

PIMCO MUNICIPAL INCOME FUND III
Form N-CSR/A
June 05, 2007

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

FORM N-CSR/A

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-21187

PIMCO Municipal Income Fund III
(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, New York 10105
(Address of principal executive offices) (Zip code)

Lawrence G. Altadonna – 1345 Avenue of the Americas, New York, New York 10105
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-739-3371

Date of fiscal year end: September 30, 2006

Date of reporting period: September 30, 2006

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. §3507.

Item 1. Report to Shareholders

PIMCO Municipal Income Fund III
PIMCO California Municipal Income Fund III
PIMCO New York Municipal Income Fund III

Annual Report September 30, 2006

As Restated
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Why is PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III Annual Reports being “Restated”?

The financial statements of PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III for the fiscal year ended September 30, 2006 contained within this annual report have been restated, as set forth in Note 8 to the financial statements. The reason for the restatements is to appropriately reflect the accounting treatment of each Fund’s portfolio holdings of certain municipal bond transactions referred to as “inverse floaters.” Additionally, certain other data presented in the annual reports, derived from the information in each Fund’s financial statements or using the same methodology on which the presentation of the information in the financial statements were based, have been revised accordingly.

Principally, the restatements reflect revised portfolio holdings information in the schedule of investments and revised expenses and income. It is important to note, however, that these restatements have no effect on each Fund’s previously reported net assets, net asset values per share or investment performance. Distributions paid to shareholders during the fiscal year ended September 30, 2006, as well as the tax status of those distributions, also remain unchanged.

October 30, 2006

Dear Shareholder:

We are pleased to provide you with the annual report for PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III (the “Funds”) for the fiscal year ended September 30, 2006.

After a difficult period, the bond market picked up in the third quarter of 2006 as the economy slowed and expectations grew that the Federal Reserve (the “Fed”) might begin easing. In fact, the Fed left rates unchanged at 5.25% at each of the last three Fed meetings (August, September and October), citing weakness in the housing sector and falling energy prices. Prior to the August meeting, the Fed had raised the fed funds rate 25 basis points at seventeen consecutive meetings. Nine of the seventeen interest rate increases took place during the Funds’ fiscal year, and as a result the inherent increase in borrowing costs proved to be a headwind for the Funds during the year.

For specific information on the Funds and their performance during the reporting period, please review the following pages.

If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds’ shareholder servicing agent at (800) 331-1710. You will also find a wide range of information and resources on our Web site, www.allianzinvestors.com/closedendfunds.

Together with Allianz Global Investors Fund Management LLC, the Funds’ investment manager, and Pacific Investment Management Company LLC, the Funds’ sub-adviser, we thank you for investing with us.

We remain dedicated to serving your investment needs.

Sincerely,

Robert E. Connor

Chairman

Brian S. Shlissel

President & Chief Executive Officer

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PIMCO Municipal Income Fund III
Performance & Statistics
September 30, 2006 (unaudited)

Management Review

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For the 12 months ended September 30, 2006, PIMCO Municipal Income Fund III returned 7.89% on net asset value and 7.69% on market price, compared with 6.37% and 8.73%, respectively, for the Lipper Analytical General Municipal Debt Funds (Leveraged) average.

- The municipal bond market outperformed the taxable bond market for the one-year reporting period, as the Lehman Municipal Bond Index returned 4.45% and the Lehman Aggregate Bond Index returned 3.67%, respectively.
- Longer-dated municipal bonds outperformed shorter-dated municipals during the reporting period as the yield curve flattened. For example, five- and 10-year AAA General Obligation yields rose 27 and 6 basis points, while 20- and 25-year yields declined 13 and 22 basis points, respectively. Note that when a bond's yield rises, its price declines, and vice versa.
- Longer-dated municipals also outperformed longer-dated Treasuries for the period. Consequently, interest rate hedging strategies that benefit when longer-term Treasuries lag municipals added to performance.
- Exposure to tobacco-securitized debt was positive for performance.
- Exposure to zero-coupon bonds, which have outperformed most other fixed-income sectors in 2006, also enhanced performance.
- A focus on higher credit quality bonds detracted from performance as lower-rated, more speculative issues outperformed during the year.

