PIMCO MUNICIPAL INCOME FUND
Form N-CSR
June 26, 2015
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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: 811-10377

PIMCO Municipal Income Fund

(Exact name of registrant as specified in charter)

1633 Broadway, New York, NY 10019

(Address of principal executive offices)

William G. Galipeau

Treasurer

650 Newport Center Drive

Newport Beach, CA 92660

(Name and address of agent for service)

Copies to:

David C. Sullivan

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, MA 02199

Registrant s telephone number, including area code: (844) 337-4626

Date of fiscal year end: April 30

Date of reporting period: April 30, 2015

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.

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Item 1. Reports to Shareholders.

The following is a copy of the report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30e-1).

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Your Global Investment Authority

PIMCO Closed-End Funds

Annual Report

April 30, 2015

PIMCO Municipal Income Fund

PIMCO California Municipal Income Fund

PIMCO New York Municipal Income Fund

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Letter from the Chairman of the Board & President

Dear Shareholder:

Despite periods of volatility, municipal bonds produced positive results during the fiscal year ended April 30, 2015. Even though portions of the U.S. economy were resilient and the unemployment rate declined, Treasury yields moved lower during the reporting period. Investor demand for municipal securities was positive overall amid generally strengthening fundamentals and improving state balance sheets. Against this backdrop, the overall municipal bond market, as measured by the Barclays Municipal Bond Index, gained 4.80% during the reporting period. The index posted positive returns during 10 of the 12 months of the period.

For the 12-month reporting period ended April 30, 2015

After first expanding, the U.S. economy hit a soft patch as the reporting period progressed. Looking back, U.S. gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, expanded at a 4.6% annual pace during the second quarter of 2014 and accelerated to a 5.0% annual pace during the third quarter of 2014 its strongest growth rate since the third quarter of 2003. GDP then expanded at an annual pace of 2.2% during the fourth quarter of 2014. Decelerating growth was partially attributed to an upturn in imports and moderating federal government spending. According to the Commerce Department s second estimate released on May 29, 2015, GDP contracted at an annual pace of 0.7% for the first quarter of 2015. This was attributed to negative contributions from exports, nonresidential fixed investment and state and local government spending. In addition, consumer spending decelerated, as it grew a modest 1.8% during the first quarter of 2015 versus 4.4% for the fourth quarter of 2014.

Federal Reserve (Fed) monetary policy remained accommodative during the reporting period. However, the central bank appeared to be moving closer to raising interest rates for the first time since 2006. As expected, following its meeting in October 2014, the Fed announced that it had concluded its asset purchase program. Then, at its March 2015 meeting, the Fed eliminated the word patient from its official statement regarding when it may start raising rates. Finally, at its meeting in April, the Fed said that it anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term.

Outlook

PIMCO s baseline view is that the U.S. is on track for solid growth in the range of 2.5% to 3% in 2015. This outlook reflects the firm s expectation for robust consumption growth, supported by a strengthening labor market and a boost to real

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income from low commodity prices. However, against this positive outlook for consumption, PIMCO is weighing the potential negatives of sluggish export growth held back by the stronger U.S. dollar, as well as the likelihood that capital expenditure spending will be held back by a slowdown in investment in the energy sector. While PIMCO believes that headline inflation may briefly turn negative due to the year-over-year decline in oil prices, the firm expects core inflation to bottom out near current levels and to rebound later in 2015. In terms of the Fed, PIMCO believes that the central bank will likely commence a rate hike cycle later this year. That said, in PIMCO s view, this hiking cycle will differ from previous Fed rate hike cycles both in terms of pace slower and in terms of the destination lower.

In the following pages of this PIMCO Closed-End Funds Annual Report, please find specific details regarding investment performance and a discussion of factors that most affected the Funds performance over the 12-month reporting period ended April 30, 2015.

Thank you for investing with us. We value your trust and will continue to work diligently to meet your investment needs. If you have questions regarding any of your PIMCO Closed-End Funds investments, please contact your financial advisor or call the Funds shareholder servicing agent at (844) 33-PIMCO or (844) 337-4626. We also invite you to visit our website at pimco.com/investments to learn more about our views and global thought leadership.

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess
Chairman of the Board of Trustees

Peter G. Strelow
President/Principal Executive Officer

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Important Information About the Funds

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities held by a Fund are likely to decrease in value. A number of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). Accordingly, changes in interest rates can be sudden, and there is no guarantee that Fund Management will anticipate such movement.

