

PIMCO NEW YORK MUNICIPAL INCOME FUND III
Form N-CSR
December 09, 2008

**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 811-21189

PIMCO New York Municipal Income Fund III

(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, NY 10105

(Address of principal executive offices) (Zip code)

Lawrence G. Altadonna

1345 Avenue of the Americas, New York, NY 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, 2008

Date of reporting period: September 30, 2008

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, 2008

Contents

Letter to Shareholders	1
Fund Insights/Performance & Statistics	2-7
Schedules of Investments	8-26
Statements of Assets and Liabilities	27
Statements of Operations	28
Statements of Changes in Net Assets	30-31
Statements of Cash Flows	32-34
Notes to Financial Statements	35-43
Financial Highlights	44-46
Report of Independent Registered Public Accounting Firm	47
Tax Information/Annual Shareholder Meeting Results/Appointment of New Trustee	48
Matters Relating to the Trustees Consideration of the Investment Management & Portfolio Management Agreements	49-51
Privacy Policy/Proxy Voting Policies & Procedures	52
Dividend Reinvestment Plan	53
Board of Trustees	54-55
Principal Officers	56

PIMCO Municipal Income Funds III Letter to Shareholders

November 21, 2008

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, 2008.

The U.S. bond market weakened during the second half of the reporting period as sub-prime mortgage exposure led to instability among banking institutions and tight credit throughout the economy. In this environment, investors shunned all but the safest of U.S. government securities. The Lehman Brothers Municipal Bond Index returned (1.87)% for the twelve-month period, trailing the broad market return of 3.65% as represented by the Lehman Brothers Aggregate Bond Index. The Federal Reserve and U.S. Treasury Department moved aggressively during the period to stave off bank failures and to inject liquidity into the banking system. The central bank reduced the Federal Funds rate six times in the period, reducing the benchmark rate on loans between member banks from 4.75% to 2%.

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. In addition, a wide range of information and resources is available 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,

Hans W. Kertess
Chairman

Brian S. Shlissel
President & Chief Executive Officer

PIMCO Municipal Income Fund III Fund Insights

September 30, 2008 (unaudited)

For the 12-month period ended September 30, 2008, PIMCO Municipal Income Fund III (the Fund) returned (20.92)% on net asset value (NAV) and (21.07)% on market price, compared with (12.44)% and (19.30)%, respectively, for the Lipper Analytical General Municipal Debt Funds (Leveraged) average.

Municipal bond yields decreased in the shortest maturities inside of five years, while increasing in all other maturities during the 12-month period ended September 30, 2008.

Duration hedging strategies affected performance negatively in the Fund during the reporting period. Interest rates on Treasuries and London Inter-Bank Offered Rate (LIBOR) swaps moved significantly lower for the 12-month period across all maturities due to a dramatic flight to quality twice during the period, leading to municipal underperformance.

Municipal to Treasury yield ratios moved much higher during the period, ended at ratios never before experienced in the municipal bond market. The 10-year ratio increased to 110% and 30-year ratio increased to 122%.

Exposure to corporate backed munis affected performance negatively as the corporate sector experienced considerable uncertainty, especially toward the end of the period. Exposure to hospital bonds also hurt performance as this sector underperformed during the period.

Exposure to pre-refunded bonds was positive for performance as investors moved into this sector as they moved to the higher quality investments. Exposure to General Obligation bonds was slightly positive for performance as they outperformed for the period.

Tobacco securitization sector holdings detracted from performance due to the flight to quality with investors only choosing to purchase the highest quality munis, especially toward the end of the period.

Exposure to zero coupon municipals was negative for performance as the Lehman Zero Coupon Index returned (13.76)% for the 12-month period.

The municipal yield curve steepened significantly during the period. The 15-, 20-, and 30-year maturity AAA General Obligation yields increased by 87, 88, and 84 basis points, respectively, while the two-year yield decreased by 90 basis points. The Fund had significant exposure to the long end of the muni curve which hurt performance as the curve steepened.

Long municipals dramatically underperformed long Treasuries and the taxable debt sector during the period as we saw two extreme flights to quality in February and September. The Lehman Long Municipal Bond Index returned (9.55)% during the 12-month period while the Long Government/Credit and the Long Lehman Treasury Indices returned (0.37)% and 10.43%, respectively.

Municipal bond issuance remained at increased levels with April and June both seeing issuance over \$50 billion, which has never been experienced before. Auction rate issuers, as well as money market issuers, continue to refinance into longer-term debt due to rising interest costs. However, due to market turmoil towards the latter half of the third quarter, issuance has slowed from the pace set during the first two quarters. During the 12-month period, issuance totaled over \$456 billion.

PIMCO Municipal Income Fund III Performance & Statistics

September 30, 2008 (unaudited)

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	(21.07)%	(20.92)%
5 Year	1.55%	1.09%
Commencement of Operations (10/31/02) to 9/30/08	1.32%	1.53%

Common Share Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/08

Market Price/NAV:

Market Price	\$11.17
NAV	\$10.81
Premium to NAV	3.33%
Market Price Yield(2)	7.52%

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

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends and capital gain distributions have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average

annual total return.

The Fund's performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund distributions.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market 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. 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 equal to total assets attributable 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 (comprised from net investment income) payable to common shareholders by the market price per common share at September 30, 2008.

PIMCO California Municipal Income Fund III Fund Insights

September 30, 2008 (unaudited)

For the 12-month period ended September 30, 2008, PIMCO California Municipal Income Fund III (the Fund) returned (18.96)% on net asset value (NAV) and (21.60)% on market price, compared with (10.68)% and (16.14)%, respectively, for the Lipper Analytical California Municipal Debt Funds average.

Municipal bond yields decreased in the shortest maturities inside of five years, while increasing in all other maturities during the 12-month period ended September 30, 2008.

Duration hedging strategies affected performance negatively in the Fund during the reporting period. Interest rates on Treasuries and London Inter-Bank Offered Rate (LIBOR) swaps moved significantly lower for the 12-month period across all maturities due to a dramatic flight to quality twice during the period, leading to municipal underperformance.

Municipal to Treasury yield ratios moved much higher during the period, ended at ratios never before experienced in the municipal bond market. The 10-year ratio increased to 110% and 30-year ratio increased to 122%.

Exposure to hospital related bonds affected performance negatively as this sector underperformed during the period. Exposure to pre-refunded munis was positive for performance as investors moved into the sector seeking the highest quality asset toward the end of the period.

Tobacco securitization sector holdings detracted from performance due to the flight to quality with investors only choosing to purchase the highest quality munis, especially toward the end of the period.

Exposure to zero coupon municipals was negative for performance as the Lehman Zero Coupon Index returned (13.76)% for the 12-month period.

The municipal yield curve steepened significantly during the period. The 15-, 20-, and 30-year maturity AAA General Obligation yields increased by 87, 88, and 84 basis points, respectively, while the two-year yield decreased by 90 basis points.

Long municipals dramatically underperformed long Treasuries and the taxable debt sector during the period as we saw two extreme flights to quality in February and September. The Lehman Long Municipal Bond Index returned (9.55)% during the 12-month period while the Long Government/Credit and the Long Lehman Treasury Indices returned (0.37)% and 10.43%, respectively.

Municipal bonds within California underperformed the Lehman Municipal Bond Index during the 12-month period. Year-to-date, California continues to lead all other states in new issue volume. The state's issuance has decreased by 8.20% from the same period last year to \$48.2 billion.

The shape of the California State AAA insured municipal yield curve steepened significantly during the period in-line with the national market. Two-year maturity credits decreased by 75 basis points, 10-year maturities increased by 60 basis points, and 30-year maturities increased by 104 basis points. The Fund curves positioning affected performance negatively as a significant portion of the holdings were in the longer portion of the curve.

PIMCO California Municipal Income Fund III Performance & Statistics

September 30, 2008 (unaudited)

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	(21.60)%	(18.96)%
5 Year	1.07%	2.52%
Commencement of Operations (10/31/02) to 9/30/08	0.20%	1.94%

Common Share Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/08

Market Price/NAV:

Market Price	\$10.54
NAV	\$11.13
Discount to NAV	(5.30)%
Market Price Yield(2)	6.83%

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

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends and capital gain distributions have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average

annual total return.

