

PIMCO CALIFORNIA MUNICIPAL INCOME FUND III

Form N-Q

February 29, 2008

OMB APPROVAL

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act File Number: 811-21188

Registrant Name: PIMCO California Municipal Income Fund III

Address of Principal Executive Offices: 1345 Avenue of the Americas, New York, NY 10105

Name and Address of Agent for Service: Lawrence G. Altadonna — 1345 Avenue of the Americas, New York, NY 10105

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

Date of Fiscal Year End: September 30, 2008

Date of Reporting Period: December 31, 2007

Form N-Q is to be used by the registered management investment company, other than a small business investment company registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (“OMB”) control number. Please direct comments

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concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the 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.

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Item 1. Schedule of Investments

PIMCO California Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited)

	Amount (000)	Credit Rating (Moody's/S&P) Value*	Principal
<b>CALIFORNIA MUNICIPAL BONDS &amp; NOTES—92.8%</b>			
<b>California—92.8%</b>	\$ 1,000		
Alameda Public Financing Auth. Rev., 7.00%, 6/1/09 NR/NR	\$ 999,260		
Assoc. of Bay Area Gov't Finance Auth. Rev., Odd Fellows Home, 3,200 5.20%, 11/15/22 NR/A+	3,313,664	11,725	
5.35%, 11/15/32 NR/A+ 12,114,036 Burbank Public Finance Auth., Tax Allocation,	3,313,664	11,725	
San Fernando Redev. Project, 1,135 5.50%, 12/1/28 NR/BBB 1,152,070 1,000 5.50%, 12/1/33	3,313,664	11,725	
NR/BBB 1,013,010 2,000 Butte-Glenn Community College Dist., GO, 5.00%, 8/1/26 (MBIA) Aaa/NR	3,313,664	11,725	
2,084,780 2,000 Capistrano Unified School Dist., Community Facs. Dist., Special Tax, 6.00%,	3,313,664	11,725	
9/1/32, (Pre-refunded @ \$100, 9/1/13) (b) NR/NR 2,276,540 500 Carson Public Financing Auth., Special	3,313,664	11,725	
Assessment, 5.00%, 9/2/31, Ser. B NR/NR 443,540 1,000 Cathedral City Public Financing Auth.,	3,313,664	11,725	
Tax Allocation, 5.00%, 8/1/33, Ser. A (MBIA) Aaa/AAA 1,026,430 1,150 Ceres Redev. Agcy.,	3,313,664	11,725	
Tax Allocation, 5.00%, 11/1/33 (MBIA) Aaa/AAA 1,192,274 Ceres Unified School Dist., GO (FGIC),	3,313,664	11,725	
2,825 zero coupon, 8/1/28 Aaa/AAA 884,620 2,940 zero coupon, 8/1/29 Aaa/AAA 866,183	3,313,664	11,725	
Chula Vista Community Facs. Dist., Special Tax, 2,000 5.125%, 9/1/36 NR/NR 1,715,700 1,600	3,313,664	11,725	
5.75%, 9/1/33 NR/NR 1,535,888 675 6.15%, 9/1/26 NR/NR 683,957 1,620 6.20%, 9/1/33 NR/NR	3,313,664	11,725	
1,641,384 1,000 City of Carlsbad, Special Assessment, 6.00%, 9/2/34 NR/NR 1,005,540 Contra Costa	3,313,664	11,725	
Cnty. Public Financing Auth., Tax Allocation, Ser. A, 1,415 5.625%, 8/1/33 NR/BBB 1,440,979	3,313,664	11,725	
6,585 5.625%, 8/1/33, (Pre-refunded @ \$100, 8/1/13) (b) NR/BBB 7,358,606 3,775 Cucamonga School	3,313,664	11,725	
Dist., CP, 5.20%, 6/1/27 NR/A- 3,801,387 Educational Facs. Auth. Rev., 2,455 Loyola	3,313,664	11,725	
Marymount, zero coupon, 10/1/34 (MBIA) Aaa/NR 640,190 5,000 Pepperdine Univ., 5.00%, 9/1/33, Ser. A	3,313,664	11,725	
(FGIC) Aaa/AAA 5,095,300 500 Franklin-McKinley School Dist., GO, 5.00%, 8/1/27, Ser. B,	3,313,664	11,725	
(Pre-refunded @ \$100, 8/1/13) (FSA) (b) Aaa/AAA 544,810 Fremont Community Facs. Dist. No. 1, Special	3,313,664	11,725	
Tax, 1,250 5.30%, 9/1/30 NR/NR 1,125,138 5,000 6.30%, 9/1/31 NR/NR 5,045,200 9,500	3,313,664	11,725	
Fresno School Unified Dist., GO, 6.00%, 8/1/26, Ser. A (MBIA) Aaa/AAA 10,423,305 4,380 Glendale	3,313,664	11,725	
Electric Works Rev., 5.00%, 2/1/27 (MBIA) Aaa/AAA 4,514,291 Golden State Tobacco Securitization	3,313,664	11,725	
Corp., Tobacco Settlement Rev., 10,000 5.00%, 6/1/33, Ser. A Baa3/BBB 8,657,200	3,313,664	11,725	