Total Return ⁽¹⁾ :	Market Price	Net Asset Value ("NAV")
1 Year	7.69%	7.89%
3 Years	10.51%	8.97%
Commencement of Operations (10/31/02) to 9/30/06	7.97%	7.78%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 9/30/06

Market Price / NAV:	
Market Price	\$15.70
NAV	\$14.90
Premium to NAV	5.37%
Market Price Yield ⁽²⁾	5.35%

Moody's Ratings

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period more than one year represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2)Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at September 30, 2006.

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PIMCO California Municipal Income Fund III
Performance & Statistics
September 30, 2006 (unaudited)

Management Review

- For the 12 months ended September 30, 2006, PIMCO California Municipal Income Fund III returned 6.99% on net asset value and 19.43% on market price, compared with 6.19% and 9.94%, respectively, for the Lipper Analytical California Municipal Debt Funds average.
- California municipal bonds, as measured by the Lehman California Municipal Bond Index, outperformed the broader national municipal market, as measured by the Lehman Municipal Bond Index, for the one-year reporting period, returning 4.61% and 4.45%, respectively.
- The California General Obligation AAA municipal yield curve flattened over the reporting period. For example, five-year maturity AAA municipal yields increased 27 basis points, while 10-, 20- and 30-year maturities decreased 7, 16 and 25 basis points, respectively.
- Exposure to tobacco-securitized debt was positive for performance.
- Exposure to zero-coupon bonds, which have outperformed most other fixed-income sectors in 2006, also enhanced performance.
- A focus on higher credit quality bonds detracted from performance as lower-rated, more speculative issues outperformed during the year.

Total Return ⁽¹⁾ :	Market Price	Net Asset Value (“NAV”)
1 Year	19.43%	6.99%
3 Years	14.93%	10.50%
Commencement of Operations (10/31/02) to 9/30/06	10.07%	7.67%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 9/30/06

Market Price / NAV:	
Market Price	\$16.94

NAV	\$14.83
Premium to NAV	14.23%
Market Price Yield ⁽²⁾	5.67%

Moody's Ratings
(as a % of total investments)

(1)**Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund's dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period more than one year represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

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PIMCO New York Municipal Income Fund III
Performance & Statistics
September 30, 2006 (unaudited)

Management Review

- For the 12 months ended September 30, 2006, PIMCO New York Municipal Income Fund III returned 6.53% on net asset value and 8.73% on market price, compared with 5.89% and 9.02%, respectively, for the Lipper Analytical New York Municipal Debt Funds average.
- Municipal bonds issued within New York, as measured by the Lehman New York Municipal Bond Index, slightly underperformed the national market, as measured by the Lehman Municipal Bond Index, for the one-year reporting period, returning 4.37% and 4.45%, respectively.
- The New York General Obligation AAA municipal yield curve flattened over the reporting period. For example, five-year maturity AAA yields increased 19 basis points, while 10-, 20- and 30-year maturities decreased 8, 9, and 26 basis points, respectively.
- Exposure to tobacco-securitized debt was positive for performance.
- Exposure to zero-coupon bonds, which have outperformed most other fixed-income sectors in 2006, also enhanced performance.
- A focus on higher credit quality bonds detracted from performance as lower-rated, more speculative issues outperformed during the year.