As of the date of this report, interest rates in the U.S. are at or near historically low levels. As such, bond funds may currently face an increased exposure to the risks associated with rising interest rates. This is especially true since the Federal Reserve Board has concluded its quantitative easing program. Further, while the U.S. bond market has steadily grown over the past three decades, dealer inventories of corporate bonds have remained relatively stagnant. As a result, there has been a significant reduction in the ability of dealers to make markets in corporate bonds. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets, which could result in increased losses to a Fund. Bond funds and individual bonds with a longer duration (a measure of the sensitivity of a security s price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. In addition, in the current low interest rate environment, the market price of the Funds common shares may be particularly sensitive to changes in interest rates or the perception that there will be a change in interest rates.

The use of derivatives may subject the Funds to greater volatility than investments in traditional securities. The Funds may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, call risk, credit risk, management risk and the risk that a Fund could not close out a position when it would be most advantageous to do so. Certain derivative transactions may have a leveraging effect on a Fund. For example, a small investment in a derivative instrument may have a significant impact on a Fund s exposure to interest rates, currency exchange rates or other investments. As a result, a relatively small price movement in a derivative instrument may cause an immediate and substantial loss or gain, which translates into heightened volatility in a Fund s net asset value. A Fund may engage in such transactions regardless of whether the Fund owns the asset, instrument or components of the index underlying a derivative instrument. A Fund may invest a significant portion of its assets in these types of instruments. If it does, a Fund s investment exposure could far exceed the value of its portfolio securities and its investment performance could be primarily dependent upon securities it does not directly own.

A Fund s use of leverage creates the opportunity for increased income for the Fund s common shareholders, but also creates special risks. Leverage is a speculative technique that may expose a Fund to greater risk and increased costs. If shorter-term interest rates rise relative to the rate of return on a Fund s portfolio, the interest and other costs to the Fund of leverage could exceed the rate of return on the debt obligations and other investments held by the Fund, thereby reducing return to the Fund s common shareholders. In addition, fees and expenses of any form of leverage used by a Fund will be borne entirely by its common shareholders (and not by preferred shareholders, if any) and will reduce the investment return of the Fund s common shares. There can be no assurance that a Fund s use of leverage will result in a higher yield on its common shares, and it may result in losses. Leverage creates several major types of risks for a Fund s common shareholders, including: (1) the likelihood of greater volatility of net asset value and market price of the Fund s common shares, and of the investment return to the Fund s common shareholders, than a comparable portfolio without leverage; (2) the possibility either that the Fund s common share dividends will fall if the interest and other costs of leverage rise, or that dividends paid on the Fund s common shares will fluctuate because such costs vary over time; and (3) the effects of leverage in a declining market or a rising interest rate environment, as leverage is likely to cause a greater decline in the net asset value of the Fund s common shares than if the Fund were not leveraged and may result in a greater decline in the market value of the Fund s common shares.

There is a risk that a Fund investing in a tender option bond program will not be considered the owner of a tender option bond for federal income tax purposes, and thus will not be entitled to treat such interest as exempt from federal income tax. Certain tender option bonds may be illiquid or may become illiquid as a result of, among other things, a credit rating downgrade, a payment default or a disqualification from tax-exempt status. Regulators recently finalized rules implementing Section 619 (the Volcker Rule) and Section 941 (the Risk Retention Rules) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Both the Volcker Rule and the Risk Retention Rules apply to tender option bond programs and may require that such programs be restructured. At this time, the full impact of these rules is not certain, however, in response to these rules, industry participants have begun to explore various structuring alternatives for existing and new trusts. For example, under a new tender option bond structure, a Fund would structure and sponsor a tender option bond trust. As a result, a Fund would be required to assume certain responsibilities and risks as the sponsor of the tender option bond trust. Because of the important role that tender option bond programs play in the municipal bond market, it is possible that implementation of these rules and any resulting impact may adversely impact the municipal bond market and the Funds. For example, as a result of the implementation of these rules, the municipal bond market may experience reduced demand or liquidity and increased financing costs. A Fund s investment in the securities issued by a tender option bond trust may involve greater risk and volatility than an investment in a fixed rate bond, and the value of such securities may decrease significantly when market interest rates increase. Tender option bond trusts could be terminated due to market, credit or other events beyond the Funds control, which could require the Funds to reduce leverage and dispose of portfolio investments at inopportune times and prices. A Fund may use a tender option bond program as a way of achieving leverage in its portfolio, in which case the Fund will be subject to leverage risk.