The Fund's performance at market price will differ from its results at NAV. Although market price returns typically reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about the Fund, market conditions, supply and demand for the Fund's shares, or changes in Fund distributions.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, market 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. 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 equal to total assets attributable 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 (comprised from net investment income) payable to common shareholders by the market price per common share at September 30, 2008.

PIMCO New York Municipal Income Fund III Fund Insights

September 30, 2008 (unaudited)

For the 12-month period ended September 30, 2008, PIMCO New York Municipal Income Fund III (the Fund) returned (17.77)% on net asset value (NAV) and (22.55)% on market price, compared with (10.26)% and (16.98)%, respectively, for the Lipper Analytical New York Municipal Debt Funds average.

Municipal bond yields decreased in the shortest maturities inside of five years, while increasing in all other maturities during the 12-month period ended September 30, 2008.

Duration hedging strategies affected performance negatively in the Fund during the reporting period. Interest rates on Treasuries and London Inter-Bank Offered Rate (LIBOR) swaps moved significantly lower for the 12-month period across all maturities due to a dramatic flight to quality twice during the period, leading to municipal underperformance.

Municipal to Treasury yield ratios moved much higher during the period, ended at ratios never before experienced in the municipal bond market. The 10-year ratio increased to 110% and 30-year ratio increased to 122%.

Exposure to corporate backed munis affected performance negatively as the corporate sector experienced considerable uncertainty, especially toward the end of the period. Exposure to transportation related bonds also hurt performance as this sector underperformed during the period.

Exposure to pre-refunded munis was positive for performance as investors moved into the sector seeking the highest quality asset toward the end of the period. Exposure to special tax revenue bonds also helped performance during the period.

Tobacco securitization sector holdings detracted from performance due to the flight to quality with investors only choosing to purchase the highest quality munis, especially toward the end of the period.

Exposure to zero coupon municipals was negative for performance as the Lehman Zero Coupon Index returned (13.76)% for the 12-month period.

Long municipals dramatically underperformed long Treasuries and the taxable debt sector during the period as we saw two extreme flights to quality in February and September. The Lehman Long Municipal Bond Index returned (9.55)% during the 12-month period while the Long Government/Credit and the Long Lehman Treasury Indices returned (0.37)% and 10.43%, respectively.

Municipal bonds within New York outperformed the Lehman Municipal Bond Index for the 12-month period. Year-to-date, issuers in New York State have issued \$32.3 billion in bonds, 52% higher than the same period last year. New York ranks third among states in terms of issuance.

The shape of the New York Insured AAA municipal yield curve steepened during the period. Two-year maturity AAA credits decreased by 76 basis points, 10-year maturities increased by 52 basis points, and 30-year maturities increased by 94 basis points. The Fund curves positioning affected performance negatively as a significant portion of the holdings were in the longer portion of the curve.

Municipal bond issuance remained at increased levels with April and June both seeing issuance over \$50 billion, which has never been experienced before. Auction rate issuers, as well as money market issuers, continue to refinance into longer term debt due to rising interest costs. However, due to market turmoil towards the latter half of

the third quarter, issuance has slowed from the pace set during the first two quarters. During the 12-month period, issuance totaled over \$456 billion.

PIMCO New York Municipal Income Fund III Performance & Statistics

September 30, 2008 (unaudited)

Total Return(1):	Market Price	Net Asset Value (NAV)
1 Year	(22.55)%	(17.77)%
5 Year	(0.41)%	1.55%
Commencement of Operations (10/31/02) to 9/30/08	(0.99)%	2.00%

Common Share Market Price/NAV Performance:

Commencement of Operations (10/31/02) to 9/30/08

Market Price/NAV:

Market Price	\$10.00
NAV	\$11.45
Discount to NAV	(12.66)%
Market Price Yield(2)	6.30%

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

(1) **Past performance is no guarantee of future results.** Returns are calculated by determining the percentage change in net asset value or market share price (as applicable) in the period covered. The calculation assumes that all of the Fund's income dividends and capital gain distributions have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average

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- (2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised from net investment income) payable to common shareholders by the market price per common share at September 30, 2008.

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
MUNICIPAL BONDS & NOTES 97.5%			
Alabama 0.7%			
\$ 5,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev, 5.00%, 11/15/30, Ser. A	Baa1/NR	\$ 3,927,100
1,500	Colbert Cnty., Northwest Health Care Auth., Health Care Facs. Rev., 5.75%, 6/1/27	Baa3/NR	1,355,250
			5,282,350
Alaska 0.8%			
3,100	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	2,017,480
3,900	State Housing Finance Corp. Rev., 5.00%, 12/1/33, Ser. A	Aaa/AAA	3,367,845
1,000	5.25%, 6/1/32, Ser. C (MBIA)	Aa2/AA	917,360
			6,302,685
Arizona 5.8%			
2,250	Health Facs. Auth. Rev., Beatitudes Project, 5.20%, 10/1/37	NR/NR	1,643,648
2,200	John C. Lincoln Health Network, 7.00%, 12/1/25, (Pre-refunded @ \$102, 12/1/10) (c)	NR/BBB	2,426,886
1,500	Maricopa Cnty. Pollution Control Corp., Pollution Control Rev., 5.05%, 5/1/29 (AMBAC)	Aa3/AA	1,209,270
16,000	Pima Cnty. Industrial Dev. Auth. Rev., Correctional Facs., 5.00%, 9/1/39	Aa2/AA	14,206,880
	Salt River Project Agricultural Improvement & Power Dist. Rev., Ser. A (i),		
5,000	5.00%, 1/1/35	Aa1/NR	4,720,700
16,000	5.00%, 1/1/37	Aa1/AA	15,054,560
5,600	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	Aa3/AA-	3,884,160
			43,146,104
Arkansas 0.1%			
7,000		Aa3/NR	740,950

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Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46
(AMBAC)

California 10.1%

1,980	Chula Vista Community Facs. Dist., Special Tax, 5.25%, 9/1/30	NR/NR	1,642,608
25,735	Golden State Tobacco Securitization Corp. Rev., Ser. A-1, 6.25%, 6/1/33	Aaa/AAA	27,675,934
21,000	6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (c) State, GO,	Aaa/AAA	23,479,470
400	5.00%, 6/1/37	A1/A+	362,148
840	5.00%, 11/1/37	A1/A+	760,208
14,460	5.00%, 11/1/37 (i)	A1/A+	13,086,445
5,800	5.00%, 12/1/37	A1/A+	5,248,478
3,060	Statewide Community Dev. Auth. Rev., Baptist Univ., 9.00%, 11/1/17, Ser. B (a)(d)	NR/NR	2,991,364
			75,246,655