PIMCO California Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

	Amount (000)	Credit Rating	Principal
(Moody's/S&P) Value* \$ 10,000 5.00%, 6/1/35, Ser. A (FGIC) (h) Aaa/AAA	\$ 10,092,000	9,000	5.00%,
6/1/45 (AMBAC-TCRS) (h) Aaa/AAA 9,105,120 4,000 5.00%, 6/1/45, Ser. A (FGIC-TCRS) (h) Aaa/AAA	4,017,040	18,000	6.25%, 6/1/33, Ser. A Aaa/AAA 19,753,920 38,490 6.75%, 6/1/39, Ser. A,
(Pre-refunded @ \$100, 6/1/13) (b) Aaa/AAA 44,500,983	Health Facs. Finance Auth. Rev.,	5,000	
Adventist Health System, 5.00%, 3/1/33 NR/A 4,971,300 6,000 Cottage Health System, 5.00%, 11/1/33, Ser. B (MBIA) Aaa/AAA 6,139,500 5,000 Kaiser Permanente, 5.00%, 10/1/18, Ser. B A3/AAA 5,127,450	Paradise VY Estates (CA Mtg. Ins.),	2,000	5.125%, 1/1/22 NR/A+ 2,052,620 1,550 5.25%, 1/1/26
NR/A+ 1,588,223 2,000 Sutter Health, 6.25%, 8/15/35, Ser. A Aa3/AA-	2,111,700	7,750	Infrastructure & Economic Dev. Bank Rev.,
Bay Area Toll Bridges, 5.00%, 7/1/36, (Pre-refunded @ \$100, 1/1/28) (AMBAC) (b) (h) Aaa/AAA 8,461,683	Kaiser Assistance Corp.,	3,000	5.50%, 8/1/31, Ser. B A2/A 3,045,840 8,000 5.55%, 8/1/31, Ser. A NR/A+ 8,141,360 3,725 La Mesa-Spring Valley School Dist., GO, 5.00%, 8/1/26, Ser. A, (Pre-refunded @ \$100, 8/1/12) (FGIC) (b) Aaa/AAA 4,014,731 20 Lancaster Financing Auth., Tax Allocation, 4.75%, 2/1/34 (MBIA) Aaa/AAA 19,881 825 Lee Lake Water Dist. Community Facs. Dist. No. 2, Montecito Ranch, Special Tax, 6.125%, 9/1/32 NR/NR 819,522 5,000 Long Beach Community College Dist., GO, 5.00%, 5/1/28, Ser. A, (Pre-refunded @ \$100, 5/1/13) (MBIA) (b) Aaa/AAA 5,429,550 Los Angeles Department of Water & Power Rev., Ser. A (h), 6,000 4.75%, 7/1/30 (FSA) Aaa/AAA 6,060,240 10,000 5.00%, 7/1/30 Aa3/AA- 10,314,500 20,000 5.00%, 7/1/35 (FSA) Aaa/AAA 20,800,200 Los Angeles Unified School Dist., GO, 3,000 5.125%, 1/1/27, Ser. E, (Pre-refunded @ \$100, 7/1/12) (MBIA) (b) Aaa/AAA 3,242,430 5,280 Modesto Irrigation Dist., CP, 5.00%, 7/1/33, Ser. A (MBIA) Aaa/AAA 5,409,730 4,585 Moreno Valley Unified School Dist. Community Facs. Dist., Special Tax, 5.20%, 9/1/36 NR/NR 3,952,545 5,000 Oakland, GO, 5.00%, 1/15/33, Ser. A (MBIA) Aaa/AAA 5,136,250 Oakland Redev. Agcy., Tax Allocation, (Pre-refunded @ \$100, 3/1/13) (b), 985 5.25%, 9/1/27 NR/A 1,077,826 1,545 5.25%, 9/1/33 NR/A 1,692,130

