are computed in an amount equal to 12% per annum of the principal amount of notes outstanding, up to a maximum of $408,000, which is payable in cash or stock, at the election of the investors. The Company’s failure to comply with these requirements resulted in its payment of liquidated damages through the payment of $77,128 or the issuance of 208,456 shares of series A Convertible Preferred Stock as of October 15, 2007. The investors elected to take payment in stock, and the Company issued the shares in October 2007.

The Company and the investors entered into a registration rights agreement pursuant to which the Company agreed to file, within 60 days after the closing, which was July 7, 2007, a registration statement covering the common stock issuable upon conversion of notes and the Series A Convertible Preferred Stock and exercise of the warrants. The Company was also required to have the registration statement declared effective by the SEC not later than 120 days after the completion of the 60-day period, which was November 5, 2007. The registration rights agreement also provides for additional demand registration rights in the event that the investors are not able to register all of the shares in the initial registration statement. The Company is currently in default of the registration rights agreement for failing to file the registration statement by July 7, 2007 and to have the registration statement declared effective by November 5, 2007. The agreement provides that the liquidated damages are a maximum of 2,130 Series A Convertible Preferred Stock per day, with a maximum of 900,000 shares of Series A Convertible Preferred Stock. However, since, pursuant to the SEC's rules relating to secondary offerings, we are not able to register all of the shares of common stock issuable upon conversion of the Series A Convertible Preferred Stock or exercise of the warrants, the number of shares is reduced to a fraction of 2,130 shares, of which the numerator is the number of shares being registered (2,527,000) and the denominator is the number of shares issuable upon conversion of all of the Series A Convertible Preferred Stock (3,063,063), which is 1,755 shares per day. The Company may defer the issuance of any such shares of Series A Convertible Preferred Stock until the first date after the required effectiveness date that it was required to pay liquidated damages.

Since the registration statement was filed on September 13, 2007, or 68 days late, and the Company's registration statement failed to become effective by November 5, 2007, the Company will be required to issue 119,340 shares of Series A Convertible Preferred Stock as liquidated damages during the fourth quarter related to its failure to file the registration statement within the required time period along with additional liquidated damages of 1,755 shares of Series A Convertible Preferred Stock for each day from November 5, 2007, until the registration statement is declared effective, subject to the overall limitation described above.

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ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OFOPERATIONS

The following discussion of the results of our operations and financial condition should be read in conjunction with our unaudited consolidated financial statements and the related notes thereto, which appear elsewhere in this report.

Except for the historical information contained herein, the following discussion, as well as other information in this report, contain "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the "safe harbor" created by those sections. Forward-looking statements include, but are not limited to, statements that express our intentions, beliefs, expectations, strategies, predictions or any other statements relating to our future activities or other future events or conditions. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may, and are likely to, differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those discussed from time to time in this report, as well as and any risks described in the "risk factors" section of our Registration Statement filed with the U.S. Securities and Exchange Commission on Form SB-2 (file no. 333-146023 and any other filings we make with the SEC. In addition, such statements could be affected by risks and uncertainties related to the ability to conduct business in China, demand, including demand for our products resulting from change in the educational curriculum or in educational policies, our ability to raise any financing which we may require for our operations, competition, government regulations and requirements, pricing and development difficulties, our ability to make acquisitions and successfully integrate those acquisitions with our business, as well as general industry and market conditions and growth rates, and general economic conditions. Any forward-looking statements speak only as of the date on which they are made, should not be relied upon as representing our views as of any subsequent date and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this report.

Our discussion and analysis of our financial condition and results of operations are based upon our unaudited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate these estimates, including those related to useful lives of real estate assets, cost reimbursement income, bad debts, impairment, net lease intangibles, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

Overview

Our principal business is the distribution of educational resources through the Internet. Our website, www.edu-chn.com, is a comprehensive education network platform which is based on network video technology and large data sources of education resources. We have a data base comprised of such resources as test papers for secondary education courses as well as video on demand. Our data base includes more than 300,000 exams, test papers and courseware for secondary and elementary schools. We also offer, through our website, video on demand, which includes tutoring of past exam papers and exam techniques.

We also provide on-site teaching services in Harbin, where we have a 36,600 square foot training facility with 17 classrooms that can accommodate 1,200 students. These classes complement our on-line education services. The courses cover primarily the compulsory education curriculum of junior, middle and high school. We charge tuition for these classes.