High-yield bonds (commonly referred to as junk bonds) typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher-rated bonds. Further, markets for lower-rated bonds are typically less liquid than for higher-rated bonds, and public information is usually less abundant in such markets. Thus, high-yield investments increase the chance that a Fund will lose money on its investment. Mortgage-Related and Asset-Backed Securities represent ownership interests in pools of mortgages or other assets such as consumer loans or receivables. As a general matter, Mortgage-Related and Asset-Backed Securities are subject to interest rate risk, extension risk, prepayment risk, and credit risk. These risks largely stem from the fact that returns on Mortgage-Related and Asset-Backed Securities depend on the ability of the underlying assets to generate cash flow.

A Fund may hold defaulted securities that may involve special considerations including bankruptcy proceedings, other regulatory and legal restrictions affecting the Fund s ability to trade, and the availability of prices from independent pricing services or dealer quotations. Defaulted securities are

Important Information About the Funds (Cont.)

often illiquid and may not be actively traded. Sale of securities in bankrupt companies at an acceptable price may be difficult and differences compared to the value of the securities used by a Fund could be material.

Variable and floating rate securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely floating rate securities will not generally increase in value if interest rates decline. Inverse floating rate securities may decrease in value if interest rates increase. Inverse floating rate securities may also exhibit greater price volatility than a fixed rate obligation with similar credit quality. When a Fund holds variable or floating rate securities, a decrease (or, in the case of inverse floating rate securities, an increase) in market interest rates will adversely affect the income received from such securities and the NAV of the Funds shares.

A Fund that concentrates its investments in California municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of California issuers to pay interest or repay principal. Certain issuers of California municipal bonds have experienced serious financial difficulties in the past and reoccurrence of these difficulties may impair the ability of certain California issuers to pay principal or interest on their obligations. Provisions of the California Constitution and State statutes that limit the taxing and spending authority of California governmental entities may impair the ability of California issuers to pay principal and/or interest on their obligations. While California s economy is broad, it does have major concentrations in high technology, aerospace and defense-related manufacturing, trade, entertainment, real estate and financial services, and may be sensitive to economic problems affecting those industries. Future California political and economic developments, constitutional amendments, legislative measures, executive orders, administrative regulations, litigation and voter initiatives could have an adverse effect on the debt obligations of California issuers.

A Fund that concentrates its investments in New York municipal bonds may be affected significantly by economic, regulatory or political developments affecting the ability of New York issuers to pay interest or repay principal. While New York s economy is broad, it does have concentrations in the financial services industry, and may be sensitive to economic problems affecting that industry. Certain issuers of New York municipal bonds have experienced serious financial difficulties in the past and a reoccurrence of these difficulties may impair the ability of certain New York issuers to pay principal or interest on their obligations. The financial health of New York City affects that of the State, and when New York City experiences financial difficulty it may have an adverse effect on New York municipal bonds held by a Fund. The growth rate of New York has at times been somewhat slower than the nation overall. The economic and financial condition of New York also may be affected by various financial, social, economic and political factors.

The common shares of the Funds trade on the New York Stock Exchange. As with any stock, the price of a Fund s common shares will fluctuate with market conditions and other factors. If you sell your common shares of a Fund, the price received may be more or less than your original investment. Shares of closed-end management investment companies frequently trade at a discount from their net asset value. The common shares of a Fund may trade at a price that is less than the initial offering price and/or the net asset value of such shares. Further, if a Fund s shares trade at a price that is more than the initial offering price and/or the net asset value of such shares, including at a substantial premium and/or for an extended period of time, there is no assurance that any such premium will be sustained for any period of time and will not decrease, or that the shares will not trade at a discount to net asset value thereafter.

The Funds may be subject to various risks in addition to those described above. Some of these risks may include, but are not limited to, the following: asset allocation risk, credit risk, stressed securities risk, distressed and defaulted securities risk, corporate bond risk, market risk, issuer risk, liquidity risk, equity securities and related market risk, mortgage-related and other asset-backed securities risk, extension risk, prepayment risk, privately issued mortgage-related securities risk, mortgage market/subprime risk, foreign (non-U.S.) investment risk, emerging markets risk, currency risk, redenomination risk, non-diversification risk, management risk, municipal bond risk, tender option bond risk, inflation-indexed security risk, senior debt risk, loans, participations and assignments risk, reinvestment risk, real estate risk, U.S. Government securities risk, foreign (non-U.S.) government securities risk, valuation risk, segregation and cover risk, focused investment risk, credit default swaps risk, event-linked securities risk, counterparty risk, preferred securities risk, confidential information access risk, other investment companies risk, private placements risk, inflation/deflation risk, regulatory risk, tax risk, recent economic conditions risk, market disruptions and geopolitical risk, potential conflicts of interest involving allocation of investment opportunities, repurchase agreements risk, securities lending risk, zero-coupon bond and payment-in-kind securities risk, portfolio turnover risk, smaller company risk, short sale risk and convertible securities risk. A description of certain of these risks is available in the Notes to Financial Statements of this Report.