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PIMCO California Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

	Amount (000)	Credit Rating	Principal
(Moody's/S&P) Value* \$ 5,000			
Orange Cnty. Community Facs. Dist., Ladera Ranch, Special Tax, 5.55%, 8/15/33, Ser. A NR/NR	\$ 4,801,800	5,000	Orange Cnty. Unified School Dist., CP, 4.75%, 6/1/29
(MBIA) Aaa/AAA 5,033,300			Orange Cnty. Water Dist. Rev., CP, Ser. B (MBIA), 1,000 5.00%, 8/15/28 Aaa/AAA 1,027,010
5,525 5.00%, 8/15/34 (h) Aaa/AAA 5,660,418			5,000 Pajaro Valley Unified School Dist., GO, 5.00%, 8/1/26, Ser. A, (Pre-refunded @ \$100, 8/1/13) (FSA) (b) (h) Aaa/AAA
5,448,100 2,000			Palm Desert Financing Auth., Tax Allocation, 5.00%, 4/1/25, Ser. A (MBIA)
Aaa/AAA 2,075,800 6,455			Pasadena Water Rev., 5.00%, 6/1/33 (FGIC) (h) Aaa/AAA 6,608,177 1,410
Pomona Public Financing Auth. Rev., 5.00%, 12/1/37, Ser. AF (MBIA) Aaa/AAA 1,448,803			Poway Unified School Dist., Special Tax, Community Facs. Dist. No. 6, 1,700 5.125%, 9/1/28, Area B NR/NR
1,551,301 1,950 5.125%, 9/1/28 NR/BBB 1,837,290 1,285 6.05%, 9/1/25 NR/NR 1,311,432 2,100			6.125%, 9/1/33 NR/NR 2,144,856 5,000
Riverside, CP, 5.00%, 9/1/33 (AMBAC) Aaa/AAA 5,125,900			500 Rocklin Unified School Dist. Community Facs., Special Tax, 5.00%, 9/1/29 (MBIA) Aaa/AAA
512,840 1,360			Sacramento City Financing Auth. Rev., North Natomas CFD No. 2, 6.25%, 9/1/23, Ser. A NR/NR 1,354,750 10,820
Sacramento Cnty. Water Financing Auth. Rev., 5.00%, 6/1/34, (Pre-refunded @ \$100, 6/1/13) (AMBAC) (b) (h) Aaa/AAA 11,763,071 8,000			Sacramento Muni Utility Dist., Electric Rev., 5.00%, 8/15/33, Ser. R (MBIA) (h) Aaa/AAA 8,236,080 12,075
San Diego Community College Dist., GO, 5.00%, 5/1/28, Ser. A (FSA) (h) Aaa/AAA 12,525,156			San Diego Community Facs. Dist. No. 3, Special Tax, Ser. A (a), 890 5.60%, 9/1/21 NR/NR 834,259 580
5.70%, 9/1/26 NR/NR 547,607 1,700 5.75%, 9/1/36 NR/NR 1,586,287			San Diego Unified School Dist., GO (FSA), 480 5.00%, 7/1/26, Ser. C Aaa/AAA 513,782 11,000 5.00%, 7/1/26, Ser. E
Aaa/AAA 11,840,620 8,425 5.00%, 7/1/28, Ser. E Aaa/AAA 9,068,838 1,500			San Diego Univ. Foundation Auxiliary Organization, Rev., 5.00%, 3/1/27, Ser. A (MBIA) Aaa/AAA 1,541,235 3,000
San Jose, Libraries & Parks, GO, 5.125%, 9/1/31 Aa1/AA+ 3,100,230 15,700			San Marcos Public Facs. Auth., Tax Allocation, 5.00%, 8/1/33, Ser. A (FGIC) (h) Aaa/AAA 16,043,830