We generate revenue through our website by selling prepaid debit cards to our subscribers. These debit cards permit the subscriber to download materials from our website over a specified period, usually one year. We recognize revenue from the debit cards when the students use the debit cards to purchase our products. To the extent that the debit cards expire unused, we recognize the remaining balance of the debit card at that time. We also recognize revenue from our online education business through the sale of advertising on our website. We recognize revenue from our training center’s classes ratably over the term of the course, and we recognize revenue from face-to-face tutorials with students who attend our training center and face-to-face information technology training courses.

The laws of China provide the government broad power to fix and adjust prices. We need to obtain government approval in setting our prices for classroom coursework and tutorials, which affects our revenue in our training center business. Although the sale of educational material over the Internet is not presently subject to price controls, we cannot give you any assurance that they will not be subject to controls in the future. To the extent that we are subject to price control, our revenue, gross profit, gross margin and net income will be affected since the revenue we derive from our services will be limited and we may face no limitation on our costs. Further, if price controls affect both our revenue and our costs, our ability to be profitable and the extent of our profitability will be effectively subject to determination by the applicable Chinese regulatory authorities.

Because students who purchase our on-line programs purchase debit cards for the programs that they use and students who enroll in our training classes pay their tuition before starting classes, we do not have significant accounts receivable. At September 30, 2007, we had no accounts receivable.

Our prepaid expenses account for a significant portion of our current assets - approximately 1,164,729 or 11% of current assets at September 30, 2007. Prepaid expenses are primarily comprised of advance payments made for advertising, services to teachers for online materials and video and prepaid rent. At September 30, 2007, prepayment of advertising for television advertising not yet aired was approximately $424,093, prepayment to teachers for the development of educational materials was approximately $424,943, prepayment of rent expense was $150,077, and other prepaid expenses were approximately $165,616. We amortize the prepayments to teachers over three months, which is the estimated life of the testing materials. The prepaid rent related to our Beijing office and dormitory rental for our training center. The prepayment to teachers decreases as the materials are delivered and the prepaid rent decreases ratably during the terms of the leases.

As a result of both the manner in which we recognize revenue and the manner that we expense the cost of our materials, there is a difference between our cash flow and both revenue and cost of revenue.

In our on-line education business segment, the principal component of cost of sales is the cost of obtaining new material to offer students as we increase the available material as well as depreciation related to computer equipment and software and direct labor cost. This business segment generates a relatively high gross margin, which was 81.3% for the nine months ended September 30, 2007 and 72.1% for the nine months ended September 30, 2006. The gross margin is affected by the payments we have to make to the teachers for the materials. In our training center business segment, the principal components of cost of sales are faculty and the amortization of intangible assets. This business segment generates a lower gross margin than the online education business segment, which was 66.9% for the nine months ended September 30, 2007 and 51.9% for the nine months ended September 30, 2006. The tuition that we charge our students at our training center is subject to government approval. As a result, we may not be able to pass on to our students any increases in costs we incur, including increased costs of faculty. Our gross margin in the training center is also affected by the size of our classes.

Our on-line products and our training services are dependent upon the government's education policies. Any significant changes in curriculum or testing methods could render all or a significant portion of our library of test papers and our training center obsolete and we may have to devote substantial resources in adapting to the changes.

We have recently added a platform for training agencies and schools to offer their services, and we offer job search guidance and career planning courses to college graduates through this platform. This business has become part of our online education business, since it is currently largely an Internet-based activity.

Because the purchase of both our on-line and our training center is made from discretionary funds, our business is dependent upon both the economy of China and the perception of students that they will benefit from improving their ability to perform well on standardized tests which are given before middle school, high school and university.

In December 2006, we acquired, for approximately $1.0 million, all of the fixed assets and franchise rights of Harbin Nangang Compass Computer Training School (“Compass Training School”), which was engaged in the business of providing on-site training on network engineering and ACCP software engineering to computer vocational training school students. As a result of this acquisition, we became the exclusive partner of Beida Qingniao APTEC Software Engineering within Heilongjiang Province in China for vocational training. The acquisition includes six classrooms for on-site education classes, six computer rooms and patented course materials. Compass Training School currently has two principal education programs focused on network engineering and ACCP software engineering.