On each Fund Summary page in this Shareholder Report the Common Share Average Annual Total Return table and Common Share Cumulative Return (if applicable) measure performance assuming that all dividend and capital gain distributions were reinvested. Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions. Total return for a period of more than one year represents the average annual total return. Performance at market price will differ from results at NAV. Although market price returns tend to reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about a Fund, market conditions, supply and demand for a Fund s shares, or changes in a Fund s dividends. Performance shown is net of fees and expenses.

The following table discloses the commencement of operations of each Fund:

Name of Fund	Commencement of Operations
PIMCO Municipal Income Fund	06/29/01
PIMCO California Municipal Income Fund	06/29/01
PIMCO New York Municipal Income Fund	06/29/01

An investment in a Fund is not a deposit of a bank and is not guaranteed or insured by the Federal Deposit Insurance Corporation or any other government agency. It is possible to lose money on investments in the Funds.

PIMCO has adopted written proxy voting policies and procedures (Proxy Policy) as required by

Rule 206(4)-6 under the Investment Advisers Act of 1940. The Proxy Policy has been adopted by the Funds as the policies and procedures that PIMCO will use when voting proxies on behalf of the

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Important Information About the Funds (Cont.)

Funds. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of each Fund, and information about how each Fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Funds at (844) 33-PIMCO (844-337-4626), on the Funds website at www.pimco.com/investments, and on the Securities and Exchange Commission s (SEC) website at http://www.sec.gov.

Each Fund files a complete schedule of its portfolio holdings with the SEC for the first and third quarters of its fiscal year on Form N-Q. A copy of each Fund s Form N-Q is available on the SEC s website at http://www.sec.gov and may be reviewed and copied at the SEC s Public Reference Room in Washington, D.C., and is available without charge, upon request by calling the Funds at (844) 33-PIMCO (844-337-4626) and on the Funds website at www.pimco.com/investments. Updated portfolio holdings information about a Fund will be available at www.pimco.com/closedendfunds approximately 15 calendar days after such Fund s most recent fiscal quarter end, and will remain accessible until such Fund files a Form N-Q or a shareholder report for the period which includes the date of the information. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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PIMCO Municipal Income Fund | Symbol on NYSE - **PMF**

Allocation Breakdown

California	16.2%
New York	13.4%
Texas	11.6%
New Jersey	8.8%
Short-Term Instruments	1.7%
Other	48.3%

% of Investments, at value as of 04/30/15

Fund Information (as of April 30, 2015)[1]

Market Price	$15.38
NAV	$13.15
Premium/(Discount) to NAV	16.96%
Market Price Distribution Yield [2]	6.34%
NAV Distribution Yield [2]	7.41%
Regulatory Leverage Ratio [3]	37.76%

Average Annual Total Return for the period ended April 30, 2015

	1 Year	5 Year	10 Year	Commencement of Operations (06/29/2001)
Market Price	21.47%	9.97%	7.93%	7.42%
NAV	12.72%	10.68%	6.84%	7.15%

All Fund returns are net of fees and expenses.

(1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.

(2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or Market Price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution s tax character will be made on Form 1099 DIV sent to shareholders each January.

(3) Represents regulatory leverage outstanding, as a percentage of total managed assets. Regulatory leverage may include preferred shares, tender option bond transactions, reverse repurchase agreements, and other borrowings (collectively Leverage). Total managed assets refer to total assets (including assets attributable to Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Leverage).

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Portfolio Insights

- PIMCO Municipal Income Fund s primary investment objective is to seek current income exempt from federal income tax.

- The municipal bond market generated a solid return during the 12-month reporting period ended April 30, 2015. The overall municipal market, as measured by the Barclays Municipal Bond Index (the Index), posted positive returns during 10 of the 12 months of the reporting period. Supporting the municipal market during those months were generally improving fundamentals, attractive valuations and falling longer-term interest rates. In addition, investor demand was largely solid. The municipal market s only setbacks occurred in February 2015 and April 2015, as interest rates moved higher and negatively impacted bond prices. The Index gained 4.80% during the 12 months ended April 30, 2015. In comparison, the overall taxable fixed income market, as measured by the Barclays U.S. Aggregate Bond Index, gained 4.46%.