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PIMCO California Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

	Amount (000)	Credit Rating	Principal
(Moody's/S&P) Value* Santa Ana Unified School Dist., GO, Ser. B (FGIC),	\$ 2,515	zero coupon,	
8/1/26 Aaa/AAA \$ 1,001,322 3,520 zero coupon, 8/1/28 Aaa/AAA 1,253,965	2,500	zero coupon,	
8/1/30 Aaa/AAA 796,750 3,780 zero coupon, 8/1/31 Aaa/AAA 1,139,935 3,770	zero coupon, 8/1/32		
Aaa/AAA 1,075,393 Santa Margarita Water Dist., Special Tax,	1,820	6.25%, 9/1/29	NR/NR
1,840,511 4,125 6.25%, 9/1/29, (Pre-refunded @ \$102, 9/1/09) (b)	NR/NR	4,417,092	3,550
Monica Community College Dist., GO,	zero coupon, 8/1/27, Ser. C (MBIA)	Aaa/AAA	1,312,044
1,205 Sequoia Union High School Dist., GO,	5.00%, 7/1/23, (Pre-refunded @ \$102, 7/1/11) (MBIA) (b)		
Aaa/NR 1,302,689 4,425 South Tahoe JT Powers Financing Auth. Rev., 5.45%, 10/1/33	NR/BBB		
4,470,179 Southern CA Public Power Auth., Power Project Rev., Magnolia Power,	(Pre-refunded @		
\$100, 7/1/13) (AMBAC) (b),	12,200	5.00%, 7/1/33 Aaa/AAA	13,278,724
Aaa/AAA 16,337,184 4,095 State Department Veteran Affairs Home Purchase Rev.,	5.35%,		
12/1/27, Ser. A (AMBAC) Aaa/AAA 4,253,886	State Public Works Board Lease Rev.,	1,105	
Patton, 5.375%, 4/1/28 A2/A 1,140,769 4,600	Univ. CA M.I.N.D. Inst., 5.00%, 4/1/28, Ser. A	Aa2/AA-	
4,701,706 Statewide Community Dev. Auth. Rev.,	1,150	Baptist Univ., 5.50%, 11/1/38, Ser. A	
NR/NR 1,096,192 2,500 Berkeley Montessori School, 7.25%, 10/1/33	NR/NR	2,545,925	1,250
Huntington Park Chapter School, 5.25%, 7/1/42, Ser. A	NR/NR	1,089,713	3,505
5.375%, 4/1/30 NR/BBB 3,357,825 7,300	Jewish Home, 5.50%, 11/15/33 (CA St. Mtg.)	NR/A+	7,618,645
15,000 Memorial Health Services, 5.50%, 10/1/33	NR/A+	15,354,750	10,000
8/15/34 Aa3/AA- 10,290,200 2,500	Valleycare Health, 5.125%, 7/15/31, Ser. A	NR/NR	2,186,250
975 Windrush School, 5.50%, 7/1/37	NR/NR	936,566	2,000
8/1/26 (MBIA) Aaa/AAA 2,062,540 2,000	Tamalpais Union High School Dist., GO, 5.00%,		
Crowne Hill, Special Tax, 6.00%, 9/1/33	NR/NR	1,984,540	
Alameda Cnty.,	8,100	5.875%, 6/1/35 Baa3/NR	7,910,946
6,869,660 4,910	Gold Cnty., zero coupon, 6/1/33	NR/BBB	929,267
	Ser. A	NR/BBB	1,998,420

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PIMCO California Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