We, through our wholly-owned subsidiary, own 70% of Beijing Hua Yu Hui Zhong Technology Development Co., Ltd, which was formed on September 30, 2006. At the time of its organization, we transferred a 30% interest in this subsidiary to The Vocational Education Guidance Center of China, a non-profit, quasi-government entity, for no consideration in order to enable us to work with the Guidance Center's network to expand our business. The value of this 30% interest, which is based on our cost, is treated as goodwill.

We are in the process of introducing new services aimed at the students who desire to attend vocational school. These students include high school students who do not continue their education at universities and university graduates who are unable to find employment. The core business of our vocation education will be in three main areas: vocation education enrollment, vocational certification, and career development for college graduates. We have collaborated with the China Vocation Education Society in setting up www.360ve.com, which provides information regarding vocation training schools and vocation training both on-line and on-site.

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Significant Accounting Estimates and Policies

The discussion and analysis of our financial condition and results of operations is based upon our financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities. On an on-going basis, we evaluate our estimates including the allowance for doubtful accounts, the salability and recoverability of our products, income taxes and contingencies. We base our estimates on historical experience and on other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Property and equipment are evaluated for impairment whenever indicators of impairment exist. Accounting standards require that if an impairment indicator is present, we must assess whether the carrying amount of the asset is unrecoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. If the recoverable amount is less than the carrying amount, an impairment charge must be recognized, based on the fair value of the asset.

Franchise rights, which we acquired from third parties, are amortized over the lives of the rights agreements, which is five years. We evaluate the carrying value of the franchise rights during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the intangible asset below its carrying amount. There were no impairments recorded during the year ended December 31, 2006.

In connection with the organization of our subsidiary, Beijing Hua Yu Hui Zhong Technology Development Co., we gave an unrelated governmental entity a 30% ownership in interest in the contributed capital of that subsidiary. This transfer of ownership is reflected as goodwill on our consolidated financial statements. At September 30, 2007, goodwill incurred in connection with this transaction was $43,696. We evaluate the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. There were no impairment losses recorded for the year ended December 31, 2006.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes. This process involves estimating our current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent that we establish a valuation allowance or increase this allowance in a period, we must include a tax provision or reduce our tax benefit in the statements of operations. We use our judgment to determine our provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We believe, based on a number of factors including historical operating losses, that we will not realize the future benefits of a significant portion of our net deferred tax assets and we have accordingly provided a full valuation allowance against our deferred tax assets. However, various factors may cause those assumptions to change in the near term.

We cannot predict what future laws and regulations might be passed that could have a material effect on our results of operations. We assess the impact of significant changes in laws and regulations on a regular basis and update the assumptions and estimates used to prepare our financial statements when we deem it necessary.

We have determined the significant principles by considering accounting policies that involve the most complex or subjective decisions or assessments. Our most significant accounting policies are those related to revenue recognition and deferred revenue.

Revenue is recognized in accordance with Staff Accounting Bulletin No. 104, Revenue Recognition, which states that revenue should be recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the service has been rendered; (3) the selling price is fixed or determinable; and (4) collection of the resulting receivable is reasonably assured. We believe that these criteria are satisfied upon customers' download of prepaid study materials. Prepaid debit cards allow our subscribers to purchase a predetermined monetary amount of download materials posted on our website. Prepaid service contracts are amortized to income on a straight line basis over the length of the service contract. These service contracts allow the user to obtain materials for a designed period of time. At the time that the prepaid debit card is purchased, the receipt of cash is recorded as deferred revenue. Revenues are recognized in the month when services are actually rendered. Unused value relating to debit cards is recognized as revenues when the prepaid debit card has expired. Revenue from advertising on our website is recognized when the advertisement is run. Since advertising customers are billed monthly, there are no unearned advertising revenues.

Prepaid expenses are primarily comprised of advance payments made for services to teachers for online materials and video and prepaid rent.

Deferred revenue includes subscriber prepayments and education fee prepayments. Subscriber prepayments represent deferred revenue for the purchase of debit cards used to pay for the online downloading of education materials, including testing booklets, supplemental materials, and teaching video clips. We value the sales based on the actual occurrence of customer download. Therefore, the spare time between the purchase of debit cards and actual download is recorded under advances on accounts as deferred or unearned revenues. Once the download takes place, the amount is then transferred from advances on accounts to sales. Education fee prepayments represent tuition payments and payments for service contracts which are amortized over their respective terms.

We do not have any stock option or other equity-based incentive plans for our officers, directors or key employees. To the extent that we do adopt such plans in the future, such grants will be valued at the granting date and expensed over the applicable vesting period as required by Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payments.”