- The Fund s overweight to effective duration (or sensitivity to changes in market interest rates) contributed to performance, as municipal yields generally moved lower across the yield curve during the reporting period.

- An overweight to the revenue-backed sector contributed to performance, as the sector outperformed the Index during the reporting period.

- An overweight to the industrial revenue sector contributed to performance, as the sector outperformed the Index during the reporting period.

- Exposure to the high yield tobacco sector contributed to performance, as the sector outperformed the Index during the reporting period.

- An underweight to the transportation sector detracted from performance, as the sector outperformed the Index during the reporting period.

- An underweight to the education sector detracted from performance, as the sector outperformed the Index during the reporting period.

- An underweight to the water and sewer utility sector detracted from performance, as the sector outperformed the Index during the reporting period.

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PIMCO California Municipal Income Fund

Symbol on NYSE - **PCQ**

Allocation Breakdown

California	96.4%
Iowa	1.9%
Texas	1.3%
Short-Term Instruments	0.4%

% of Investments, at value as of 04/30/15

Fund Information (as of April 30, 2015)[1]

Market Price	$15.66
NAV	$14.33
Premium/(Discount) to NAV	9.28%
Market Price Distribution Yield [2]	5.90%
NAV Distribution Yield [2]	6.45%
Regulatory Leverage Ratio [3]	40.08%

Average Annual Total Return for the period ended April 30, 2015

	1 Year	5 Year	10 Year	Commencement of Operations (06/29/2001)
Market Price	16.08%	10.66%	8.08%	7.20%
NAV	11.06%	9.62%	7.04%	7.07%

All Fund returns are net of fees and expenses.

[1] Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.

[2] Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or Market Price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution s tax character will be made on Form 1099 DIV sent to shareholders each January.

[3] Represents regulatory leverage outstanding, as a percentage of total managed assets. Regulatory leverage may include preferred shares, tender option bond transactions, reverse repurchase agreements, and other borrowings (collectively Leverage). Total managed assets refer to total assets (including assets attributable to Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Leverage).

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Portfolio Insights

- PIMCO California Municipal Income Fund s primary investment objective is to seek current income exempt from federal and California income tax.
- The municipal bond market generated a solid return during the 12-month reporting period ended April 30, 2015. The overall municipal market, as measured by the Barclays Municipal Bond Index (the Index), posted positive returns during 10 of the 12 months of the reporting period. Supporting the municipal market during those months were generally improving fundamentals, attractive valuations and falling longer-term interest rates. In addition, investor demand was largely solid. The municipal market s only setbacks occurred in February 2015 and April 2015, as interest rates moved higher and negatively impacted bond prices. The Index gained 4.80% during the 12 months ended April 30, 2015. In comparison, the overall taxable fixed income market, as measured by the Barclays U.S. Aggregate Bond Index, gained 4.46%.
- The Fund s overweight to effective duration (or sensitivity to changes in market interest rates) contributed to performance, as municipal yields generally moved lower across the yield curve during the reporting period.
- Exposure to the high yield tobacco sector contributed to performance, as the sector outperformed the Index during the reporting period.
- An overweight to the health care sector contributed to performance, as the sector outperformed the Index during the reporting period.
- Select exposure to the lease-backed sector contributed to performance during the reporting period.
- An underweight to the transportation sector detracted from performance, as the sector outperformed the Index during the reporting period.
- An underweight to the water and sewer utility sector detracted from performance, as the sector outperformed the Index during the reporting period.

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PIMCO New York Municipal Income Fund

Symbol on NYSE - **PNF**

Allocation Breakdown

New York	98.0%
Ohio	1.7%
Short-Term Instruments	0.3%

% of Investments, at value as of 04/30/15

Fund Information (as of April 30, 2015)[1]

Market Price	$11.54
NAV	$11.92
Premium/(Discount) to NAV	-3.19%
Market Price Distribution Yield [2]	5.93%
NAV Distribution Yield [2]	5.74%
Regulatory Leverage Ratio [3]	38.51%

Average Annual Total Return for the period ended April 30, 2015

	1 Year	5 Year	10 Year	Commencement of Operations (06/29/2001)
Market Price	7.72%	7.04%	4.37%	4.45%
NAV	12.81%	8.78%	4.81%	5.08%

All Fund returns are net of fees and expenses.

(1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit www.pimco.com or call (844) 33-PIMCO.

(2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or Market Price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the composition of distributions. Please visit www.pimco.com for most recent Section 19 Notice, if applicable. Final determination of a distribution s tax character will be made on Form 1099 DIV sent to shareholders each January.