	Amount (000)	Credit Rating	Principal
(Moody's/S&P) Value* \$ 5,000 Tobacco Securitization Auth. of Southern California Rev., 5.00%, 6/1/37, Ser. A-1 Baa3/BBB \$ 4,222,200 2,950			
Torrance Medical Center Rev., 5.50%, 6/1/31, Ser. A A1/A+ 3,027,497 Univ. Rev. (FSA) (h), 5,500 4.75%, 5/15/35, Ser. F Aaa/AAA 5,532,725 21,125			
5.00%, 9/1/33, Ser. Q, (Pre-refunded @ \$101, 9/1/11) (b) Aaa/AAA 22,706,206 2,355 5.00%, 9/1/34, Ser. Q, (Pre-refunded @ \$101, 9/1/11) (b) Aaa/AAA 2,531,272			
Vernon Electric System Rev., Malburg Generating Station, 4,000 5.50%, 4/1/33, (Pre-refunded @ \$100, 4/1/08) (b) Aaa/NR 4,025,360			
West Basin Municipal Water Dist. Rev., CP, 1,000 5.00%, 8/1/30, Ser. A (MBIA) Aaa/AAA 1,029,340 2,500			
William S. Hart Union High School Dist., Special Tax, 6.00%, 9/1/33 NR/NR 2,480,675 2,750			
Woodland Finance Auth., Lease Rev., 5.00%, 3/1/32 (XLCA) Aaa/AAA 2,819,658			
Total California Municipal Bonds & Notes (cost—\$552,287,674) 576,144,849			

OTHER MUNICIPAL BONDS & NOTES—5.1%

Florida—0.7%

4,720 Sarasota Cnty. Health Facs. Auth. Rev., 5.625%, 7/1/27 NR/NR 4,380,160

Indiana—0.7%

5,000 Vigo Cnty. Hospital Auth. Rev., 5.70%, 9/1/37 (c) NR/NR 4,524,850

New York—0.4%

2,490 State Dormitory Auth. Hospital Rev., 6.25%, 8/15/15 (FHA) Aa2/AAA 2,681,406

Pennsylvania—0.7%

Allegheny Cnty. Hospital Dev. Auth. Rev., Ser. A, 1,000 5.00%, 11/15/28 Ba2/BB 859,470  
 4,000 5.375%, 11/15/40 Ba2/BB 3,464,200 4,323,670

Puerto Rico—2.3%

Electric Power Auth. Power Rev., Ser. NN, 315 5.125%, 7/1/29, (Pre-refunded @ \$100, 7/1/13)  
 (b) A3/BBB+ 343,990 1,185 5.125%, 7/1/29 A3/AAA 1,294,056 Public Building Auth. Rev., Gov't  
 Facs., 4,420 5.00%, 7/1/36, Ser. I (GTD) Baa3/BBB- 4,207,442 290 5.25%, 7/1/36, Ser. D  
 Baa3/BBB- 290,803 Puerto Rico Sales Tax Financing Corp., Rev., Ser. A, 23,200 zero coupon,  
 8/1/47 (AMBAC) Aaa/AAA 3,065,648 29,200 zero coupon, 8/1/54 (AMBAC) Aaa/AAA 2,589,456  
 26,300 zero coupon, 8/1/56 A1/A+ 2,152,129 13,943,524





PIMCO California Municipal Income Fund III  
 Schedule of Investments  
 December 31, 2007 (unaudited) (continued)

