

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

CORPORATE HIGH YIELD FUND III INC

Form N-Q

April 28, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act File number 811-8497

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

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

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

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

Date of fiscal year end: 05/31/2006

Date of reporting period: 12/01/05 - 02/28/06

Item 1 - Schedule of Investments

Corporate High Yield Fund III, Inc.
Schedule of Investments as of February 28, 2006 (in U.S. dollars)

Industry	Face Amount	Corporate Bonds
Aerospace & Defense - 4.8%	\$ 2,275,000 1,575,000 250,000 975,000 775,000 1,375,000 1,380,000 1,750,000 1,800,000 2,950,000	Alliant Techsystems, Inc., 3% due 8/15/2024 (b) (i) DRS Technologies, Inc., 6.875% due 11/01/2013 DRS Technologies, Inc., 6.625% due 2/01/2016 Esterline Technologies Corp., 7.75% due 6/15/2013 K&F Acquisition, Inc., 7.75% due 11/15/2014 L-3 Communications Corp., 6.375% due 10/15/2015 L-3 Communications Corp., 3% due 8/01/2035 (b) (i) Standard Aero Holdings, Inc., 8.25% due 9/01/2014 Transdigm, Inc., 8.375% due 7/15/2011 Vought Aircraft Industries, Inc., 8% due 7/15/2011
Airlines - 1.3%	2,250,000 1,150,194 163,732 829,500	American Airlines, Inc. Class C, 7.80% due 4/01/2008 Continental Airlines, Inc. Series 1997-4-B, 6.90% due 1/ Continental Airlines, Inc. Series 1998-1-C, 6.541% due 9 Continental Airlines, Inc. Series 2001-1 Class C, 7.033 due 6/15/2011

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Automotive - 0.5%	800,000	General Motors Acceptance Corp., 7.25% due 3/02/2011
	965,000	Metaldyne Corp., 10% due 11/01/2013
Broadcasting - 4.0%	737,143	Emmis Communications Corp., 10.366% due 6/15/2012 (d)
	1,150,000	Granite Broadcasting Corp., 9.75% due 12/01/2010
	1,200,000	Nexstar Finance, Inc., 7% due 1/15/2014
	1,950,000	Paxson Communications Corp., 7.777% due 1/15/2012 (d) (i)
	975,000	Paxson Communications Corp., 10.777% due 1/15/2013 (d) (i)
	1,175,000	Salem Communications Corp., 7.75% due 12/15/2010
	1,364,000	Salem Communications Holding Corp. Series B, 9% due 7/01/2011
	400,000	Sinclair Broadcast Group, Inc., 8% due 3/15/2012
	1,950,000	Sirius Satellite Radio, Inc., 9.625% due 8/01/2013
	2,300,000	Young Broadcasting, Inc., 8.75% due 1/15/2014
Cable - International - 0.6%	750,000	New Skies Satellites NV, 9.573% due 11/01/2011 (d)
	1,000,000	New Skies Satellites NV, 9.125% due 11/01/2012
Cable - U.S. - 8.5%	750,000	Adelphia Communications Corp., 6% due 2/15/2006 (b) (c) (k)
	2,275,000	CSC Holdings, Inc. Series B, 7.625% due 4/01/2011
	75,000	Cablevision Systems Corp. Series B, 8.716% due 4/01/2009
	2,500,000	Cablevision Systems Corp. Series B, 8% due 4/15/2012
	1,900,000	Century Communications Series B, 9.05%* due 1/15/2008 (e)
	1,550,000	Charter Communications Holdings II LLC, 10.25% due 9/15/2011
	1,950,000	Charter Communications Holdings LLC, 9.625% due 11/15/2011
	595,000	Charter Communications, Inc., 5.875% due 11/16/2009 (b) (i)
	2,675,000	Intelsat Bermuda Ltd., 9.609% due 1/15/2012 (d) (i)
	2,775,000	Intelsat Bermuda Ltd., 8.625% due 1/15/2015 (i)
	596,000	Loral Spacecom Corp., 14% due 11/15/2015 (g)
	2,425,000	Mediacom Broadband LLC, 11% due 7/15/2013

Corporate High Yield Fund III, Inc.