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Total Return ⁽¹⁾ :	Market Price	Net Asset Value (“NAV”)
1 Year	8.73%	6.53%
3 Years	13.35%	8.89%
Commencement of Operations (10/31/02) to 9/30/06	9.00%	7.85%

Common Share Market Price / NAV Performance:

Commencement of Operations (10/31/02) to 9/30/06

Market Price / NAV:

Market Price	\$16.45
NAV	\$15.09
Premium to NAV	9.01%
Market Price Yield ⁽²⁾	5.11%

Moody’s Ratings

(as a % of total investments)

(1)**Past performance is no guarantee of future results.** Total return is calculated by subtracting the value of an investment in the Fund at the beginning of each specified period from the value at the end of the period and dividing the remainder by the value of the investment at the beginning of the period and expressing the result as a percentage. The calculation assumes that all income dividends have been reinvested at prices obtained under the Fund’s dividend reinvestment plan. Total return does not reflect broker commissions or sales charges. Total return for a period more than one year represents the average annual total return.

An investment in the Fund involves risk, including the loss of principal. Total return, price, yield and net asset value will fluctuate with changes in market conditions. This data is provided for information only and is not intended for trading purposes. A portion of the income generated by the Fund may be subject to federal, state and local taxes, and may at times be subject to the alternative minimum tax. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one-time public offering and once issued, shares of closed-end funds are sold in the open market through a stock exchange. Net asset value is total assets applicable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2)Market Price Yield is determined by dividing the annualized current monthly per share dividend to common shareholders by the market price per common share at September 30, 2006.

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PIMCO Municipal Income Fund III
 Schedule of Investments (As Restated—See Note 8)
 September 30, 2006

Principal
 Amount
 (000)

Credit Rating
 (Moody’s/S&P)* Value
 MUNICIPAL BONDS & NOTES—97.5%

Alabama—1.1%

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	Birmingham, GO, Ser. B (AMBAC),		
\$1,000	5.00%, 12/1/27	Aaa/AAA	\$1,040,760
2,560	5.00%, 12/1/32	Aaa/AAA	2,650,317
5,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/30, Ser. A	Baa1/NR	5,117,350
1,500	Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev., 5.75%, 6/1/27	Baa3/NR	1,530,090
			10,338,517
	Alaska-0.5%		
	State Housing Finance Corp. Rev.,		
3,900	5.00%, 12/1/33, Ser. A	Aaa/AAA	3,997,305
1,000	5.25%, 6/1/32, Ser. C (MBIA)	Aaa/AAA	1,020,690
			5,017,995
	Arizona-2.9%		
2,200	Health Facs. Auth. John C. Lincoln Health Network Rev., 7.00%, 12/1/25, (Pre-refunded @ \$102, 12/1/10) (a)	NR/BBB	2,520,584
1,500	Maricopa Cnty. Pollution Control Corp., Pollution Control Rev., 5.05%, 5/1/29 (AMBAC)	Aaa/AAA	1,569,330
	Salt River Project Agricultural Improvement & Power Dist. Rev., Ser. A (g),		
5,000	5.00%, 1/1/35	Aa1/AA	5,283,800
16,000	5.00%, 1/1/37	Aa1/AA	16,895,680
			26,269,394
	Arkansas-0.1%		
7,000	Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46 (AMBAC)	Aaa/AAA	1,056,580
	California-6.2%		
1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	1,003,270
2,000	Chula Vista Community Facs. Dist., Special Tax, 5.25%, 9/1/30	NR/NR	2,033,540
	Golden State Tobacco Securitization Corp., Tobacco Settlement Rev., Ser. 2003-A-1,		
27,585	6.25%, 6/1/33	Baa3/BBB	30,383,774
21,000	6.75%, 6/1/39	Baa3/BBB	23,729,580
			57,150,164
	Colorado-3.1%		
9,955	Colorado Springs Rev., 5.00%, 11/15/30, Ser. B (g)	Aa2/AA	10,369,128
	El Paso Cnty., CP (AMBAC),		
1,735	5.00%, 12/1/23, Ser. A	Aaa/AAA	1,823,954
1,725	5.00%, 12/1/23, Ser. B	Aaa/AAA	1,813,441
2,820	5.00%, 12/1/27, Ser. A	Aaa/AAA	2,950,481
1,500	5.00%, 12/1/27, Ser. B	Aaa/AAA	1,569,405
1,500	Garfield Cnty. School Dist. Re-2, GO, 5.00%, 12/1/25 (FSA)	Aaa/NR	1,572,735