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
California (continued)			
Colorado 2.6%			
\$ 1,000	Aurora Single Tree Metropolitan Dist., GO, 5.50%, 11/15/31	NR/NR	\$ 829,310
9,955	Colorado Springs Rev., 5.00%, 11/15/30, Ser. B (i)	Aa2/NR	9,419,322
500	Confluence Metropolitan Dist. Rev., 5.45%, 12/1/34	NR/NR	393,135
	El Paso Cnty., CP, Ser. B (AMBAC),		
1,725	5.00%, 12/1/23	Aa3/AA	1,578,858
1,500	5.00%, 12/1/27	Aa3/AA	1,329,135
1,000	Health Facs. Auth. Rev., American Baptist Homes, 5.90%, 8/1/37, Ser. A	NR/NR	802,240
1,500	Housing & Finance Auth. Rev., Evergreen Country Day School,		
	5.875%, 6/1/37 (a)(d)	NR/BB	1,239,900
4,000	Saddle Rock Metropolitan Dist., GO, 5.35%, 12/1/31 (Radian)	NR/BBB+	3,425,960
340	State School of Mines Auxiliary Facs. Rev., 5.00%, 12/1/37 (AMBAC)	Aa3/AA	315,418
			19,333,278
Florida 4.3%			
3,480	Brevard Cnty. Health Facs. Auth. Rev., 5.00%, 4/1/34	A2/A-	2,829,171
8,000	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System,		
	5.25%, 11/15/23, Ser. B, (Pre-refunded @ \$100, 11/15/12) (c)	A1/NR	8,484,800
2,500	Hillsborough Cnty. Industrial Dev. Auth. Rev., Tampa General Hospital,		
	5.25%, 10/1/34, Ser. B	A3/NR	2,113,800
1,485	Julington Creek Plantation Community Dev. Dist., Special Assessment, 5.00%, 5/1/29 (MBIA)	A2/AA	1,299,553
1,000	Orange Cnty. Housing Finance Auth., Multifamily Rev., Palm Grove		
	Gardens, 5.25%, 1/1/28, Ser. G	Aaa/NR	900,820
3,895	Sarasota Cnty. Health Fac. Auth. Rev., 5.75%, 7/1/45	NR/NR	2,969,509
7,500	South Miami Health Facs. Auth., Hospital Rev., Baptist Health, 5.25%, 11/15/33, (Pre-refunded @ \$100, 2/1/13) (c)	Aaa/AA-	8,053,650
5,615	Tampa Water & Sewer Rev., 5.00%, 10/1/26, Ser. A	Aa2/AA	5,471,986
			32,123,289

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Georgia 0.7%

1,750	Fulton Cnty. Rev., 5.125%, 7/1/42, Ser. A	NR/NR	1,238,615
4,000	Griffin Combined Public Utility Rev., 5.00%, 1/1/32 (AMBAC)	Aa3/AA	3,610,040
400	Medical Center Hospital Auth. Rev., 5.25%, 7/1/37	NR/NR	296,632
			5,145,287

Idaho 0.8%

1,000	State Building Auth., Building Rev., Ser. A (XLCA), 5.00%, 9/1/33	NR/AA-	921,790
5,750	5.00%, 9/1/43	NR/AA-	5,166,720
			6,088,510

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Illinois 6.6%			
\$ 720	Chicago, GO, Ser. A (MBIA), 5.00%, 1/1/31	Aa3/AA	\$ 658,541
1,530	5.00%, 1/1/31, (Pre-refunded @ \$101, 1/1/11) (c) Chicago, Lake Shore East, Special Assessment,	Aa3/AA	1,614,288
1,600	6.625%, 12/1/22	NR/NR	1,546,432
3,456	6.75%, 12/1/32	NR/NR	3,252,372
500	Chicago Board of Education School Reform, GO, zero coupon, 12/1/28, Ser. A (FGIC)	A1/AA-	139,485
3,000	Chicago Kingsbury Redev. Project, Tax Allocation, 6.57%, 2/15/13, Ser. A	NR/NR	3,002,730
7,000	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/33, Ser. A (AMBAC)	Aa3/AA+	6,472,690
4,780	Educational Facs. Auth. Rev., Univ. of Chicago, 5.00%, 7/1/33	Aa1/AA	4,483,066
165	5.25%, 7/1/41	Aa1/AA	158,755
65	5.25%, 7/1/41, (Pre-refunded @ \$101, 7/1/11) (c) Finance Auth. Rev.,	Aa1/AA	69,546
2,000	Christian Homes, Inc., 5.75%, 5/15/31, Ser. A	NR/NR	1,612,200
1,500	Franciscan Communities, Inc., 5.50%, 5/15/37 Leafs Hockey Club, Ser. A,	NR/NR	1,181,985
1,000	5.875%, 3/1/27	NR/NR	785,620
625	6.00%, 3/1/37	NR/NR	472,881
12,795	Peoples Gas Light & Coke, 5.00%, 2/1/33 (AMBAC)	Aa3/AA	11,671,599
1,500	Sedgebrook, Inc., 6.00%, 11/15/37, Ser. A	NR/NR	1,256,475
1,050	Three Crowns Park Plaza, 5.875%, 2/15/38	NR/NR	860,192
1,175	Health Facs. Auth. Rev., Elmhurst Memorial Healthcare, 5.50%, 1/1/22	Baa1/NR	1,130,009
2,400	Hillside, Tax Allocation, Mannheim Redev. Project, 6.55%, 1/1/20	NR/NR	2,282,568
1,600	7.00%, 1/1/28	NR/NR	1,480,736
4,283	Round Lake, Special Tax, 6.70%, 3/1/33, (Pre-refunded @ \$102, 3/1/13) (c)	NR/NR	4,807,411
600	Southwestern Dev. Auth. Rev., Comprehensive Mental Health Center, 6.625%, 6/1/37	NR/NR	514,788
			49,454,369

Indiana 2.9%

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1,375	Fort Wayne Pollution Control Rev., 6.20%, 10/15/25	Caa2/B-	783,489
7,535	Indiana Bond Bank Rev., 5.00%, 2/1/33, Ser. A (FSA) (i)	Aaa/AAA	7,006,872
5,000	Indianapolis Local Public Improvement Board, Tax Allocation, 5.00%, 2/1/29, Ser. G (MBIA)	A2/AA	4,689,900
2,500	Michigan City Area Wide School Building Corp., Rev. (FGIC), zero coupon, 1/15/21	NR/AA+	1,221,000
1,000	zero coupon, 7/15/21	NR/AA+	472,600
1,000	zero coupon, 1/15/22	NR/AA+	451,900

10 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Indiana (continued)			
\$ 1,000	Plainfield Parks Facs. Corp. Lease Rent Rev., 5.00%, 1/15/22 (AMBAC)	Aa3/AA	\$ 973,430
1,000	Portage Industrial Economic Dev. Rev., Tax Allocation, 5.00%, 7/15/23	NR/BBB+	881,310
775	5.00%, 1/15/27	NR/BBB+	657,789
3,500	State Dev. Finance Auth., Pollution Control Rev., 5.00%, 3/1/30 (AMBAC)	Aa3/AAA	3,208,485
2,000	Vigo Cnty. Hospital Auth. Rev., 5.70%, 9/1/37 (a)(d)	NR/NR	1,594,620
			21,941,395
Iowa 1.9%			
1,000	Coralville, CP, 5.25%, 6/1/26, Ser. D Finance Auth. Rev.,	A2/NR	904,110
575	5.50%, 11/15/37	NR/NR	384,646
120	Deerfield Retirement Community, 5.50%, 11/15/27, Ser. A	NR/NR	86,616
3,715	Wedum Walnut Ridge LLC, 5.625%, 12/1/45, Ser. A	NR/NR	2,809,543
11,010	Tobacco Settlement Auth. of Iowa Rev., Ser. B, 5.60%, 6/1/34	Baa3/BBB	8,916,229
1,000	5.60%, 6/1/35, (Pre-refunded @ \$101, 6/1/11) (c)	NR/AAA	1,070,430
			14,171,574
Kentucky 0.1%			
1,000	Economic Dev. Finance Auth. Rev., Hospital Facs. Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	901,280
Louisiana 1.1%			
5,000	Public Facs. Auth. Rev., Ochsner Clinic Foundation, Ser. B, 5.50%, 5/15/32, (Pre-refunded @ \$100, 5/15/26) (c)	Aaa/NR	5,159,700
1,700	5.50%, 5/15/47	A3/NR	1,422,883
1,595	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	Baa3/BBB	1,369,706
			7,952,289
Maryland 0.2%			
1,500		A2/NR	1,378,290

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Health & Higher Educational Facs. Auth. Rev., Calvert Health
Systems,
5.50%, 7/1/36

Massachusetts 0.8%

1,000	Dev. Finance Agcy. Rev., 5.75%, 7/1/33, (Pre-refunded @ \$101, 7/1/13) Ser. C (c)	A3/A-	1,103,690
750	Linden Ponds, 5.75%, 11/15/35, Ser. A	NR/NR	585,870
4,910	State Housing Finance Agcy., Housing Rev., 5.125%, 6/1/43, Ser. H	Aa3/AA-	4,427,003
			6,116,563