(3) Represents regulatory leverage outstanding, as a percentage of total managed assets. Regulatory leverage may include preferred shares, tender option bond transactions, reverse repurchase agreements, and other borrowings (collectively Leverage). Total managed assets refer to total assets (including assets attributable to Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Leverage).

Portfolio Insights

- PIMCO New York Municipal Income Fund s primary investment objective is to seek current income exempt from federal, New York State and New York City income tax.
- The municipal bond market generated a solid return during the 12-month reporting period ended April 30, 2015. The overall municipal market, as measured by the Barclays Municipal Bond Index (the Index), posted positive returns during 10 of the 12 months of the reporting period. Supporting the municipal market during those months were generally improving fundamentals, attractive valuations and falling longer-term interest rates. In addition, investor demand was largely solid. The municipal market s only setbacks occurred in February 2015 and April 2015, as interest rates moved higher and negatively impacted bond prices. The Index gained 4.80% during the 12 months ended April 30, 2015. In comparison, the overall taxable fixed income market, as measured by the Barclays U.S. Aggregate Bond Index, gained 4.46%.
- The Fund s overweight to effective duration (or sensitivity to changes in market interest rates) contributed to performance, as municipal yields generally moved lower across the yield curve during the reporting period.
- An overweight to the revenue-backed sector contributed to performance, as the sector outperformed the Index during the reporting period.
- An overweight to the industrial revenue sector contributed to performance, as the sector outperformed the Index during the reporting period.
- Exposure to the high yield tobacco sector contributed to performance, as the sector outperformed the Index during the reporting period.
- An underweight to the water and sewer utility sector detracted from performance, as the sector outperformed the Index during the reporting period.
- Select exposure to the special tax sector detracted from performance during the reporting period.
- An underweight to the transportation sector detracted from performance, as the sector outperformed the Index during the reporting period.

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Financial Highlights

Selected Per Common Share Data for the Year Ended:	Net Asset Value Beginning of Year	Net Investment Income [(a)]	Net Realized/ Unrealized Gain (Loss)	Net Increase (Decrease) from Investment Operations	Distributions on Preferred Shares from Net Investment Income	Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	Distributions to Common Shareholders from Net Investment Income
PIMCO Municipal Income Fund							
04/30/2015	$ 12.57	$ 0.93	$ 0.64	$ 1.57	$ (0.01)	$ 1.56	$ (0.98)
04/30/2014	13.75	0.94	(1.13)	(0.19)	(0.01)	(0.20)	(0.98)
04/30/2013	12.93	0.95	0.87	1.82	(0.02)	1.80	(0.98)
04/30/2012	10.72	1.01	2.20	3.21	(0.02)	3.19	(0.98)
04/30/2011	11.76	1.07	(1.10)	(0.03)	(0.03)	(0.06)	(0.98)
PIMCO California Municipal Income Fund							
04/30/2015	$ 13.77	$ 0.95	$ 0.54	$ 1.49	$ (0.01)	$ 1.48	$ (0.92)
04/30/2014	14.71	0.99	(1.00)	(0.01)	(0.01)	(0.02)	(0.92)
04/30/2013	13.75	1.02	0.88	1.90	(0.02)	1.88	(0.92)
04/30/2012	11.32	1.08	2.29	3.37	(0.02)	3.35	(0.92)
04/30/2011	12.84	1.12	(1.69)	(0.57)	(0.03)	(0.60)	(0.92)
PIMCO New York Municipal Income Fund							
04/30/2015	$ 11.20	$ 0.68	$ 0.73	$ 1.41	$ (0.01)	$ 1.40	$ (0.68)
04/30/2014	12.04	0.67	(0.82)	(0.15)	(0.01)	(0.16)	(0.68)
04/30/2013	11.38	0.70	0.66	1.36	(0.02)	1.34	(0.68)
04/30/2012	9.92	0.74	1.41	2.15	(0.01)	2.14	(0.68)
04/30/2011	10.67	0.80	(0.84)	(0.04)	(0.03)	(0.07)	(0.68)

[(a)] Per share amounts based on average number of common shares outstanding during the year.

[(b)] Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each year reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Funds dividend reinvestment plan. Total investment return does not reflect brokerage commissions in connection with the purchase or sale of Fund shares.

[(c)] Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.

[(d)] Interest expense primarily relates to participation in borrowing and financing transactions, see Note 5 in the Notes to Financial Statements for more information.