PIMCO Municipal Income Fund III
 Schedule of Investments (As Restated—See Note 8)
 September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Colorado—3.1% (continued)		
\$2,000	La Plata Cnty. School Dist. No. 9-R, Durango, GO, 5.25%, 11/1/25, (Pre-refunded @ \$100, 11/1/12) (MBIA) (a)	Aaa/NR	\$2,179,720
4,000	Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31 (Radian)	NR/AA	4,137,960
2,500	School Mines Auxiliary Facs. Rev., 5.00%, 12/1/37 (AMBAC)	Aaa/AAA	2,590,925
			29,007,749
	Florida—5.2%		
3,480	Brevard Cnty. Health Facs. Auth. Rev., 5.00%, 4/1/34	A2/A	3,610,465
8,000	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System, 5.25%, 11/15/23, Ser. B	A2/A+	8,391,280
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital, 5.25%, 10/1/34, Ser. B	A3/NR	2,632,850
1,485	Julington Creek Plantation Community Dev. Dist., Special Assessment Rev., 5.00%, 5/1/29 (MBIA)	Aaa/AAA	1,561,300
1,000	Orange Cnty. Housing Finance Auth. Multifamily Rev., Palm Grove Gardens, 5.25%, 1/1/28, Ser. G	Aaa/NR	1,035,940
15,000	Pinellas Cnty. Health Fac. Auth. Rev., Baycare Health, 5.50%, 11/15/33, (Pre-refunded @ \$100, 5/15/13) (a)	Aa3/NR	16,552,050
7,500	South Miami Health Facs. Auth., Hospital Rev., Baptist Health, 5.25%, 11/15/33	Aa3/AA-	7,860,825
5,615	Tampa, Water & Sewer Rev., 5.00%, 10/1/26, Ser. A	Aa2/AA	5,865,878
			47,510,588
	Georgia—0.5%		
4,000	Griffin Combined Public Utility Rev., 5.00%, 1/1/32 (AMBAC)	Aaa/AAA	4,220,720
	Idaho—0.8%		
	State Building Auth. Building Rev., Ser. A (XLCA),		
1,000	5.00%, 9/1/33	Aaa/AAA	1,042,220
5,750	5.00%, 9/1/43	Aaa/AAA	5,976,435
			7,018,655
	Illinois—8.3%		

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2,250	Chicago, GO, 5.00%, 1/1/31, Ser. A (MBIA) Chicago, Lake Shore East, Special Assessment,	Aaa/AAA	2,323,058
1,600	6.625%, 12/1/22	NR/NR	1,734,080
3,456	6.75%, 12/1/32	NR/NR	3,749,034
5,000	Chicago Board of Education, GO, 5.00%, 12/1/31, Ser. C, (Pre-refunded @ \$100,12/1/11) (FSA) (a)	Aaa/AAA	5,336,350
500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC)	Aaa/AAA	182,920
3,000	Chicago Kingsbury Redev. Project, Tax Allocation, 6.57%, 2/15/13, Ser. A	NR/NR	3,095,010
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)	Aaa/AAA	7,275,380
4,000	Chicago Park Dist., GO, 5.00%, 1/1/29, Ser. D (FGIC)	Aaa/AAA	4,130,840
2,500	Chicago Water Rev., 5.00%, 11/1/31, (Pre-refunded @ \$100, 11/1/11) (AMBAC) (a)	Aaa/AAA	2,665,725