Michigan 13.3%

500	Conner Creek Academy East Rev., 5.25%, 11/1/36	NR/BB+	379,750
33,040	Detroit Sewer Disposal System Rev., 5.00%, 7/1/32, Ser. A (FSA) (i)	Aaa/AAA	29,236,435

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Michigan (continued)			
\$ 35,000	Detroit Water Supply System Rev. (MBIA), 5.00%, 7/1/34, Ser. A	A2/AA	\$ 30,519,300
7,555	5.00%, 7/1/34, Ser. B	A2/AA	6,374,984
500	Star International Academy, CP, 6.125%, 3/1/37	NR/BB+	415,075
175	State Hospital Finance Auth. Rev., Detroit Medical Center, 5.25%, 8/15/23	Ba3/BB-	144,706
5,405	Oakwood Group, Ser. A, 5.75%, 4/1/32	A2/A	4,869,527
575	6.00%, 4/1/22	A2/A	576,340
20,000	Trinity Health Credit, 5.375%, 12/1/30	Aa2/AA	18,012,600
110	State Public Educational Facs. Auth. Rev., 7.00%, 10/1/36 (a)(b)	NR/NR	103,478
1,000	State Technological Univ. Rev., 5.00%, 10/1/33 (XLCA)	A1/BBB-	894,650
10,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BBB	7,578,100
			99,104,945
Minnesota 0.3%			
2,400	Upsala Independent School Dist. No. 487, GO, 5.00%, 2/1/28 (FGIC)	NR/AAA	2,529,480
Mississippi 0.5%			
3,000	Business Finance Corp., Pollution Control Rev., 5.875%, 4/1/22	Ba1/BBB	2,764,890
1,250	5.90%, 5/1/22	Ba1/BBB	1,154,337
			3,919,227
Missouri 1.7%			
1,350	St. Louis Cnty. Industrial Dev. Auth., Housing Dev. Rev., 5.20%, 1/20/36 (GNMA)	NR/AAA	1,200,177
1,500	St. Louis Industrial Dev. Auth. Rev. (GNMA), 5.125%, 12/20/29	NR/AAA	1,313,670
1,500	5.125%, 12/20/30	NR/AAA	1,303,485
7,500	State Health & Educational Facs. Auth., Health Facs. Rev., St. Anthony s Medical Center, 6.25%, 12/1/30, (Pre-refunded @ \$101, 12/1/10) (c)	A2/NR	8,143,950
250	Township of Jennings Rev., 5.00%, 11/1/23	NR/NR	215,365

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500	Univ. Place Transportation Dev. Dist., Special Assessment, 5.00%, 3/1/32	NR/NR	407,820
			12,584,467
	Montana 1.3%		
11,250	Forsyth Pollution Control Rev., Puget Sound Energy, 5.00%, 3/1/31 (AMBAC)	Aa3/AA	9,651,037

12 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
New Hampshire 0.6%			
\$ 1,500	Manchester Water Works Rev. (FGIC), 5.00%, 12/1/28	Aa3/AA	\$ 1,409,190
3,250	5.00%, 12/1/34	Aa3/AA	2,987,823
			4,397,013
New Jersey 5.8%			
1,000	Camden Cnty., Improvement Auth. Rev., 5.00%, 2/15/35, Ser. A	Baa3/BBB	775,580
4,500	Economic Dev. Auth. Rev., Kapkowski Road Landfill, Special Assessment, 6.50%, 4/1/28	Baa3/NR	4,440,690
300	Newark Airport, 7.00%, 10/1/14	Ba1/NR	300,930
450	Seashore Gardens, 5.375%, 11/1/36 Financing Auth. Rev.,	NR/NR	339,444
2,500	Middlesex Cnty. Pollution Control Auth. Rev., 5.75%, 9/15/32	Baa2/BBB-	2,313,650
2,000	South Port Corp., 5.10%, 1/1/33 Health Care Facs. Financing Auth. Rev.,	NR/A	1,865,540
1,159	Pascack Valley Hospital, 6.625%, 7/1/36 (e)(k)	NR/D	149,999
2,000	Somerset Medical Center, 5.50%, 7/1/33	Ba2/NR	1,571,280
1,000	St. Peters Univ. Hospital, 5.75%, 7/1/37	Baa2/BBB-	879,420
1,150	Trinitas Hospital, 5.25%, 7/1/30, Ser. A	Baa3/BBB-	894,850
1,500	State Educational Facs. Auth. Rev., Fairfield Dickinson Univ., 6.00%, 7/1/25, Ser. D	NR/NR	1,466,715
22,645	Tobacco Settlement Financing Corp. Rev., 5.00%, 6/1/41, Ser. 1A	Baa3/BBB	14,374,367
525	6.00%, 6/1/37, (Pre-refunded @ \$100, 6/1/12) (c)	Aaa/AAA	575,001
950	6.125%, 6/1/24	Aaa/AAA	995,923
230	6.125%, 6/1/42, (Pre-refunded @ \$100, 6/1/12) (c)	Aaa/AAA	252,890
350	6.25%, 6/1/43, (Pre-refunded @ \$100, 6/1/13) (c)	Aaa/AAA	391,842
10,750	6.75%, 6/1/39, (Pre-refunded @ \$100, 6/1/13) (c)	Aaa/AAA	12,116,755
			43,704,876
New Mexico 0.1%			
1,000	Farmington Pollution Control Rev., 5.80%, 4/1/22	Baa3/BB+	884,350
New York 1.5%			
1,150		NR/NR	1,088,038

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Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at
Harborside, 6.70%, 1/1/43, Ser. A
New York City Municipal Water Finance Auth., Water &
Sewer System Rev.,

8,180	5.00%, 6/15/37, Ser. D (i)	Aa2/AAA	7,637,011
500	5.00%, 6/15/39, Ser. A	Aa2/AAA	465,895
2,000	State Environmental Facs. Corp. Rev., 5.00%, 6/15/28	Aaa/AAA	1,941,300
			11,132,244

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
North Carolina 1.4%			
\$ 2,000	Eastern Municipal Power Agcy., Power System Rev., 5.125%, 1/1/23, Ser. D	Baa1/BBB+	\$ 1,794,280
2,000	5.125%, 1/1/26, Ser. D	Baa1/BBB+	1,755,480
3,795	5.375%, 1/1/17, Ser. C	Baa1/BBB+	3,818,225
1,500	Medical Care Commission Rev., Carolina Villiage, 6.00%, 4/1/38	NR/NR	1,269,840
1,500	Cleveland Cnty., 5.00%, 7/1/35 (AMBAC)	Aa3/AA	1,310,175
1,000	Village at Brookwood, 5.25%, 1/1/32	NR/NR	760,300
			10,708,300
Ohio 1.4%			
5,000	Buckeye Tobacco Settlement Financing Auth. Rev., 5.875%, 6/1/47, Ser. A-2	Baa3/BBB	3,786,450
2,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	A1/AA-	2,291,450
5,000	Ohio Air Quality Dev. Auth. Rev., Dayton Power & Light Co., 4.80%, 1/1/34, Ser. B (FGIC) (i)	Aaa/NR	4,195,000
			10,272,900
Pennsylvania 4.6%			
11,300	Allegheny Cnty. Hospital Dev. Auth. Rev., 5.375%, 11/15/40, Ser. A	Ba3/BB	7,794,175
4,350	9.25%, 11/15/30, Ser. B, (Pre-refunded @ \$102, 11/15/10) (c)	Ba3/AAA	5,010,417
750	Cumberland Cnty. Auth., Retirement Community Rev., Messiah Village, Ser A, 5.625%, 7/1/28	NR/BBB-	651,262
670	6.00%, 7/1/35	NR/BBB-	591,597
1,500	Wesley Affiliated Services, 7.25%, 1/1/35, Ser. A, (Pre-refunded @ \$101, 1/1/13) (c)	NR/NR	1,739,355
3,250	Delaware River JT Toll Bridge, Commission Bridge Rev., 5.00%, 7/1/28	A2/A-	3,010,670
1,250	Harrisburg Auth. Rev., 6.00%, 9/1/36	NR/NR	1,107,913
3,000	Lehigh Cnty. General Purpose Auth. Rev., St. Luke s Bethlehem Hospital, 5.375%, 8/15/33, (Pre-refunded @ \$100, 8/15/13) (c)	Baa1/AAA	3,263,580
6,200	Philadelphia Hospitals & Higher Education Facs. Auth. Hospital Rev., Temple Univ. Hospital, 6.625%, 11/15/23, Ser.	Baa3/BBB	5,459,224