Recent Accounting Pronouncements

In July 2006, the FASB released FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”), an interpretation of FASB Statement No. 109, “Accounting for Income Taxes.” FIN 48 clarifies the accounting and reporting for income taxes where interpretation of the law is uncertain. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns. FIN 48 is effective on January 1, 2007. This Statement has no current applicability to our financial statements. Management’s adoption of this Statement did not have a material impact on our financial position, results of operations, or cash flows.

In September 2006, the FASB issued Statement No. 157, “Fair Value Measurements” (“SFAS No.157”). SFAS No. 157 addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under GAAP. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, with earlier adoption permitted. We anticipate adopting this standard as of January 1, 2008. Management has not determined the effect, if any, the adoption of this statement will have on our financial condition or results of operations.

In September 2006, the FASB issued Statement No. 158, “Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans” (“SFAS No. 158”), an amendment of FASB Statements No. 87, 88, 106 and132(R). SFAS No. 158 requires (a) recognition of the funded status (measured as the difference between the fair value of the plan assets and the benefit obligation) of a benefit plan as an asset or liability in the employer's statement of financial position, (b) measurement of the funded status as of the employer's fiscal year-end with limited exceptions, and (c) recognition of changes in the funded status in the year in which the changes occur through comprehensive income. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure the plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. This Statement has no current applicability to our financial statements. Management adopted this Statement on January 1, 2007 and our adoption of SFAS No. 158 did not have a material impact to our financial position, results of operations, or cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 (“SAB No.108”). SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. When the effect of initial adoption is material, companies will record the effect as a cumulative effect adjustment to beginning of year retained earnings and disclose the nature and amount of each individual error being corrected in the cumulative adjustment. SAB No. 108 was effective beginning January 1, 2007. We do not believe SAB 108 will have a material impact on our results from operations or financial position.

In February 2007, the FASB issued Statement No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities” (SFAS 159). This statement permits companies to choose to measure many financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS 159 on its consolidated financial statements.

Results of Operations

Three Months Ended September 30, 2007 and 2006

The following table sets forth information from our statements of operations for the three months ended September 30, 2007 and 2006:

	(Dollars in thousands) Three Months Ended September 30,			
	2007		2006	
Revenue	$ 5,088,519	100%	$ 2,284,522	100%
Cost of sales	970,559	19.0%	734,034	32.1%
Gross profit	4,117,960	80.9%	1,550,488	67.9%
Income from operations	2,098,797	41.2%	1,191,032	52.1%
Interest Income (Expense)	(30,841)	.6%	5,127	.2%
Other income	243,156	4.7%	-	-%
Income before income taxes	2,311,112	45.4%	1,196,159	52.4%
Provision for income taxes	158,469	3.1%	-	
Income before minority interest	2,152,643	42.3%	1,196,159	52.4%
Net income	2,152,643	42.3%	1,196,159	52.4%

The following table sets forth information as to the gross margin for our two lines of business for the three months ended September 30, 2007 and 2006.

	Dollars in thousands Three Months Ended Sept. 30,	
	2007	2006
Online Education:		
Revenue	$ 3,613,550	$ 1,743,612
Cost of sales	568,334	442,221
Gross profit	3,045,216	1,301,391
Gross margin	84.3%	74.6%
Training center:		
Revenue	1,474,969	540,910
Cost of sales	402,225	291,813
Gross profit	1,072,744	249,097
Gross margin	72.7%	46.1%

Revenues for the three months ended September 30, 2007 (the “September 2007 quarter”) increased by approximately $2.8 million, or 123%, in 2007 to approximately $5.1 million as compared to approximately $2.3 million for the three months ended September 30, 2006 (the “September 2006 quarter”). The increase in revenue reflected increases of approximately $1.9 million from our online education business line and approximately $1.0 million for our training center business line. Advertising income is included in our online education revenue. Advertising income increased as the result of the increased awareness of our website, which resulted in more viewers coming to our website, thus enabling us to increase our advertising income to $539,000, an increase of $3,000 from the comparative prior year period. During 2006 and 2007, we added several new programs for vocational studies and certification programs, which provided new sources of income for our online education business line.