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PIMCO Municipal Income Fund III
Schedule of Investments (As Restated—See Note 8)
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Illinois—8.3% (continued)		
\$2,935	City of Springfield Rev., 5.00%, 3/1/35 (MBIA)	AAA/AAA	\$3,083,217
1,050	Dev. Finance Auth., 5.875%, 2/15/38	NR/NR	1,086,204
4,780	Educational Facs. Auth. Rev., Univ. of Chicago, 5.00%, 7/1/33	Aa1/AA	4,968,045
220	5.00%, 7/1/33, (Pre-refunded @ \$100, 7/1/13) (a)	Aa1/AA	238,005
165	5.25%, 7/1/41	Aa1/AA	174,233
4,160	5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11) (a)	Aa1/AA	4,489,911
9,045	Metropolitan Pier & Exposition Auth., Dedicated State Tax Rev., McCormick Place Expansion, 5.25%, 6/15/42 (MBIA)	Aaa/AAA	9,592,584
4,300	Round Lake, Special Tax Rev., 6.70%, 3/1/33	NR/NR	4,643,269
12,795	State Finance Auth. Rev., 5.00%, 2/1/33 (AMBAC) (g)	NR/NR	13,192,669
1,175	State Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	A2/NR	1,248,085
3,050	Univ. Rev., 5.00%, 4/1/30, Ser. A (AMBAC)	Aaa/AAA	3,140,128
			76,348,747

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Indiana—2.9%			
7,535	Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA)	Aaa/AAA	7,839,112
3,000	Brownsburg 1999 School Building Corp. Rev., 5.25%, 3/15/25, Ser. A, (Pre-refunded @ \$100, 9/15/13) (FSA) (a)	Aaa/AAA	3,297,930
1,375	Fort Wayne Pollution Control Rev., 6.20%, 10/15/25	Caa1/B-	1,410,764
5,000	Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (MBIA)	Aaa/AAA	5,208,600
	Michigan City Area Wide School Building Corp. Rev. (FGIC),		
2,500	zero coupon, 1/15/21	Aaa/AAA	1,344,675
1,000	zero coupon, 7/15/21	Aaa/AAA	526,320
1,000	zero coupon, 1/15/22	Aaa/AAA	512,710
1,000	Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22 (AMBAC)	Aaa/AAA	1,044,030
	Portage Industrial Economic Dev. Rev.,		
1,000	5.00%, 7/15/23	NR/BBB+	1,018,520
775	5.00%, 1/15/27	NR/BBB+	783,370
3,500	State Dev. Finance Auth. Pollution Control Rev., 5.00%, 3/1/30 (AMBAC)	Aaa/AAA	3,510,115
			26,496,146
Iowa—1.4%			
1,000	Coralville, CP, 5.25%, 6/1/26, Ser. D	NR/A2	1,056,560
1,000	Tobacco Settlement Auth., Tobacco Settlement Rev., 5.60%, 6/1/35, Ser. B, (Pre-refunded @ \$101, 6/1/11) (a)	Baa3/AAA	1,090,790
11,010	Tobacco Settlement Auth. of Iowa Rev., zero coupon, 6/1/34, Ser. B	Baa3/BBB	10,700,509
			12,847,859

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PIMCO Municipal Income Fund III
 Schedule of Investments (As Restated—See Note 8)
 September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody' s/S&P)*	Value
Kentucky—0.2%			
	Economic Dev. Finance Auth. Hospital Facs. Rev.,		
\$1,000	Catholic Healthcare Partners, 5.25%, 10/1/30	Aa3/AA-	\$1,048,090