 See Accompanying Notes

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Net Asset Value End of Year	Market Price End of Year	Total Investment Return (b)	Net Assets Applicable to Common Shareholders End of Year (000s)	Ratio of Expenses to Average Net Assets (c)(d)	Ratio of Expenses to Average Net Assets Excluding Waivers (c)	Ratio of Expenses to Average Net Assets Excluding Interest Expense (c)	Ratio of Expenses to Average Net Assets Excluding Interest Expense and Waivers (c)	Ratio of Net Investment Income to Average Net Assets (c)	Preferred Shares Asset Coverage Per Share	Portfolio Turnover Rate
$ 13.15	$ 15.38	21.47%	$ 334,775	1.25%	1.25%	1.22%	1.22%	7.12%	$ 69,049	9%
12.57	13.58	(8.45)	319,155	1.30	1.30	1.27	1.27	7.74	66,993	15
13.75	16.05	11.96	348,162	1.22	1.23	1.19	1.20	6.99	70,809	9
12.93	15.28	27.20	326,741	1.28	1.35	1.22	1.29	8.42	67,990	18
10.72	12.92	1.54	269,916	1.44	1.44	1.34	1.34	9.43	60,514	15
$ 14.33	$ 15.66	16.08%	$ 266,838	1.32%	1.32%	1.22%	1.22%	6.67%	$ 69,473	11%
13.77	14.38	0.61	255,751	1.36	1.36	1.27	1.27	7.55	67,624	21
14.71	15.33	9.96	272,398	1.30	1.31	1.21	1.22	7.17	70,398	12
13.75	14.83	32.94	253,870	1.36	1.43	1.25	1.32	8.63	67,310	9
11.32	11.99	(2.79)	208,147	1.48	1.48	1.34	1.34	9.21	59,689	19
$ 11.92	$ 11.54	7.72%	$ 91,832	1.39%	1.39%	1.31%	1.31%	5.78%	$ 73,847	1%
11.20	11.36	(3.21)	86,211	1.46	1.46	1.40	1.40	6.28	70,857	10
12.04	12.52	12.96	92,509	1.36	1.37	1.30	1.31	5.89	74,203	16
11.38	11.73	26.36	87,126	1.37	1.44	1.31	1.38	7.00	71,341	21
9.92	9.89	(5.57)	75,728	1.51	1.51	1.42	1.42	7.70	65,279	29

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Statements of Assets and Liabilities

April 30, 2015

(Amounts in thousands, except per share amounts)	PIMCO Municipal Income Fund	PIMCO California Municipal Income Fund	PIMCO New York Municipal Income Fund
Assets:			
Investments, at value			
Investments in securities	$ 537,731	$ 439,719	$ 145,967
Cash	590	538	154
Interest receivable	7,678	6,979	2,004
Other assets	80	10	1,837
	546,079	447,246	149,962
Liabilities:			
Borrowings & Other Financing Transactions			
Payable for tender option bond floating rate certificates	$ 13,105	$ 28,521	$ 10,509
Payable for investments purchased	5,681	0	0
Distributions payable to common shareholders	2,069	1,433	439
Dividends payable to preferred shareholders	2	2	0
Accrued management fees	307	243	89
Other liabilities	140	209	93
	21,304	30,408	11,130
Preferred Shares ($0.00001 par value and $25,000 liquidation preference per share applicable to an aggregate of 7,600, 6,000 and 1,880 shares issued and outstanding, respectively)	190,000	150,000	47,000
Net Assets Applicable to Common Shareholders	$ 334,775	$ 266,838	$ 91,832
Composition of Net Assets Applicable to Common Shareholders:			
Common Shares:			
Par value ($0.00001 per share)	$ 0	$ 0	$ 0
Paid in capital	332,882	243,704	97,464
Undistributed net investment income	1,979	12,917	2,137
Accumulated net realized (loss)	(58,779)	(34,409)	(20,954)
Net unrealized appreciation	58,693	44,626	13,185
	$ 334,775	$ 266,838	$ 91,832
Common Shares Issued and Outstanding	25,464	18,617	7,705
Net Asset Value Per Common Share	$ 13.15	$ 14.33	$ 11.92
Cost of Investments in securities	$ 479,051	$ 395,093	$ 133,216

A zero balance may reflect actual amounts rounding to less than one thousand.