Schedule of Investments as of February 28, 2006

(in U.S. dollars)

Industry	Face Amount	Corporate Bonds
	\$ 2,425,000	Mediacom LLC, 9.50% due 1/15/2013
	2,193,000	PanAmSat Corp., 9% due 8/15/2014
	1,975,000	Quebecor Media, Inc., 7.75% due 3/15/2016 (i)
	1,900,000	Rainbow National Services LLC, 10.375% due 9/01/2014 (i)
Chemicals - 4.0%	1,519,000	BCP Caylux Holdings Luxembourg SCA, 9.625% due 6/15/2014
	1,500,000	Huntsman International, LLC, 10.125% due 7/01/2009
	1,950,000	Innophos, Inc., 8.875% due 8/15/2014 (i)
	975,000	Millennium America, Inc., 9.25% due 6/15/2008
	450,000	Nalco Co., 7.75% due 11/15/2011

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	1,125,000	Nalco Co., 8.875% due 11/15/2013
	924,000	Nalco Finance Holdings, Inc., 9.141%* due 2/01/2014
	1,125,000	Nova Chemicals Corp., 7.561% due 11/15/2013 (d)
	2,300,000	Omnova Solutions, Inc., 11.25% due 6/01/2010
	775,000	Tronox Worldwide LLC, 9.50% due 12/01/2012 (i)

Consumer - Durables - 0.9%	1,350,000	Sealy Mattress Co., 8.25% due 6/15/2014
	600,000	Simmons Bedding Co., 7.875% due 1/15/2014
	785,000	Tempur-Pedic, Inc., 10.25% due 8/15/2010

Consumer -	2,200,000	Chattem, Inc., 7% due 3/01/2014
Non-Durables - 4.0%	2,975,000	Church & Dwight Co., Inc., 6% due 12/15/2012
	3,525,000	Hines Nurseries, Inc., 10.25% due 10/01/2011
	2,000,000	Quiksilver, Inc., 6.875% due 4/15/2015
	2,200,000	Samsonite Corp., 8.875% due 6/01/2011

Diversified Media - 7.4%	2,975,000	CBD Media, Inc., 8.625% due 6/01/2011
	2,275,000	CanWest Media, Inc., 8% due 9/15/2012
	1,367,000	Dex Media West LLC, 9.875% due 8/15/2013
	2,650,000	Houghton Mifflin Co., 8.25% due 2/01/2011
	3,739,000	Liberty Media Corp., 0.75% due 3/30/2023 (b)
	750,000	RH Donnelley Corp., 6.875% due 1/15/2013 (i)
	1,475,000	RH Donnelley Corp., 8.875% due 1/15/2016 (i)
	1,400,000	RH Donnelley Corp. Series A-2, 6.875% due 1/15/2013 (i)
	1,375,000	Six Flags, Inc., 9.625% due 6/01/2014
	1,700,000	Universal City Florida Holding Co. I, 9.43% due 5/01/2011
	3,302,000	Yell Finance BV, 12.52%* due 8/01/2011

Energy - Exploration & Production - 2.8%	1,575,000	Belden & Blake Corp., 8.75% due 7/15/2012
	1,550,000	Chaparral Energy, Inc., 8.50% due 12/01/2015 (i)
	1,950,000	Compton Petroleum Finance Corp., 7.625% due 12/01/2013
	800,000	Encore Acquisition Co., 6.25% due 4/15/2014
	325,000	Plains Exploration & Production Co., 7.125% due 6/15/2011
	2,525,000	Plains Exploration & Production Co. Series B, 8.75% due 12/01/2011

Energy - Other - 3.5%	475,000	Copano Energy LLC, 8.125% due 3/01/2016 (i)
	1,875,000	Dresser, Inc., 9.375% due 4/15/2011
	375,000	Ferrellgas Escrow LLC, 6.75% due 5/01/2014
	2,350,000	Ferrellgas Partners LP, 8.75% due 6/15/2012
	2,350,000	SemGroup LP, 8.75% due 11/15/2015 (i)

Corporate High Yield Fund III, Inc.
Schedule of Investments as of February 28, 2006

(in U.S. dollars)

Industry Face Amount Corporate Bonds

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Schedule of Investments as of February 28, 2006

(in U.S. dollars)