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	A		
5,000	Philadelphia School Dist., GO, 5.125%, 6/1/34, Ser. D, (Pre-refunded @ \$100, 6/1/14) (FGIC) (c)	A1/A+	5,408,400
			34,036,593
	Puerto Rico 0.1%		
460	Electric Power Auth. Power Rev., 5.125%, 7/1/29, Ser. NN, (Pre-refunded @ \$100, 7/1/13) (c)	A3/BBB+	494,472

14 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	South Carolina 1.8%		
\$ 7,500	Florence Cnty. Rev., McLeod Regional Medical Center, 5.00%, 11/1/31, Ser. A (FSA)	Aaa/AAA	\$ 6,567,300
5,305	Jobs-Economic Dev. Auth. Rev., Bon Secours, 5.625%, 11/15/30	A3/A-	4,839,858
1,395	5.625%, 11/15/30, (Pre-refunded @ \$100, 11/15/12) (c)	A3/A-	1,521,638
750	Woodlands at Furman, 6.00%, 11/15/37, Ser. A	NR/NR	615,247
			13,544,043
	South Dakota 0.2%		
1,705	Minnehaha Cnty. Health Facs. Rev., Bethany Lutheran, 5.375%, 12/1/27	NR/NR	1,393,241
	Tennessee 0.2%		
1,250	Knox Cnty. Health Educational & Housing Facs. Board Rev., Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	1,126,600
	Texas 13.0%		
1,300	Comal Cnty. Health Facs. Dev. Rev., McKenna Memorial Hospital Project, 6.25%, 2/1/32, (Pre-refunded @ \$100, 2/1/13) (c)	NR/AAA	1,447,862
6,810	Crowley Independent School Dist., GO, 4.75%, 8/1/35 (PSF-GTD) (i)	Aaa/AAA	5,942,338
5,745	Denton Independent School Dist., GO (PSF-GTD), zero coupon, 8/15/26, (Pre-refunded @ \$44.73, 8/15/12) (c)	Aaa/AAA	2,234,345
255	zero coupon, 8/15/26	Aaa/AAA	91,815
5,745	zero coupon, 8/15/27, (Pre-refunded @ \$42.17, 8/15/12) (c)	Aaa/AAA	2,106,462
255	zero coupon, 8/15/27	Aaa/AAA	86,465
4,785	zero coupon, 8/15/28, (Pre-refunded @ \$39.75, 8/15/12) (c)	Aaa/AAA	1,653,792
215	zero coupon, 8/15/28	Aaa/AAA	68,639
5,745	zero coupon, 8/15/29, (Pre-refunded @ \$37.46, 8/15/12) (c)	Aaa/AAA	1,871,204
255	zero coupon, 8/15/29	Aaa/AAA	76,635
1,915	zero coupon, 8/15/30, (Pre-refunded @ \$35.30, 8/15/12) (c)	Aaa/AAA	587,694
85	zero coupon, 8/15/30	Aaa/AAA	24,042
7,660	zero coupon, 8/15/31, (Pre-refunded @ \$33.25, 8/15/12) (c)	Aaa/AAA	2,214,582
340	zero coupon, 8/15/31	Aaa/AAA	90,559
10,115	5.00%, 8/15/33 (i)	Aaa/NR	9,498,491
12,855	El Paso, GO, 4.75%, 8/15/33 (FSA)(i)	Aaa/AAA	11,512,810

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5,000	Houston Water & Sewer System Rev., 5.00%, 12/1/30, Ser. A, (Pre-refunded @ \$100, 12/1/12) (FSA) (c)	Aaa/AAA	5,317,750
465	Judson Independent School Dist., GO, 5.00%, 2/1/30 (PSF-GTD)	Aaa/NR	441,011
11,950	Mansfield Independent Sch. Dist., GO, 5.00%, 2/15/28, (PSF-GTD) (i) Mesquite Independent School Dist. No. 1, GO, Ser. A (PSF-GTD),	Aaa/AAA	11,434,716
1,365	zero coupon, 8/15/16	NR/AAA	947,870
1,000	zero coupon, 8/15/18	NR/AAA	614,300
1,000	zero coupon, 8/15/19	NR/AAA	567,610
1,000	zero coupon, 8/15/20	NR/AAA	515,900

PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
Texas (continued)			
\$ 5,500	North Harris Cnty. Regional Water Auth. Rev., 5.25%, 12/15/33	A3/A+	\$ 4,878,115
5,500	5.50%, 12/15/38	A3/A+	4,997,630
11,800	North Texas Tollway Auth. Rev., 5.625%, 1/1/33, Ser. A	A2/A-	10,756,172
2,105	Northwest Harris Cnty. Municipal Utility Dist. No. 16, GO, 5.30%, 10/1/29 (Radian)	NR/BBB+	2,124,787
2,000	Sabine River Auth. Rev., 5.20%, 5/1/28	Caa1/CCC	1,384,260
11,115	Univ. Rev., 5.00%, 8/15/33, Ser. B, (Pre-refunded @ \$100, 8/15/13) (c)(i)	Aaa/AAA	11,651,743
2,500	Willacy Cnty. Rev., 6.875%, 9/1/28, Ser. A-1	NR/NR	2,236,725
			97,376,324
Utah 0.4%			
1,750	Cnty. of Weber, IHC Health Services Rev., 5.00%, 8/15/30	NR/NR	1,494,868
750	Spanish Fork City Rev., 5.70%, 11/15/36	NR/NR	614,295
720	Utah Cnty. Lincoln Academy Charter School Rev., GO, 5.875%, 6/15/37, Ser. A (a)(d)	NR/NR	604,814
			2,713,977
Virginia 0.1%			
1,000	James City Cnty. Economic Dev. Auth. Rev., 5.50%, 7/1/37, Ser. A	NR/NR	742,180
Washington 9.6%			
6,375	Chelan Cnty. Public Utility Dist. Rev., 5.125%, 7/1/33, Ser. C (AMBAC)	Aa2/AA	6,103,106
15,000	King Cnty. Sewer Rev., 5.00%, 1/1/35, Ser. A (FSA)(i)	Aaa/AAA	14,162,100
17,375	Port Tacoma GO, 5.00%, 12/1/33, (Pre-refunded @ \$100, 12/1/13) (AMBAC) (c)	Aa3/AA	18,680,037
10,000	Seattle Drain & Wastewater Rev., 5.00%, 7/1/32 (FGIC)	Aa2/AA+	9,055,000
3,400	State Housing Finance Commission Rev., Skyline at First Hill, 5.625%, 1/1/38, Ser. A	NR/NR	2,658,120
21,505	Tobacco Settlement Auth., Tobacco Settlement Rev., 6.50%, 6/1/26	Baa3/BBB	20,744,368
			71,402,731

Wisconsin 0.1%

560	Badger Tobacco Asset Securitization Corp. Rev., 6.00%, 6/1/17	Baa3/BBB	552,154
700	Milwaukee Redev. Auth. Rev., 5.65%, 8/1/37, Ser. A	NR/NR	565,264