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1,140	St. Luke's Hospital, 6.00%, 10/1/19	A3/A	1,273,585
			2,321,675
	Louisiana-0.8%		
5,000	Public Facs. Auth. Rev., Ochsner Clinic Foundation, 5.50%, 5/15/32, Ser. B	A3/NR	5,274,250
1,595	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001 B	Baa3/BBB	1,685,389
			6,959,639
	Maryland-0.2%		
1,500	State Health & Higher Educational Facs. Auth. Rev., Calvert Health Systems, 5.50%, 7/1/36	A2/NR	1,610,205
	Massachusetts-2.7%		
1,000	State Dev. Finance Agcy. Rev., 5.75%, 7/1/33, Ser. C	Baa1/BBB+	1,070,890
7,000	State Health & Educational Facs. Auth. Rev., Harvard Univ., 5.125%, 7/15/37, Ser. FF	Aaa/AAA	7,358,120
4,910	State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	5,027,791
3,225	State Water Pollution Abatement Trust Rev., 5.00%, 8/1/32, Ser. 8	Aaa/AAA	3,367,061
7,555	State Water Res. Auth. Rev., 5.00%, 8/1/32, Ser. J (FSA)	Aaa/AAA	7,844,206
			24,668,068
	Michigan-13.2%		
	Detroit Water Supply System Rev.,		
33,040	5.00%, 7/1/32, Ser. A (FSA) (g)	NR/NR	34,241,995
7,555	5.00%, 7/1/34, Ser. B, (MBIA)	Aaa/AAA	7,865,662
4,685	5.00%, 7/1/34, Ser. B, (Pre-refunded @ \$100, 7/1/13)		
	(MBIA) (a)	Aaa/AAA	5,068,420
35,000	5.00%, 7/1/34, Ser. A (MBIA) (g)	Aaa/AAA	36,543,500
5,000	State Building Auth. Rev., 5.00%, 10/15/26, Ser. III, (Pre-refunded @ \$100, 10/15/12) (FSA) (a)	Aaa/AAA	5,379,200
	State Hospital Finance Auth. Rev.,		
175	Detroit Medical Center, 5.25%, 8/15/23	Ba3/BB-	165,800
4,000	Henry Ford Health System, 5.00%, 3/1/17, (Pre-refunded @ \$100, 3/1/13) (a)	A1/A	4,289,400
	Oakwood Group, Ser. A,		
5,405	5.75%, 4/1/32	A2/A	5,762,865
575	6.00%, 4/1/22	A2/A	627,135
20,000	Trinity Health Credit, 5.375%, 12/1/30	Aa3/AA-	21,217,800
1,000	State Technical Univ., 5.00%, 10/1/33 (XLCA)	Aaa/AAA	1,039,860
			122,201,638

PIMCO Municipal Income Fund III
 Schedule of Investments (As Restated—See Note 8)
 September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Minnesota—0.3%		
\$2,400	Upsala Independent School Dist. No. 487, GO, 5.00%, 2/1/28 (FGIC)	Aaa/AAA	\$2,520,504
	Mississippi—0.5%		
3,000	Business Finance Corp., Pollution Control Rev., 5.875%, 4/1/22	Ba1/BBB–	\$3,014,700
1,250	5.90%, 5/1/22	Ba1/BBB–	1,252,025
			4,266,725
	Missouri—2.3%		
4,000	Bi-State Dev. Agcy. Rev., Missouri Illinois Metropolitan Dist., 5.00%, 10/1/32 (FSA)	Aaa/AAA	4,187,200
1,350	St. Louis Cnty. Industrial Dev. Auth., Housing Dev. Rev., 5.20%, 1/20/36 (GNMA)	NR/AAA	1,392,026
1,500	St. Louis Industrial Dev. Auth. Rev. (GNMA), 5.125%, 12/20/29	NR/AAA	1,553,085
1,500	5.125%, 12/20/30	NR/AAA	1,544,880
4,365	State Environmental Improvement & Energy Res. Auth., Water Pollution Control Rev., 5.00%, 7/1/23, Ser. B	Aaa/NR	4,611,142
7,500	State Health & Educational Facs. Auth., Health Facs., St. Anthony's Medical Center, 6.25%, 12/1/30, (Pre-refunded @ \$101, 12/1/10) (a)	A2/A	8,328,525
			21,616,858
	Montana—1.3%		
11,250	Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31 (AMBAC)	Aaa/AAA	11,817,450
	Nevada—0.5%		
3,355	Henderson Health Care Fac. Rev., Catholic Healthcare West, 5.125%, 7/1/28	A3/A–	3,399,722
895	Henderson Local Improvement Dists., Special Assessment, 5.80%, 3/1/23	NR/NR	925,126
			4,324,848
	New Hampshire—0.5%		
1,500	Manchester Water Works Rev. (FGIC), 5.00%, 12/1/28	Aaa/AAA	1,578,180
3,250	5.00%, 12/1/34	Aaa/AAA	3,396,867
			4,975,047
	New Jersey—3.7%		
1,000	Camden Cnty., Improvement Auth., 5.00%, 2/15/35, Ser. A	Baa3/BBB	1,025,360