Industry	Face Amount	Corporate Bonds
<hr/>		
Housing - 3.3%	\$ 1,050,000	Building Materials Corp. of America, 8% due 10/15/2007
	5,850,000	Building Materials Corp. of America, 8% due 12/01/2008
	775,000	Forest City Enterprises, Inc., 7.625% due 6/01/2015
	450,000	Goodman Global Holding Co., Inc., 7.491% due 6/15/2012 (d)
	950,000	Goodman Global Holding Co., Inc., 7.875% due 12/15/2012
	800,000	Standard-Pacific Corp., 6.50% due 8/15/2010
	725,000	Texas Industries, Inc., 7.25% due 7/15/2013
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Information	1,000,000	Activant Solutions, Inc., 10.53% due 4/01/2010 (d) (i)
Technology - 7.4%	2,340,000	Advanced Micro Devices, Inc., 7.75% due 11/01/2012
	2,135,000	Cypress Semiconductor Corp., 1.25% due 6/15/2008 (b)
	2,175,000	Freescale Semiconductor, Inc., 7.35% due 7/15/2009 (d)
	1,650,000	MagnaChip Semiconductor SA, 8.16% due 12/15/2011 (d)
	1,275,000	MagnaChip Semiconductor SA, 8% due 12/15/2014
	1,835,000	Quantum Corp., 4.375% due 8/01/2010 (b)
	2,450,000	Sungard Data Systems, Inc., 9.125% due 8/15/2013 (i)
	1,625,000	Sungard Data Systems, Inc., 9.431% due 8/15/2013 (d) (i)
	975,000	Sungard Data Systems, Inc., 10.25% due 8/15/2015 (i)
	775,000	Telcordia Technologies Inc., 10% due 3/15/2013 (i)
	1,150,000	UGS Corp., 10% due 6/01/2012
	3,100,000	Viasystems, Inc., 10.50% due 1/15/2011
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Leisure - 1.5%	2,850,000	FelCor Lodging LP, 8.83% due 6/01/2011 (d)
	1,550,000	FelCor Lodging LP, 9% due 6/01/2011
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Manufacturing - 4.4%	2,175,000	CPI Holdco, Inc., 10.561% due 2/01/2015 (d)
	875,000	Chart Industries, Inc., 9.125% due 10/15/2015 (i)
	3,725,000	EaglePicher Inc., 9.75% due 9/01/2013 (e)
	1,900,000	Invensys Plc, 9.875% due 3/15/2011 (i)
	1,335,000	Medis Technologies Ltd., 6% due 7/15/2010 (b) (i)
	975,000	Mueller Group, Inc., 10% due 5/01/2012
	775,000	Rexnord Corp., 10.125% due 12/15/2012
	1,000,000	Superior Essex Communications LLC, 9% due 4/15/2012
	2,325,000	Trimas Corp., 9.875% due 6/15/2012
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Metal - Other - 1.7%	1,150,000	Foundation PA Coal Co., 7.25% due 8/01/2014
	2,350,000	Indalex Holding Corp., 11.50% due 2/01/2014 (i)
	2,150,000	Novelis, Inc., 7.25% due 2/15/2015
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Packaging - 1.8%	1,925,000	Graham Packing Co., Inc., 9.875% due 10/15/2014

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350,000	Qwest Communications International, Inc., 7.50% due 2/15/2013
1,550,000	Qwest Corp., 8.16% due 6/15/2013 (d)
525,000	Qwest Corp., 7.625% due 6/15/2015
370,000	Terremark Worldwide, Inc., 9% due 6/15/2009 (b) (i)
850,000	Time Warner Telecom Holdings, Inc., 8.749% due 2/15/2011
3,875,000	Time Warner Telecom, Inc., 10.125% due 2/01/2011

Transportation - 1.0%	600,000	OMI Corp., 7.625% due 12/01/2013
	2,325,000	Teekay Shipping Corp., 8.875% due 7/15/2011

Utility - 10.1%	4,458,000	The AES Corp., 9.375% due 9/15/2010
	2,100,000	The AES Corp., 8.75% due 5/15/2013 (i)
	1,975,000	Aquila, Inc., 7.625% due 11/15/2009
	1,891,000	Centerpoint Energy, Inc. Series B, 3.75% due 5/15/2023 (i)
	2,158,000	ESI Tractebel Acquisition Corp. Series B, 7.99% due 12/31/2013 (i)
	1,900,000	Edison Mission Energy, 9.875% due 4/15/2011
	2,025,000	Mirant North America LLC, 7.375% due 12/31/2013 (i)
	1,575,000	NRG Energy, Inc., 7.25% due 2/01/2014
	1,475,000	NRG Energy, Inc., 7.375% due 2/01/2016
	390,000	Nevada Power Co., 9% due 8/15/2013
	2,145,000	Nevada Power Co. Series E, 10.875% due 10/15/2009
	2,250,000	Reliant Energy, Inc., 9.50% due 7/15/2013