		Amount	Principal
		(000) Credit Rating (Moody's/S&P) Value*	
South Dakota-0.3%			
	\$ 2,000	Minnehaha Cnty. Health Facs. Rev., Bethany Lutheran, 5.50%,	
12/1/35 NR/NR	\$ 1,800,520	Total Other Municipal Bonds & Notes (cost-\$32,707,058)	31,654,130
CALIFORNIA VARIABLE RATE NOTES (a)(c)(d)(e)-1.2%			
2,000		Golden State Tobacco Securitization Corp. Rev., 10.377%, 6/1/35 (FGIC) Aaa/NR	2,092,000
		Los Angeles Unified School Dist., GO (MBIA), 1,745 9.115%, 1/1/23 NR/NR	1,823,263 2,090
12.174%, 1/1/11 NR/NR	3,256,994	Total California Variable Rate Notes (cost-\$7,145,916)	7,172,257
OTHER VARIABLE RATE NOTES (e)-0.6%			
Puerto Rico-0.6%			
3,800		Public Finance Corp. Rev., 5.75%, 8/1/27, Ser. A (cost-\$3,978,120) Ba1/BBB-	3,970,582
U.S. TREASURY BILLS (f)-0.4%			
2,625		3.01%-3.21%, 2/28/08-3/13/08 (cost-\$2,609,662)	2,609,662
Total Investments before options written (cost-\$598,728,430)-100.1%			
621,551,480 Contracts			
OPTIONS WRITTEN (g)-(0.1)%			
Call Options-(0.1)%			
		U.S. Treasury Notes 10 yr. Futures (CBOT), 518 strike price \$114, expires 2/22/08 (582,750 )	
Put Options-(0.0)%			

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U.S. Treasury Notes 10 yr. Futures (CBOT), 518 strike price \$110, expires 2/22/08  
(129,500) Total Options Written (premiums received-\$714,845) (712,250)

Total Investments net of options written (cost-\$598,013,585) -100.0%

\$ 620,839,230

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Notes to Schedule of Investments:

\* Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Portfolio securities and other financial instruments for which market quotations are not readily available or if a development/event occurs that may significantly impact the value of a security are fair-valued, in good faith, pursuant to guidelines established by the Board of Trustees or persons acting at their discretion pursuant to guidelines established by the Board of Trustees. The Fund's investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the last quoted mean price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Exchange traded options and futures are valued at the settlement price determined by the relevant exchange. Short-term investments maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days. The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold. The Fund's net asset value is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange ("NYSE") on each day the NYSE is open for business. (a) Private Placement – Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$10,140,410, representing 1.63% of total investments. (b) Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). (c) 144A Security – Security exempt from registration, under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid. (d) Inverse Floater – The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. (e) Variable Rate Notes – Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on December 31, 2007. (f) All or partial amount segregated as collateral for futures contracts. (g) Non-income producing. (h) Residual Interest Bonds held in trust – Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.

Glossary:

AMBAC – insured by American Municipal Bond Assurance Corp. CA Mtg. Ins. – insured by California Mortgage Insurance CA St. Mtg. – insured by California State Mortgage CBOT – Chicago Board of Trade

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CP – Certificates of Participation FGIC – insured by Financial Guaranty Insurance Co. FHA – insured by Federal Housing Administration FSA – insured by Financial Security Assurance, Inc. GO – General Obligation Bond GTD – Guaranteed MBIA – insured by Municipal Bond Investors Assurance NR – Not Rated TCRS – Temporary Custodian Receipts XLCA – insured by XL Capital Assurance

Other Investments:

(1) Futures contracts outstanding at December 31, 2007:

Type	Contracts	Market	Value (000)	Expiration	Date	Unrealized
Appreciation Short:	U.S. Treasury Bond Futures	(974)	\$ (113,349)	3/19/08	\$ 900,016	

(2) Transactions in options written for the three months ended December 31, 2007:

Contracts	Premiums	Options outstanding, September 30, 2007	— \$ —	Options written	1,036	714,845
Options outstanding, December 31, 2007	1,036	\$ 714,845				

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Item 2. Controls and Procedures

(a) The registrant's President and Chief Executive Officer and Principal Financial Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Act (17 CFR 270.30a -3(c)), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d)) under the Act (17 CFR 270.30a -3(d)) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits

(a) Exhibit

99.302 Cert. – Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

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

Registrant: PIMCO California Municipal Income Fund III  
By /s/ Brian S. Shlissel  
President & Chief Executive Officer

Date: February 29, 2008

By /s/ Lawrence G. Altadonna  
Treasurer, Principal Financial & Accounting Officer

Date: February 29, 2008

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

By /s/ Brian S. Shlissel  
President & Chief Executive Officer

Date: February 29, 2008

By /s/ Lawrence G. Altadonna  
Treasurer, Principal Financial & Accounting Officer

Date: February 29, 2008

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