

PIMCO MUNICIPAL INCOME FUND III
 Form 5
 December 31, 2008

FORM 5

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).
 Form 3 Holdings Reported Form 4 Transactions Reported

ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
 Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person *
GROSS WILLIAM H

(Last) (First) (Middle)

840 NEWPORT CENTER
 DRIVE, SUITE 100

(Street)

NEWPORT BEACH, CA 92660

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
PIMCO MUNICIPAL INCOME FUND III [PMX]

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
 09/30/2008

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
 EXECUTIVE COMMITTEE MEMBER

6. Individual or Joint/Group Reporting

(check applicable line)

Form Filed by One Reporting Person
 Form Filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|--|--|---|
| COMMON STOCK | 05/09/2003 | Â | P4 | 11,666 ⁽¹⁾ A | \$ 14,4971 | 11,666 I | BY CHILD'S TRUST #1 |
| COMMON STOCK | 05/09/2003 | Â | P4 | 11,667 ⁽¹⁾ A | \$ 14,4971 | 11,667 I | BY CHILD'S TRUST |

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| | | | | | | | | | |
|--------------|------------|---|----|-----------------------|---|------------|--------|---|------------------------------------|
| COMMON STOCK | 05/09/2003 | Â | P4 | 11,667 ⁽¹⁾ | A | \$ 14.4971 | 11,667 | I | #2 BY CHILD'S TRUST #3 |
| COMMON STOCK | 05/22/2003 | Â | P4 | 666 ⁽¹⁾ | A | \$ 14.63 | 666 | I | BY CHILD'S TRUST #1 |
| COMMON STOCK | 05/22/2003 | Â | P4 | 666 ⁽¹⁾ | A | \$ 14.63 | 666 | I | BY CHILD'S TRUST #2 |
| COMMON STOCK | 05/22/2003 | Â | P4 | 668 ⁽¹⁾ | A | \$ 14.63 | 668 | I | BY CHILD'S TRUST #3 |
| COMMON STOCK | 02/07/2005 | Â | P4 | 767 | A | \$ 14.97 | 767 | I | BY CHILD'S TRUST #1 |
| COMMON STOCK | 02/07/2005 | Â | P4 | 766 | A | \$ 14.97 | 766 | I | BY CHILD'S TRUST #2 |
| COMMON STOCK | 02/07/2005 | Â | P4 | 767 | A | \$ 14.97 | 767 | I | BY CHILD'S TRUST #3 |
| COMMON STOCK | 02/08/2005 | Â | P4 | 833 | A | \$ 14.97 | 833 | I | BY CHILD'S TRUST #1 |
| COMMON STOCK | 02/08/2005 | Â | P4 | 834 | A | \$ 14.97 | 834 | I | BY CHILD'S TRUST #2 |
| COMMON STOCK | 02/08/2005 | Â | P4 | 833 | A | \$ 14.97 | 833 | I | BY CHILD'S TRUST #3 |
| COMMON STOCK | 02/09/2005 | Â | P4 | 15,067 | A | \$ 14.9597 | 15,067 | I | BY CHILD'S TRUST #1 |

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| | | | | | | | | | |
|--------------|------------|---|----|------------|---|------------|--------------------------------------|---|---------------------|
| COMMON STOCK | 02/09/2005 | Â | P4 | 15,066 | A | \$ 14.9597 | 15,066 | I | BY CHILD'S TRUST #2 |
| COMMON STOCK | 02/09/2005 | Â | P4 | 15,067 | A | \$ 14.9597 | 15,067 | I | BY CHILD'S TRUST #3 |
| COMMON STOCK | 12/20/2006 | Â | G4 | 370,700 | D | \$ 0 | 370,700 | D | Â |
| COMMON STOCK | 12/05/2007 | Â | S4 | 1,600 | D | \$ 14.53 | 1,600 | D | Â |
| COMMON STOCK | 12/06/2007 | Â | S4 | 4,100 | D | \$ 14.53 | 4,100 | D | Â |
| COMMON STOCK | 12/10/2007 | Â | S4 | 25,811.066 | D | \$ 14.22 | 40,000 ⁽²⁾ ₍₃₎ | D | Â |
| COMMON STOCK | Â | Â | Â | Â | Â | Â | 28,999 ⁽²⁾ ₍₃₎ | I | BY CHILD'S TRUST #1 |
| COMMON STOCK | Â | Â | Â | Â | Â | Â | 28,999 ⁽²⁾ ₍₃₎ | I | BY CHILD'S TRUST #2 |
| COMMON STOCK | Â | Â | Â | Â | Â | Â | 29,002 ⁽²⁾ ₍₃₎ | I | BY CHILD'S TRUST #3 |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. of |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--|-----------|
| | | | | | (A) (D) | Date Exercisable | Expiration Date | Title | Amount or |

Number
of
Shares

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---------------|-----------|---------|-------------------------------|
| | Director | 10% Owner | Officer | Other |
| GROSS WILLIAM H 840 NEWPORT CENTER DRIVE SUITE 100 NEWPORT BEACH, CA 92660 | Â | Â | Â | EXECUTIVE COMMITTEE MEMBER |

Signatures

/S/ STEVEN LUDWIG, ATTORNEY-IN-FACT FOR WILLIAM H. GRO 12/22/2008

__Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The Form 5 filed on behalf of the Reporting Person on 04/15/04 under issuer PIMCO Municipal Income Fund II ("PML") reported the acquisition of an aggregate 37,000 shares (the "Shares") held in the name of the Reporting Person's childrens' trusts. It was subsequently determined that the Shares should have been filed as an acquisition under this issuer, PIMCO Municipal Income Fund III ("PMX").
- The Form 5 filed on behalf of the Reporting Person on 04/15/04 under this issuer, PIMCO Municipal Income Fund III ("PMX"), reported the acquisition of 86,400 shares (the "Shares") held in the name of the Reporting Person's children. It was subsequently determined that the Shares should have been filed as an acquisition under a different fund, PIMCO Municipal Income Fund II ("PML").
- (2) Such Shares have been reported as an acquisition under issuer PML on Form 5 filed on the date hereof and the current holdings for this issuer, PMX, as reported on this Form 5 excludes such Shares. Additionally, the Reporting Person acquired an aggregate of 17,261.0660 shares (the "Reinvestment Shares") on various dates under a qualifying dividend reinvestment plan. The Reinvestment Shares were not previously reported in the Reporting Person's aggregate holdings and all such Shares have been sold in previously reported transactions.
- (3) Reflects the aggregate form and amount of securities beneficially owned as of the FYE reported in Box 3.

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Remarks:

Pacific Investment Management Company LLC (PIMCO) is the investment adviser of the issuer. Â Â M

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.