Our overall cost of sales increased by approximately $236,525 to $970,559 in the September 2007 quarter, as compared to approximately $734,034 in the September 2006 quarter. The increase in cost of sales reflects a $126,113 increase in our cost of sales for our online education business line for the September 2007 quarter while the remaining $110,412 of the increase was from our training center business line. The online education gross margin for the September 2007 quarter also reflects an increase in advertising revenue which has no substantial cost associated with it. The online training gross margin increased to 84.3% in the September 2007 quarter from 74.6% in the September 2006 quarter due to the fact that online training costs are somewhat fixed and margins increase with volume. In the training center business line gross margin increased to 72.7% in the September 2007 quarter from 46.1% in the September 2006 quarter due to less amortization of training center related intangible assets and decreased payments to lecturers.

Selling expenses increased by approximately $1,316,439 or 512% to approximately $1,573,632 in the September 2007 quarter from approximately $257,193 in the September 2006 quarter. Until the middle of 2006, we did not have a significant selling effort, which is reflected in the modest selling expenses in the September 2006 quarter. Our selling expenses include agency fees associated with increased sales of our debit cards.

Administrative expenses increased by $241,612, or 319%, to $317,407 in the September 2007 quarter as compared to $75,795 in the September 2006 quarter. The increase is due primarily to an increase in salaries due to the overall growth of our business and increases in travel and telephone expenses.

Depreciation and amortization increased by $101,656, or 384%, to $128,124 in the September 2007 quarter, as compared to $26,468 in the September 2006 quarter. This increase was due to depreciation and amortization associated with increases in fixed assets and amortization of intangible assets.

Interest expense was $49,094 in the September 2007 quarter, which related to the bridge loan which was made in September 2006. There was no interest expense or debt in the September 2006 quarter. Interest income increased to $18,253 in the September 2007 quarter as compared to $5,127 September 2006 quarter, which related to earnings on cash balances.

Under current Chinese tax law, a wholly foreign owned enterprise has a 100% tax holiday for the first two years and a 50% tax holiday for the following three years. Since we became a wholly foreign owned enterprise in 2005, we benefited from a 100% tax holiday for 2005 and 2006 and, under the present law, we will benefit from a 50% tax holiday for 2007, 2008 and 2009. As a result, we paid no income tax in the three months ended September 30, 2006, and our income tax for the three months ended September 30, 2007 reflects income tax at 50% of the tax rate of 15%, which is subject to changes in tax rates implemented in 2007 that go into effect commencing January 1, 2008. These changes will have the effect of increasing the enterprise tax rate by 2% per year until it reaches and effective tax rate of 25%.

As a result of the foregoing, we had net income of $2,152,643, or $0.11 per share (basic and diluted), for the September 2007 quarter, as compared with net income of $1,196,159 or $.06 per share (basic and diluted), for the September 2006 quarter.

Nine Months Ended September 30, 2007 and 2006

The following table sets forth information from our statements of operations for the nine months ended September 30, 2007 and 2006:

	(Dollars in thousands) Nine Months Ended September 30,			
	2007		2006	
Revenue:	$ 12,524,501	100%	$ 5,798,779	100%
Cost of sales	2,704,265	21.5%	1,891,397	32.6%
Gross profit	9,820,236	78.4%	3,907,382	67.4%
Income from operations	5,153,064	41.1%	3,169,021	54.6%
Interest Income (Expense)	(507,834)	4.1%	10,049	.17
Other income	298,650	2.4%	-	-%
Income before income taxes	4,943,880	39.5%	3,179,070	54.8%
Provision for income taxes	395,214	3.2%	-	-
Income before minority interest	4,548,666	36.3%	3,179,070	54.8%
Net income	4,548,666	36.3%	3,179,070	54.8%

The following table sets forth information as to the gross margin for our two lines of business for the nine months ended September 30, 2007 and 2006.

	Dollars in thousands Nine Months Ended Sept. 30, 2007	2006
Online Education:		
Revenue	$ 9,958,203	$ 4,436,074
Cost of sales	1,855,951	1,235,770
Gross profit	8,102,252	3,200,304
Gross margin	81.3%	72.1%
Training center		
Revenue	2,566,298	1,362,705
Cost of sales	848,314	655,627
Gross profit	1,717,984	707,078
Gross margin	66.9%	51.9%

Revenues for the nine months ended September 30, 2007 increased by approximately $6.7 million, or 116%, in 2007 to approximately $12.5 million as compared to approximately $5.8 million for the nine months ended September 30, 2006. The increase in revenue reflected increases of approximately $5.5 million from our online education line of business and approximately $1.1 million for our training center business line. Advertising income is included in our online education revenue. Advertising income increased as the result of the increased awareness of our website, which resulted in more viewers coming to our website, thus enabling us to increase our advertising income to $1.6 million, an increase of $392,388. During 2006 and 2007, we added several new programs for vocational studies and certification programs, which provided new sources of income for our online education business line.