1,117,418

Total Municipal Bonds & Notes (cost \$786,547,445) 728,161,286

VARIABLE RATE NOTES (g) 2.2%

Florida 0.6%

6,385	State Turnpike Auth. Rev., 1.71%, 7/1/31, Ser. 1450 (a)(d)(f)	Aa2/NR	4,554,548
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PIMCO Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
	New York 1.3%		
\$ 11,650	Liberty Dev. Corp. Rev., 3.00%, 10/1/35, Ser. 1451 (a)(d)(f)	Aa3/NR	\$ 1,561,100
10,000	State Dormitory Auth. Rev., Univ. & College Improvement, 1.43%, 3/15/35, Ser. 1216 (a)(d)(f)	NR/AAA	7,867,600
			9,428,700
	Ohio 0.3%		
3,460	State Air Quality Dev. Auth. Rev., 2.971%, 1/1/34 (FGIC) (a)(d)(f)	A2/NR	1,801,414
	Pennsylvania 0.0%		
350	Washington Cnty. Redev. Auth., Tax Allocation, 5.45%, 7/1/35, Ser. A	NR/NR	280,014
	Total Variable Rate Notes (cost \$34,855,956)		16,064,676
	SHORT-TERM INVESTMENTS 0.3%		
	Municipal Bonds & Notes 0.1%		
	California 0.1%		
1,000	Alameda Public Financing Auth. Rev., 7.00%, 6/1/09	NR/NR	791,480
	U.S. Treasury Bills (j) 0.2%		
1,750	0.62%-1.00%, 10/16/08-12/11/08		1,748,666
	Total Short-Term Investments (cost \$2,747,056)		2,540,146
	Total Investments (cost \$824,150,457) 100.0%		\$ 746,766,108

PIMCO California Municipal Income Fund III Schedule of Investments
September 30, 2008

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
CALIFORNIA MUNICIPAL BONDS & NOTES 92.6%			
	Assoc. of Bay Area Gov't Finance Auth. Rev., Odd Fellows Home (CA Mtg. Ins.),		
\$ 3,200	5.20%, 11/15/22	NR/A+	\$ 3,137,152
11,725	5.35%, 11/15/32	NR/A+	11,249,199
	Burbank Public Finance Auth., Tax Allocation, San Fernando Redev. Project,		
1,135	5.50%, 12/1/28	NR/BBB	1,018,322
1,000	5.50%, 12/1/33	NR/BBB	890,540
2,000	Butte-Glenn Community College Dist., GO, Ser. A (MBIA), 5.00%, 8/1/26	A1/NR	1,887,200
2,000	Capistrano Unified School Dist., Community Fac. Dist., Special Tax, 6.00%, 9/1/32, (Pre-refunded @ \$100, 9/1/13) (c)	NR/NR	2,238,100
500	Carson Public Financing Auth., Special Assessment, 5.00%, 9/2/31, Ser. B	NR/NR	392,825
1,000	Cathedral City Public Financing Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (MBIA)	A2/AA	894,800
1,150	Ceres Redev. Agcy., Tax Allocation, 5.00%, 11/1/33 (MBIA) Ceres Unified School Dist., GO (FGIC),	A2/AA	1,021,131
2,825	zero coupon, 8/1/28	NR/A	800,831
2,940	zero coupon, 8/1/29	NR/A	777,365
	Chula Vista Community Facs. Dist., Special Tax, Eastlake Woods,		
675	6.15%, 9/1/26	NR/NR	630,524
1,620	6.20%, 9/1/33	NR/NR	1,486,107
	Otay Ranch Village,		
1,920	5.125%, 9/1/36	NR/NR	1,508,179
1,600	5.75%, 9/1/33	NR/NR	1,387,536
1,000	City of Carlsbad, Special Assessment, 6.00%, 9/2/34 Contra Costa Cnty. Public Financing Auth., Tax Allocation, Ser. A,	NR/NR	917,080
1,415	5.625%, 8/1/33	NR/BBB	1,324,327
1,585	5.625%, 8/1/33, (Pre-refunded @ \$100, 8/1/13) (c)	NR/BBB	1,744,419
3,775	Cucamonga School Dist., CP, 5.20%, 6/1/27 Educational Facs. Auth. Rev.,	NR/A-	3,417,054
2,455	Loyola Marymount Univ., zero coupon, 10/1/34, Ser. A (MBIA)	A2/NR	483,414
5,000	Pepperdine Univ., 5.00%, 9/1/33, Ser. A (FGIC)	Aa3/NR	4,574,150

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	Fremont Community Dist., Special Tax,		
1,250	5.30%, 9/1/30	NR/NR	1,094,438
5,000	6.30%, 9/1/31	NR/NR	4,607,200
9,500	Fresno School Unified Dist., GO, 6.00%, 8/1/26, Ser. A (MBIA)	A2/AA	9,564,980
4,380	Glendale Electric Works Rev., 5.00%, 2/1/27 (MBIA)	Aa3/AA	4,246,760
10,000	Golden State Tobacco Securitization Corp. Rev., 5.00%, 6/1/33, Ser. A-1	Baa3/BBB	6,965,200
10,000	5.00%, 6/1/35, Ser. A (FGIC)	A2/A	8,437,600

18 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO California Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
\$ 10,000	5.00%, 6/1/35, Ser. A (FGIC) (i)	A2/A	\$ 8,437,600
4,000	5.00%, 6/1/45, Ser. A (FGIC-TCRS) (i)	A2/AAA	3,202,480
9,000	5.00%, 6/1/45 (AMBAC-TCRS) (i)	Aa3/AAA	7,119,630
16,795	6.25%, 6/1/33, Ser. A-1	Aaa/AAA	18,061,679
38,490	6.75%, 6/1/39, Ser. A-1, (Pre-refunded @ \$100, 6/1/13) (c) Health Facs. Finance Auth. Rev.,	Aaa/AAA	43,034,514
6,000	Cottage Health System, 5.00%, 11/1/33, Ser. B (MBIA) Paradise VY Estates (CA Mtg. Ins.),	A2/AA	5,447,040
2,000	5.125%, 1/1/22	NR/A+	1,939,080
1,550	5.25%, 1/1/26	NR/A+	1,485,396
7,750	Infrastructure & Economic Dev. Bank Rev., Bay Area Toll Bridges, 5.00%, 7/1/36, (Pre-refunded @ \$100, 1/1/28) (AMBAC) (c) Kaiser Assistance Corp.,	Aaa/AAA	7,525,560
3,000	5.50%, 8/1/31, Ser. B	A2/A	2,752,380
8,000	5.55%, 8/1/31, Ser. A	NR/A+	7,388,240
20	Lancaster Financing Auth., Tax Allocation, 4.75%, 2/1/34 (MBIA)	A2/AA	16,537
825	Lee Lake Water Dist. Community Facs. Dist. No. 2, Montecito Ranch, Special Tax, 6.125%, 9/1/32	NR/NR	768,784
6,000	Los Angeles Department of Water & Power Rev. (i), 4.75%, 7/1/30, Ser. A-2 (FSA)	Aa1/NR	5,206,260
10,000	5.00%, 7/1/30, Ser. A	Aa3/AA-	9,293,500
20,000	5.00%, 7/1/35, Ser. A (FSA)	Aaa/AAA	18,342,600
5,280	Modesto Irrigation Dist., CP, 5.00%, 7/1/33, Ser. A (MBIA)	A2/AA	4,831,094
4,585	Moreno Valley Unified School Dist. Community Facs. Dist., Special Tax, 5.20%, 9/1/36	NR/NR	3,528,249
5,000	Oakland, GO, 5.00%, 1/15/33, Ser. A (MBIA)	A1/AA	4,445,300
1,545	Oakland Redev. Agcy., Tax Allocation, 5.25%, 9/1/33, (Pre-refunded @ \$100, 3/1/13) (c)	NR/A	1,674,286
5,000	Orange Cnty. Community Facs. Dist., Ladera Ranch, Special Tax, 5.55%, 8/15/33, Ser. A	NR/NR	4,445,800
5,000	Orange Cnty. Unified School Dist., CP, 4.75%, 6/1/29 (MBIA)	A1/AA	4,326,300
1,000	Orange Cnty. Water Dist. Rev., CP, Ser. B (MBIA), 5.00%, 8/15/28	Aa2/AA+	933,130
5,525	5.00%, 8/15/34	Aa2/AA+	5,083,556
2,000		A2/AA	1,876,740