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Industry	Face Amount	Corporate Bonds
	\$ 1,650,000	Sierra Pacific Power Co. Series A, 8% due 6/01/2008
	1,200,000	Sierra Pacific Resources, 8.625% due 3/15/2014
	925,000	Southern Natural Gas Co., 8.875% due 3/15/2010
	2,135,563	Tenaska Alabama Partners LP, 7% due 6/30/2021 (i)
Wireless Communications - 4.6%	1,600,000	Centennial Cellular Operating Co. LLC, 10.125% due 6/15/2013
	1,000,000	Dobson Cellular Systems, 9.43% due 11/01/2011 (d)
	875,000	Dobson Communications Corp., 8.85% due 10/15/2012 (d) (1)
	1,750,000	IWO Holdings, Inc., 8.35% due 1/15/2012 (d)
	650,000	Rogers Wireless Communications, Inc., 8.035% due 12/15/2012
	250,000	Rogers Wireless Communications, Inc., 8% due 12/15/2012
	3,400,000	Rogers Wireless Communications, Inc., 6.375% due 3/01/2020
	625,000	Rural Cellular Corp., 9.41% due 3/15/2010 (d)
	2,000,000	Rural Cellular Corp., 8.25% due 3/15/2012
	894,000	SBA Communications Corp., 8.50% due 12/01/2012
	1,255,000	SBA Telecommunications, Inc., 7.415%* due 12/15/2011

Total Corporate Bonds (Cost - \$372,932,463) - 118.7%

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Floating Rate Loan Interests (a)

Cable - U.S. - 1.5%	4,850,000	Century Cable Holdings LLC, Discretionary Term Loan, 9.50% due 12/31/2009
Chemicals - 0.9%	2,830,000	Wellman, Inc. Second Lien Term Loan, 11.43% due 2/10/2011
Consumer - Durables - 0.4%	1,375,000	Simmons Co. Term Loan, 8.50% due 6/19/2012
Total Floating Rate Loan Interests (Cost - \$8,746,683) -		

Foreign Government Obligations

	1,900,000	Brazilian Government International Bond, 8.75% due 2/04/2011
	1,900,000	Brazilian Government International Bond, 8.25% due 1/20/2011
	1,200,000	Philippine Government International Bond, 8.375% due 2/1/2011
	1,150,000	Turkey Government International Bond, 6.875% due 3/17/2011
	400,000	Venezuela Government International Bond, 7.65% due 4/21/2011
Total Foreign Government Obligations (Cost - \$6,568,315)		

Shares Held Common Stocks

Airlines - 0.2%	81,243	ABX Air, Inc. (c)
Cable - U.S. - 0.8%	89,446	Loral Space & Communications Ltd. (c)
Energy - Other - 0.0%	2,524	Trico Marine Services, Inc. (c)
Paper - 0.1%	158,023	Western Forest Products, Inc. (c)
	45,762	Western Forest Products, Inc. (c)
Total Common Stocks (Cost - \$5,328,908) - 1.1%		

Preferred Securities

Preferred Stocks

Automotive - 0.6%	106,400	General Motors Corp. Series C, 6.25% (b)
Cable - U.S. - 0.3%	5,644	Loral Spacecom Corp. Series A, 12% (g) (i)
Total Preferred Stocks (Cost - \$3,776,984) - 0.9%		

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Corporate High Yield Fund III, Inc.
 Schedule of Investments as of February 28, 2006

(in U.S. dollars)

Industry	Face Amount	Preferred Securities
		Capital Trusts
Health Care - 1.2%	\$ 3,750,000	Fresenius Medical Care Capital Trust II, 7.875% due 2/01
		Total Capital Trusts (Cost - \$3,690,323) - 1.2%
		Total Preferred Securities (Cost - \$7,467,307) - 2.1%
		Shares Held Warrants (h)
Health Care - 0.1%	32,042	HealthSouth Corp. (expires 1/16/2014)
Packaging - 0.0%	4,000	Pliant Corp. (expires 6/01/2010)
Paper - 0.0%	700	MDP Acquisitions Plc (expires 10/01/2013)
Wireless Communications - 0.1%	825	American Tower Corp. (expires 8/01/2008)
		Total Warrants (Cost - \$53,675) - 0.2%
		Rights (j)
Paper - 0.0%	203,785	Western Forest Products, Inc.
		Total Rights (Cost - \$0) - 0.0%
		Beneficial Interest Other Interests (f)
Airlines - 0.5%	\$ 3,780,240	U.S. Airways Group, Inc. (Certificate of Beneficial Inte
Cable - U.S. - 0.0%	4,019,000	Loral Cyberstar Escrow
		Total Other Interests (Cost - \$1,020,665) - 0.5%
		Total Investments (Cost - \$402,118,016**) - 127.7%
		Liabilities in Excess of Other Assets - (27.7%)
		Net Assets - 100.0%