Our overall cost of sales increased by approximately $813,000 to $2.7 million for the nine months ended September 30, 2007, as compared to approximately $1.9 million from the comparative prior year period. The increase in cost of sales reflects a $620,000 increase in our cost of sales for our online education business line in 2007 while the remaining $193,000 of the increase was from our training center business line. The online training business line gross margin increased to 81.3% for the nine months ended September 30, 2007 from 72.1% from the comparative prior year period due to the fact that online education costs are somewhat fixed and margins increase with volume. The online education business line gross margin for the nine months ended September 30, 2007 also reflects an increase in advertising revenue which has no substantial cost associated with it. Our training center business line gross margin increased to 66.9% for the nine months ended September 30, 2007 from 51.9% from the comparative prior year period due to decreased payments to lecturers.

Selling expenses increased by approximately $2.9 million, or 634%, to approximately $3.4 million for the nine months ended September 30, 2007 from approximately $465,000 from the comparative prior year period. Until the middle of 2006, we did not have a significant selling effort, which is reflected in the modest selling expenses for the nine months ended September 30, 2006. Our selling expenses include agency fees associated with increased sales of our debit cards.

Administrative expenses increased by $729,047, or 396%, to $913,073 for the nine months ended September 30, 2007 as compared to $184,026 from the comparative prior year period. The increase is due primarily to an increase in salaries due to the overall growth of our business and increases in travel and telephone expenses.

Depreciation and amortization increased by $252,052, or 282%, to $341,301 for the nine months ended September 30, 2007, as compared to $89,249 in the nine months ended September 30, 2006. This increase was due to depreciation and amortization associated with increases in fixed assets and amortization of intangible assets.

Interest expense was $542,173 for the nine months ended September 30, 2007, which related to the bridge loan which was made in September 2006. There was no interest expense or debt in the comparative prior year period. Interest income for the nine months ended September 30, 2007 was $34,339 as compared to September 30, 2006 which was $10,049, which related to earnings on cash balances.

Under current Chinese tax law, a wholly foreign owned enterprise has a 100% tax holiday for the first two years and a 50% tax holiday for the following three years. Since we became a wholly foreign owned enterprise in 2005, we benefited from a 100% tax holiday for 2005 and 2006 and, under the present law, we will benefit from a 50% tax holiday for 2007, 2008 and 2009. As a result, we paid no income tax in the nine months ended September 30, 2006, and our income tax for the nine months ended September 30, 2007 reflects income tax at 50% of the tax rate of 15%, which is subject to changes in tax rates implemented in 2007 that go into effect commencing January 1, 2008. These changes will have the effect of increasing the enterprise tax rate by 2% per year until it reaches and effective tax rate of 25%.

As a result of the foregoing, we had net income of $4,548,666, or $0.24 per share (basic and diluted), for the nine months ended September 30, 2007, as compared with net income of $3,179,070, or $0.16 per share (basic and diluted), for the comparative prior year period.

Off-Balance Sheet Arrangements

As of September 30, 2007, we had no off-balance sheet arrangements.

Liquidity and Capital Resources

Our current assets primarily consist of cash and prepaid expenses. We do not have inventory or accounts receivable, and our other receivables are not significant. Our prepaid expenses are primarily advance payments made to teachers for on-line materials and prepaid rent.

At September 30, 2007, we had cash and cash equivalents of approximately $9.3 million, an increase of approximately $7.5 million, or 417%, from approximately $1.8 million at December 31, 2006. This increase reflected principally the net income generated by our business during the nine months ended September 30, 2007, as well as an increase in advances by customers of approximately $1.5 million. In May 2007, we sold convertible notes in the principal amount of $3.4 million, from which we generated net proceeds of approximately $3.2 million. As of September 30, 2007, we used approximately $1.36 million to pay outstanding notes.

At September 30, 2007, we had working capital of approximately $4.8 million, an increase of approximately $3.8 million from working capital of approximately $1.0 million at December 31, 2006. Our May 2007 private placement of convertible notes provided us with additional working capital. We consider current working capital and borrowing capabilities adequate to cover our planned operating and capital requirements.