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1,540	Improvement Auth. Rev., Cooper Health System, 6.00%, 2/15/27, (Pre-refunded @ \$102, 2/15/07) (a)	Baa3/BBB	1,583,690
4,500	Economic Dev. Auth., Kapkowski Rd. Landfill, 6.50%, 4/1/28	Baa3/NR	5,479,020

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PIMCO Municipal Income Fund III
Schedule of Investments (As Restated—See Note 8)
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	New Jersey—3.7% (continued)		
\$300	Newark Airport, 7.00%, 10/1/14	Ba3/NR	\$306,429
2,500	Health Care Facs. Financing Auth. Rev., Middlesex Cnty. Pollution Control Auth. Rev., 5.75%, 9/15/32	Ba1/BBB–	2,660,075
3,000	Pascack Valley Hospital, 6.625%, 7/1/36	NR/B+	3,119,190
2,000	Somerset Medical Center, 5.50%, 7/1/33	Baa3/NR	2,052,660
2,000	South Port Corp. Rev., 5.10%, 1/1/33	NR/A	2,079,760
1,500	State Educational Facs. Auth. Rev., 6.00%, 7/1/25, Ser. D	NR/NR	1,643,160
525	Tobacco Settlement Financing Corp. Rev., 6.00%, 6/1/37	Baa3/BBB	559,870
1,000	6.125%, 6/1/24	Baa3/BBB	1,083,560
230	6.125%, 6/1/42	Baa3/BBB	246,691
350	6.25%, 6/1/43	Baa3/BBB	382,354
10,750	6.75%, 6/1/39	Baa3/BBB	12,048,708
			34,270,527
	New Mexico—0.1%		
1,000	Farmington Pollution Control Rev., 5.80%, 4/1/22	Baa2/BBB	1,011,770
	New York—5.3%		
10,000	Metropolitan Transportation Auth. Rev., 5.25%, 11/15/32, Ser. B	A2/A	10,658,500
5,000	New York City Municipal Water Finance Auth., Water & Sewer System Rev., 5.00%, 6/15/35, Ser. C	Aa2/AA+	5,217,000
8,180	5.00%, 6/15/37, Ser. D (g)	Aa2/AA+	8,567,159
1,500	5.00%, 6/15/39, Ser. A	Aa2/AA+	1,562,100
4,000	State Dormitory Auth. Rev., Saint Barnabas Hospital, 5.125%, 2/1/22, Ser. A (AMBAC-FHA)	Aaa/AAA	4,242,200
11,590		Aa2/AA	12,066,581

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	Sloan-Kettering Center Memorial, 5.00%, 7/1/34, Ser. 1		
3,800	State Personal Income Tax, 5.00%, 3/15/32, (Pre-refunded @ \$100, 3/15/13) (a)	Aa3/AAA	4,110,422
2,000	State Environmental Facs. Corp. Rev., 5.00%, 6/15/28	Aaa/AAA	2,106,760
			48,530,722
	North Carolina-1.3%		
2,000	Charlotte-Mecklenburg Hospital Auth., Healthcare System Rev., 5.00%, 1/15/33, Ser. A	Aa3/AA	2,078,440
	Eastern Municipal Power Agcy., Power System Rev.,		
2,000	5.125%, 1/1/23, Ser. D	Baa2/BBB	2,076,040
2,000	5.125%, 1/1/26, Ser. D	Baa2/BBB	2,068,320
3,795	5.375%, 1/1/17, Ser. C	Baa2/BBB	4,048,089
1,500	Medical Care Commission, Health Care Facs. Rev., Cleveland Cnty., 5.00%, 7/1/35 (AMBAC)	Aaa/AAA	1,564,410
			11,835,299