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	Palm Desert Financing Auth., Tax Allocation, 5.00%, 4/1/25 (MBIA)		
1,410	Pomona Public Financing Auth. Rev., 5.00%, 12/1/37, Ser. AF (MBIA)	A2/AA	1,231,522
	Poway Unified School Dist. Community Facs. Dist. No. 6, Special Tax,		
1,950	5.125%, 9/1/28 Area A,	NR/BBB	1,701,960
1,285	6.05%, 9/1/25	NR/NR	1,259,634
2,100	6.125%, 9/1/33	NR/NR	2,025,870
1,700	Area B, 5.125%, 9/1/28	NR/NR	1,430,873

9.30.08 PIMCO Municipal Income Funds III Annual Report **19**

PIMCO California Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
\$ 5,000	Riverside, CP, 5.00%, 9/1/33 (AMBAC)	Aa3/AA	\$ 4,506,700
500	Rocklin Unified School Dist. Community Facs., Special Tax, 5.00%, 9/1/29 (MBIA)	A2/AA	460,985
1,315	Sacramento City Financing Auth. Rev., North Natomas Community Facs. Dist. No. 2, 6.25%, 9/1/23, Ser. A	NR/NR	1,209,208
7,520	Sacramento Cnty. Water Financing Auth. Rev., 5.00%, 6/1/34, (Pre-refunded @ \$100, 6/1/13) (AMBAC) (c)	Aa3/AA	8,101,522
8,000	Sacramento Muni Utility Dist. Rev., 5.00%, 8/15/33, Ser. R (MBIA)	A1/AA	7,211,040
12,075	San Diego Community College Dist., GO, 5.00%, 5/1/28, Ser. A (FSA) (i)	Aaa/AAA	11,780,008
	San Diego Community Facs. Dist. No. 3, Special Tax, Ser. A (a),		
890	5.60%, 9/1/21	NR/NR	839,199
580	5.70%, 9/1/26	NR/NR	509,559
1,700	5.75%, 9/1/36	NR/NR	1,437,163
	San Diego Unified School Dist., GO, Ser. E (FSA),		
11,000	5.00%, 7/1/26	Aaa/AAA	11,587,070
8,425	5.00%, 7/1/28	Aaa/AAA	8,874,642
1,500	San Diego Univ. Foundation Auxiliary Organization, Rev., 5.00%, 3/1/27, Ser. A (MBIA)	A2/AA	1,347,435
3,000	San Jose, Libraries & Parks, GO, 5.125%, 9/1/31	Aa1/AAA	3,013,140
15,700	San Marcos Public Facs. Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (FGIC)	A3/A-	13,450,190
	Santa Ana Unified School Dist., GO, Ser. B (FGIC),		
2,515	zero coupon, 8/1/26	NR/A+	839,582
3,520	zero coupon, 8/1/28	NR/A+	1,036,922
2,500	zero coupon, 8/1/30	NR/A+	642,825
3,780	zero coupon, 8/1/31	NR/A+	921,451
3,770	zero coupon, 8/1/32	NR/A+	863,896
	Santa Margarita Water Dist., Special Tax,		
1,820	6.25%, 9/1/29	NR/NR	1,847,901
4,090	6.25%, 9/1/29, (Pre-refunded @ \$102, 9/1/09) (c)	NR/NR	4,305,257
3,550	Santa Monica Community College Dist., GO, zero coupon, 8/1/27, Ser. C (MBIA)	Aa2/AA	1,078,668
4,425	South Tahoe JT Powers Financing Auth. Rev., 5.45%, 10/1/33	NR/BBB	3,900,726
12,310		Aa3/AA	13,249,499

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	Southern CA Public Power Auth., Power Project Rev., Ser. A, 5.00%, 7/1/33, (Pre-refunded @ \$100, 7/1/13) (AMBAC) (a)(c)(i)		
4,095	State Department Veteran Affairs Home Purchase Rev., 5.35%, 12/1/27, Ser. A (AMBAC)	Aa2/AA	3,928,866
500	State Muni Finance Auth. Rev., 7.00%, 10/1/39, Ser. A State Public Works Board Lease Rev.,	NR/NR	468,365
1,105	Patton, 5.375%, 4/1/28	A2/A	1,048,115
4,600	Univ. CA M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A State, GO,	Aa2/AA-	4,342,768
265	5.00%, 6/1/37	A1/A+	239,923
10,300	5.00%, 11/1/37(i)	A1/A+	9,321,603

20 PIMCO Municipal Income Funds III Annual Report 9.30.08

PIMCO California Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody s/S&P)*	Value
\$ 4,000	5.00%, 12/1/37 Statewide Community Dev. Auth. Rev.,	A1/A+	\$ 3,619,640
1,150	Baptist Univ., 5.50%, 11/1/38, Ser. A	NR/NR	945,680
2,500	Berkeley Montessori School, 7.25%, 10/1/33 Catholic Healthcare West,	NR/NR	2,427,150
1,200	5.50%, 7/1/31, Ser. D	A2/A	1,091,976
1,200	5.50%, 7/1/31, Ser. E	A2/A	1,091,964
15,000	Health Facs., Memorial Health Services, 5.50%, 10/1/33, Ser. A	NR/A+	13,339,800
1,250	Huntington Park Chapter School, 5.25%, 7/1/42, Ser. A	NR/NR	952,525
3,505	Internext Group, CP, 5.375%, 4/1/30	NR/BBB	2,906,767
7,300	Jewish Home, 5.50%, 11/15/33 (CA St. Mtg.)	NR/A+	7,124,800
10,000	Sutter Health, 5.50%, 8/15/34, Ser. B	Aa3/AA-	9,471,900
2,500	Valleycare Health, 5.125%, 7/15/31, Ser. A	NR/NR	1,929,925
975	Windrush School, 5.50%, 7/1/37	NR/NR	766,048
2,000	Tamalpais Union High School Dist., GO, 5.00%, 8/1/26 (MBIA)	A2/AA+	1,946,940
2,000	Temecula Public Financing Auth. Community Facs. Dist., Crowne Hill, Special Tax, 6.00%, 9/1/33, Ser. A Tobacco Securitization Agcy. Rev., Alameda Cnty.,	NR/NR	1,842,680
8,100	5.875%, 6/1/35	Baa3/NR	6,732,072
7,000	6.00%, 6/1/42	Baa3/NR	5,756,380
4,860	Gold Cnty., zero coupon, 6/1/33	NR/BBB	646,088
2,000	Kern Cnty., 6.125%, 6/1/43, Ser. A	NR/BBB	1,674,740
5,000	Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A-1	Baa3/BBB	3,548,450
2,950	Torrance Medical Center Rev., 5.50%, 6/1/31, Ser. A	A1/A+	2,757,926
5,500	Univ. Rev., 4.75%, 5/15/35, Ser. 1119 (FSA)(i)	NR/AAA	4,838,130
1,000	West Basin Municipal Water Dist. Rev., CP, 5.00%, 8/1/30, Ser. A (MBIA)	Aa3/AA	923,560
2,500	William S. Hart Union High School Dist., Special Tax, 6.00%, 9/1/33	NR/NR	2,233,225
2,750	Woodland Finance Auth., Lease Rev., 5.00%, 3/1/32 (XLCA)	A3/BBB-	2,386,641
	Total California Municipal Bonds & Notes (cost \$489,281,132)		458,831,262

OTHER MUNICIPAL BONDS & NOTES 4.4%

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Florida 0.8%			
4,720	Sarasota Cnty. Health Fac. Auth. Rev., 5.625%, 7/1/27	NR/NR	3,893,811
Indiana 0.8%			
5,000	Vigo Cnty. Hospital Auth. Rev., 5.70%, 9/1/37 (a)(d)	NR/NR	3,986,550
Pennsylvania 0.7%			
1,000	Allegheny Cnty. Hospital Dev. Auth. Rev., Ser. A, 5.00%, 11/15/28	Ba3/BB	706,170
4,000	5.375%, 11/15/40	Ba3/BB	2,759,000
			3,465,170

PIMCO California Municipal Income Fund III Schedule of Investments

September 30, 2008 (continued)