Accounts payable and accrued expenses at September 30, 2007, were approximately $454,000, an increase of approximately $243,000, or 115%, from approximately $211,000 at December 31, 2006, resulting from the increased level of business during the quarter.

Notes payable of approximately $3.4 million at September 30, 2007, represent our convertible notes that were sold in our May 2007 private placement. On October 4, 2007, upon our filing of Articles of Amendment to our Articles of Incorporation, these notes were automatically converted in to shares of Series A Convertible Preferred Stock and warrants to purchase shares of our common stock, as previously disclosed in the Forms 8-K filed with the SEC on May 15, 2007, June 7, 2007 and June 20, 2007.

We believe that our working capital, together with our cash flow from operations will be sufficient to enable us to meet our cash requirements for the next 12 months. However, we may incur additional expenses as we seek to expand our business to offer services in other parts of China as well as to market and continue the development of our vocational training activities, and it is possible that we may require additional funding for that purpose. Although we do not have any current plans to make any acquisitions, it is possible that we may seek to acquire one or more businesses in the education field, and we may require financing for that purpose. We cannot assure you that funding will be available if and when we require funding.

The securities purchase agreement for our May 2007 private placement prohibits us (i) from issuing convertible debt or preferred stock until the earlier of five years from the closing or until the investors have converted or exercised and sold the securities issued in the private placement or (ii) from having debt in an amount greater than twice our EBITDA until three years from the closing or until 90% of the securities have been converted or exercised and sold. The investors in the private placement also have a right of first refusal on future financings. These provisions may make it difficult for us to raise money for our operations or for acquisitions.

ITEM 3. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer/President and our Chief Financial Officer/Principal Accounting Officer (collectively, the "Certifying Officers") are responsible for establishing and maintaining our disclosure controls and procedures. They have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Certifying Officers have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act. Our Certifying Officers have further concluded that, as of the end of such period, our controls and procedures are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Certifying Officers also have indicated that there were no changes in our internal controls or other factors that could materially affect such controls subsequent to the date of their evaluation, and that there were no corrective actions necessary with regard to any deficiencies or material weaknesses.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not a party to any material legal proceedings.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At a Special Meeting of Stockholders held on September 27, 2007, our stockholders approved an amendment to our Articles of Incorporation that (i) changed the authorized capitalization to 20,000,000 shares of Series A Convertible Preferred Stock and 150,000,000 shares of common stock and (ii) effected a one-for-three reverse split of our common stock. Our board of directors set the reverse split ratio at one-for-three. As a result of the reverse stock split, every three (3) shares of our common stock were combined into one (1) share of our common stock. The reverse stock split became effective as of the close of business on October 12, 2007. The vote of the stockholders was as follows (which numbers have been adjusted to reflect the one-for-three stock split which was effective October 12, 2007):

For	Against	Abstain	Broker Non-Votes
13,095,091	153,567	2,561	0

As a result of the amendment, our board of directors has the power to set the rights, preferences, privileges and limitations with respect to one or more series of preferred stock, and our board of directors has approved a series of preferred stock, designated the Series A Convertible Preferred Stock. As a result, on October 4, 2007, upon our filing of Articles of Amendment to our Articles of Incorporation, convertible notes in the principal amount of $3,400,000 that were issued in our May 2007 private placement were automatically converted into shares of Series A Convertible Preferred Stock and warrants to purchase shares of our common stock, as previously disclosed in the Forms 8-K filed with the SEC on May 15, 2007, June 7, 2007 and June 20, 2007.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits.

3.1 Articles of Share Exchange of the Company filed with the Department of The Secretary of State of the State of North Carolina on December 30, 2004

3.2 Articles of Amendment to Articles of Incorporation filed with the Department of The Secretary of State of the State
of North Carolina on October 4, 2007

22 Inspector's Certificate from the Special Meeting of Shareholders held September 27, 2007

31.1 Certification of Xi Qun Yu pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Wang Chunqing pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Xi Qun Yu and Wang Chunqing pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

China Education Alliance, Inc.

Date: November 13, 2007

By:

Xi Qun Yu
Chief Executive Officer and President

By:

Wang Chunqing
Treasurer and Chief Financial Officer

EXHIBIT INDEX

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32	Certification of Xi Qun Yu and Wang Chunqing pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.