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PIMCO Municipal Income Fund III
Schedule of Investments (As Restated-See Note 8)
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Ohio-0.8%		
\$2,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	Aa3/AA-	\$2,629,850
5,000	Ohio Air Quality Dev. Auth. Rev., 4.80%, 1/1/34, Ser. B (FGIC) (g)	Aaa/AAA	5,110,700
			7,740,550
	Oklahoma-0.4%		
3,500	Tulsa Cnty. Industrial Auth. Rev., Legacy Apartments, 4.90%, 11/20/46 (FHA-GNMA)	Aaa/NR	3,612,910
	Pennsylvania-2.7%		
4,350	Allegheny Cnty. Hospital Dev. Auth. Rev., 9.25%, 11/15/30, Ser. B	Ba3/B+	5,183,677
	Cumberland Cnty. Auth. Retirement Community Rev., Wesley Affiliated Services, Ser. A,		
415	7.25%, 1/1/35	NR/NR	449,217
1,085	7.25%, 1/1/35, (Pre-refunded @ \$101, 1/1/13) (a)	NR/NR	1,305,125

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3,250	Delaware River Joint Toll Bridge, Commission Bridge Rev., 5.00%, 7/1/28	A2/A-	3,389,425
3,000	Lehigh Cnty. General Purpose Auth. Rev., St. Luke's Bethlehem Hospital, 5.375%, 8/15/33	Baa1/BBB	3,153,360
5,000	Philadelphia School Dist., GO, 5.125%, 6/1/34, Ser. D (FGIC)	Aaa/AAA	5,306,650
6,300	St. Mary Hospital Auth., Bucks Cnty. Rev., 5.00%, 12/1/28, (Partially pre-refunded @ \$101, 6/1/08) (a)	Aa2/NR	6,322,554 25,110,008
Puerto Rico-0.2%			
2,200	Electric Power Auth., Power Rev., 5.125%, 7/1/29, Ser. NN	A3/BBB+	2,310,352
South Carolina-1.6%			
7,500	Florence Cnty. Rev., McLeod Regional Medical Center, 5.00%, 11/1/31, Ser. A (FSA)	Aaa/AAA	7,875,600
6,700	Jobs Economic Dev. Auth. Rev., Bon Secours Health System, 5.625%, 11/15/30	A3/A-	7,113,323 14,988,923
Tennessee-0.1%			
1,250	Knox Cnty. Health Educational & Housing Facs., Board Hospital Facs. Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	Aa3/AA-	1,312,812
Texas-14.8%			
4,135	Canyon Independent School Dist., GO, 5.00%, 2/15/28, Ser. A (PSF-GTD)	NR/AAA	4,306,148
2,500	Columbia & Brazoria Independent School Dist., GO, 5.00%, 8/1/29 (PSF-GTD)	NR/AAA	2,608,425
1,300	Comal Cnty. Health Facs., McKenna Memorial Hospital Project Rev., 6.25%, 2/1/32	Baa3/BBB-	1,412,151
6,810	Crowley Independent School Dist., GO, 4.75%, 8/1/35 (PSF-GTD) (g)	NR/NR	6,993,870

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PIMCO Municipal Income Fund III
Schedule of Investments (As Restated-See Note 8)
September 30, 2006 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Texas-14.8% (continued)		
\$12,975	Dallas Area Rapid Transit Rev., 5.00%, 12/1/32, (Pre-refunded @ \$100, 12/1/12) (FGIC) (a)(g)	NR/NR	\$13,468,180

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Denton Independent School Dist., GO
(PSF-GTD),

255	zero coupon, 8/15/26	AAA/AAA	88,824
5,745	zero coupon, 8/15/26, (Pre-refunded @ \$44.73, 8/15/12) (a)	AAA/AAA	2,052,459
255	zero coupon, 8/15/27	AAA/AAA	83,648
5,745	zero coupon, 8/15/27, (Pre-refunded @ \$42.17, 8/15/12) (a)		