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- * Represents a zero coupon bond; the interest rate shown reflects the effective yield at the time of purchase.
- ** The cost and unrealized appreciation (depreciation) of investments as of February 28, 2006, as computed for federal income tax purposes, were as follows:

Aggregate cost		\$ 403,086,303
		=====
Gross unrealized appreciation		\$ 17,279,622
Gross unrealized depreciation		(11,224,292)

Net unrealized appreciation		\$ 6,055,330
		=====

- (a) Floating rate loan interests in which the Fund invests generally pay interest at rates that are periodically redetermined by reference to a base lending rate plus a premium. The base lending rates are generally (i) the lending rate offered by one or more major European banks, such as LIBOR (London InterBank Offered Rate), (ii) the prime rate offered by one or more major U.S. banks or (iii) the certificate of deposit rate.
- (b) Convertible security.
- (c) Non-income producing security.
- (d) Floating rate note.
- (e) Non-income producing security; issuer filed for bankruptcy or is in default of interest payments.
- (f) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.
- (g) Represents a pay-in-kind security which may pay interest/dividends in additional face/shares.
- (h) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- (i) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
- (j) The rights may be exercised until 3/09/2006.
- (k) As a result of bankruptcy proceedings, the company did not repay the principal amount of the security upon maturity.
- (l) This security, or portion thereof, has been purchased on a "when-issued" basis period.

Corporate High Yield Fund III, Inc.

Schedule of Investments as of February 28, 2006

(in U.S. dollars)

- o For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets.
- o Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

	Net Activity	Interest Income
Affiliate		

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Merrill Lynch Liquidity Series, LLC
 Cash Sweep Series I (\$79,564) \$12,905

o Swaps outstanding as of February 28, 2006 were as follows:

	Notional Amount	Unrealized Appreciation (Depreciation)
<hr style="border-top: 1px dashed black;"/>		
Sold credit default protection on General Motors Corp. and receive 5%		
Broker, Morgan Stanley Capital Services, Inc. Expires June 2006	\$ 800,000	\$ 4,788
Sold credit default protection on General Motors Acceptance Corp. and receive 4%		
Broker, Morgan Stanley Capital Services, Inc. Expires June 2006	\$ 800,000	382
Sold credit default protection on General Motors Acceptance Corp. and receive 3.50%		
Broker, JPMorgan Chase Bank Expires March 2007	\$ 800,000	(10,810)
Sold credit default protection on General Motors Acceptance Corp. and receive 4.50%		
Broker, Morgan Stanley Capital Services, Inc. Expires March 2007	\$ 800,000	(3,000)
Sold credit default protection on General Motors Corp. and receive 4.40%		
Broker, Morgan Stanley Capital Services, Inc. Expires June 2007	\$ 400,000	(41,884)
Sold credit default protection on General Motors Corp. and receive 8%		
Broker, Morgan Stanley Capital Services, Inc. Expires June 2007	\$ 400,000	(25,953)
Sold credit default protection on Russian Federation and receive 0.73%		
Broker, UBS Warburg Expires October 2010	\$ 1,600,000	17,262

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	Notional Amount	Unrealized Appreciation (Depreciation)

Sold credit default protection on Federative Republic of Brazil and receive 3.44%		
Broker, Morgan Stanley Capital Services, Inc. Expires October 2010	\$ 1,000,000	\$ 99,498
Bought credit default protection on Chemtura Corp. and pay 1.35%		
Broker, Deutsche Bank AG London Expires December 2010	\$ 600,000	(9,917)
Bought credit default protection on Chemtura Corp. and pay 1.4286%		
Broker, Morgan Stanley Capital Services, Inc. Expires December 2010	\$ 1,375,000	(27,281)
Sold credit default protection on Dow Jones CDX Emerging Markets Index Series 4 and receive 1.80%		
Broker, Morgan Stanley Capital Services, Inc. Expires December 2010	\$ 1,000,000	43,151
Sold credit default protection on Dow Jones CDX Emerging Markets Index Series 4 and receive 1.80%		
Broker, Morgan Stanley Capital Services, Inc. Expires December 2010	\$ 2,950,000	165,646

Total		\$ 211,882 =====

Item 2 - Controls and Procedures

- 2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.
- 2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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Item 3 - Exhibits

Certifications - Attached hereto

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

Corporate High Yield Fund III, Inc.

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

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

Date: April 20, 2006

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

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

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

Date: April 20, 2006

By: /s/ Donald C. Burke

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

Date: April 20, 2006