Principal Amount (000)		Credit Rating (Moody's/S&P)*	Value
	Puerto Rico 1.8%		
\$ 315	Electric Power Auth. Power Rev., 5.125%, 7/1/29, Ser. NN, (Pre-refunded @ \$100, 7/1/13) (c)	A3/BBB+	\$ 338,606
4,420	Public Building Auth. Rev., Gov't Facs., 5.00%, 7/1/36, Ser. I (GTD)	Baa3/BBB-	3,814,018
290	5.25%, 7/1/36, Ser. D	Baa3/BBB-	260,388
23,200	Sales Tax Financing Corp. Rev., Ser. A, zero coupon, 8/1/47 (AMBAC)	Aa3/AA	2,017,472
29,200	zero coupon, 8/1/54 (AMBAC)	Aa3/AA	1,536,504
26,300	zero coupon, 8/1/56	A1/A+	1,183,500
			9,150,488
455			
			13.4
%	Interest expense		
			129
			3.6
%	Income before income taxes		
			585
			16.2
%			
			916
			26.9
%	Income tax expense ¹		
			256
			42

	7.1
%	
	22
	0.6
Net income ¹	
\$	329
	9.1
%	
\$	894
	26.3
%	
24	

(1) Plaza was treated as an N Corporation under the Puerto Rico Internal Revenue Code, which is similar to an S Corporation under the United States Internal Revenue Code, prior to the reverse acquisition. As a result, Plaza did not pay any income tax through January 25, 2006. Since January 25, 2006, the Company has been subject to income tax in Puerto Rico. If Plaza had not been treated as an N Corporation during the three-month period ended January 31, 2006, the Company income before income taxes would have been taxed at a 41.5% rate, the income tax expense and the net income would have amount to approximately \$380,000 (11.2%) and \$536,000 (15.7%), respectively.

Quarter Ended January 31, 2007 Compared to Quarter Ended January 31, 2006

Revenues. Revenues for the first quarter 2007 were \$3.6 million, an increase of approximately \$0.2 million, or 6.3%, compared to first quarter 2006 revenues. We increased our revenue notwithstanding a decline in revenue of approximately \$1.1 million in the quarter ended January 31, 2007 from the comparable quarter of the prior year from the one of our largest customers in the quarter ended January 31, 2006, following completion of contracts with this customer. This customer significantly reduced the scope of its operations by closing one of its two facilities in Puerto Rico and reducing personnel at the second. This decrease in revenue from this customer was offset by an increase of \$1.1 million from two other customers that generated revenues of \$0.9 million in the quarter ended January 31, 2006.

Cost of Revenues: Gross Margin. Our gross margin basically remained stable during the first quarter of 2007 as compared to the gross margin for the first quarter of 2006.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were approximately \$737,000 during the first quarter 2007, an increase of \$282,000, or 62.0%, from the selling, general and administrative expenses of \$455,000 in the comparable quarter of the prior year. Such increase resulted from expenses related to executive salaries not previously incurred and to expenses of an office we opened in Pennsylvania in early January 2006.

Interest Expense. Since January 25, 2006, we have been recognizing approximately \$125,000 quarterly corresponding to imputed interest expense incurred in connection with the long-term obligations to Ms. Plaza which originated as a result of the reverse acquisition. The first payment to Ms. Plaza was made in January 2007. The interest expense will decrease as payments are made.

Income Tax Expense. The increase in the income tax expense results from a change in our tax status. We became a regular corporation taxpayer effective January 25, 2006. Prior to that date, we did not pay taxes pursuant to the provisions of Subchapter N of Subtitle A of the Puerto Rico Internal Revenue Code (the "Puerto Rico Code"), which is similar to Subchapter S of the United States Internal Revenue Code in that our taxable income is taxed to the stockholders.

Net Income. As a result of the increase in selling, general and administrative expenses, the recognition of imputed interest and the change in our tax status, our net income for the quarter ended on January 31, 2007 decreased to approximately \$329,000, or \$0.02 per share (basic) and \$0.01 per share (diluted), a decline of approximately \$565,000, or 63.2%, from \$894,000 net income, or \$0.50 per share (basic) and \$0.16 per share (diluted), for the quarter ended on January 31, 2006.

The basic and diluted income per share are also affected by the securities issued in connection with the private placement that was completed contemporaneously with the reverse acquisition. At that time, the Company issued shares of series A preferred stock which were convertible into 15,998,800 shares of common stock. The series A preferred stock was automatically converted into the 15,998,800 shares on April 25, 2006, when the Company increased its authorized capital stock. As a result, the shares of common stock that were issued upon conversion of the

series A preferred stock are included in determining diluted earnings per share from January 25, 2006 until April 24, 2006 and in determining basic earnings per share thereafter.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including planned capital expenditures. At January 31, 2006, we had working capital of approximately \$2.5 million, a decrease of \$0.7 million from the working capital at January 31, 2006 of \$3.2 million. Although we generated approximately \$2.7 million from operations in the quarter ended January 31, 2007, this increase was offset by a payment of \$2.5 million made in connection with obligation payable to Elizabeth Plaza for the acquisition of Plaza. At January 31, 2006, we have a \$2.7 million short term and a \$2.6 million long term obligations, both net of imputed interest, to Ms. Plaza for a payment of \$250,000 due in 2007, and two payments of \$2.75 million each due in January 2008 and 2009, respectively.

In January 2006, we raised gross proceeds of \$11.75 million from the sale of series A preferred stock and warrants, and used \$10 million to pay Ms. Plaza the cash portion of the purchase price of the Plaza stock and most of the balance to pay offering expenses and closing expenses.

Our primary cash needs consist of payments of compensation to professional employees, overhead expenses and payments due to Ms. Plaza pursuant to the terms of the acquisition of Plaza. In addition, since January 25, 2006, we have been subject to income tax in Puerto Rico. Our taxable income in Puerto Rico is taxed at rates ranging from 39% to 41.5% of taxable income. We have a line of credit of \$250,000, which bears interest at 2.00% over the prime rate and that was unused at January 31, 2007.

Management believes that based on current levels of operations and anticipated growth, cash flows from operations, high quality customer receivables will be sufficient to fund anticipated expenses and satisfy other possible long-term contractual commitments, including our obligations to pay Ms. Plaza pursuant to the agreement relating to the acquisition of Plaza, for the next twelve months.

While uncertainties relating to competition, the industries and geographical regions served by the Company and other regulatory matters exist within the consulting services industry, management is not aware of any trends or events likely to have a material adverse effect on liquidity or its financial statements.

Forward Looking Statements

This Report on Form 10-QSB contains certain forward-looking statements that are based on current expectations. In light of the important factors that can materially affect results, including those set forth in this paragraph and below, the inclusion of forward-looking information herein should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. The Company may be unable to expand its customer base and to replace customers upon the completion of contracts, and may encounter competitive, technological, financial and business challenges making it more difficult than expected to continue to develop and market its services; the market may not accept the Company's existing and future services; the Company may be unable to retain existing key management personnel; and there may be other material adverse changes in the Company's operations or business. Assumptions relating to budgeting, marketing, and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause the Company to alter its marketing, or other budgets, which may in turn affect the Company's financial position and results of operations. The reader is therefore cautioned not to place undue reliance on forward-looking statements contained herein, which speak solely as of the date of this Form 10-QSB, and the forward looking statements are qualified in their entirety by reference to the material contained in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Form 10-KSB for the year ended October 31, 2006 and in our other filings with the SEC and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this Form 10-QSB. We assume no responsibility to update any forward-looking statements as a result of new information, future events, or otherwise.

Item 3. Controls and Procedures

As of the end of the period covered by this report, our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures. Based on their evaluation, the chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective in alerting them to material information that is required to be included in the reports that we file or submit under the Securities Exchange Act of 1934 and that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

During the quarterly period covered by this report, there were no changes in the Company's internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

(a) Exhibits:

31.1 Certification of chief executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of chief financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of the chief executive officer and chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

PHARMA-BIO SERV, INC.

/s/ Elizabeth Plaza

Elizabeth Plaza
Chief Executive Officer

/s/ Manuel O. Morera

Manuel O. Morera
Chief Financial Officer

Dated: March 16, 2007