See Accompanying Notes

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Statements of Operations

Year Ended April 30, 2015

(Amounts in thousands)	PIMCO Municipal Income Fund	PIMCO California Municipal Income Fund	PIMCO New York Municipal Income Fund
Investment Income:			
Interest	$ 27,881	$ 21,169	$ 6,507
Total Income	27,881	21,169	6,507
Expenses:			
Management fees	3,589	2,846	1,005
Auction agent fees and commissions	322	250	83
Trustee fees and related expenses	33	26	9
Interest expense	101	259	70
Auction rate preferred shares related expenses	20	20	20
Operating expenses pre-transition [(a)]			
Custodian and accounting agent	42	32	20
Audit and tax services	22	21	21
Shareholder communications	12	7	6
New York Stock Exchange listing	13	13	13
Transfer agent	10	10	10
Legal	4	5	2
Insurance	3	2	1
Other expenses	1	0	0
Total Expenses	4,172	3,491	1,260
Net Investment Income	23,709	17,678	5,247
Net Realized Gain (Loss):			
Investments in securities	(1,080)	455	0
Net Realized Gain (Loss)	(1,080)	455	0
Net Change in Unrealized Appreciation:			
Investments in securities	17,051	9,666	5,582
Net Change in Unrealized Appreciation	17,051	9,666	5,582
Net Gain	15,971	10,121	5,582
Net Increase in Net Assets Resulting from Operations	39,680	27,799	10,829
Distributions on Preferred Shares from Net Investment Income	(211)	(165)	(54)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations	$ 39,469	$ 27,634	$ 10,775

A zero balance may reflect actual amounts rounding to less than one thousand.

(a) These expenses were incurred by the Fund prior to the close of business on September 5, 2014. Subsequent to the close of business on September 5, 2014, any such operating expenses are borne by PIMCO.

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Statements of Changes in Net Assets

(Amounts in thousands)	PIMCO Municipal Income Fund Year Ended April 30, 2015	Year Ended April 30, 2014
Increase (Decrease) in Net Assets from:		
Operations:		
Net investment income	$ 23,709	$ 23,714
Net realized gain (loss)	(1,080)	(1,950)
Net change in unrealized appreciation (depreciation)	17,051	(26,690)
Net increase (decrease) resulting from operations	39,680	(4,926)
Distributions on Preferred Shares from Net Investment Income	(211)	(246)
Net increase (decrease) in net assets applicable to common shareholders resulting from operations	39,469	(5,172)
Distributions to Common Shareholders from Net Investment income	(24,797)	(24,727)
Common Share Transactions:**		
Issued as reinvestment of distributions	948	892
Total Increase (Decrease) in Net Assets	15,620	(29,007)
Net Assets Applicable to Common Shareholders:		
Beginning of year	319,155	348,162
End of year*	$ 334,775	$ 319,155
* Including undistributed net investment income of:	$ 1,979	$ 3,318
**** Common Share Transactions:**		
Share issued as reinvestment of distributions	68	72

A zero balance may reflect actual amounts rounding to less than one thousand.

 See Accompanying Notes

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PIMCO California Municipal Income Fund		PIMCO New York Municipal Income Fund	
Year Ended April 30, 2015	Year Ended April 30, 2014	Year Ended April 30, 2015	Year Ended April 30, 2014
$ 17,678	$ 18,445	$ 5,247	$ 5,170
455	2,328	0	21
9,666	(20,810)	5,582	(6,288)
27,799	(37)	10,829	(1,097)
(165)	(196)	(54)	(60)
27,634	(233)	10,775	(1,157)
(17,183)	(17,139)	(5,269)	(5,260)
636	725	115	119
11,087	(16,647)	5,621	(6,298)
255,751	272,398	86,211	92,509
$ 266,838	$ 255,751	$ 91,832	$ 86,211
$ 12,917	$ 12,610	$ 2,137	$ 2,137
45	55	10	11

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Schedule of Investments PIMCO Municipal Income Fund

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 160.6%				
MUNICIPAL BONDS & NOTES 157.9%				
ALABAMA 3.6%				
Huntsville-Redstone Village Special Care Facilities Financing Authority, Alabama Revenue Bonds, Series 2007				
5.500% due 01/01/2028	$	250	$	252
5.500% due 01/01/2043		885		886
Jefferson County, Alabama Sewer Revenue Bonds, Series 2013				
0.000% due 10/01/2050 (b)		15,000		9,716
6.500% due 10/01/2053		1,000		1,164
				12,018
ALASKA 1.2%				
Alaska Industrial Development & Export Authority Revenue Bonds, Series 2007				
6.000% due 12/01/2036 ^		900		247
Matanuska-Susitna Borough, Alaska Revenue Bonds, (AGC Insured), Series 2009				
6.000% due 09/01/2032		3,280		3,943
				4,190
ARIZONA 3.9%				
Arizona Health Facilities Authority Revenue Bonds, Series 2007				
5.200% due 10/01/2037		2,750		2,692
Arizona Health Facilities Authority Revenue Bonds, Series 2008				
5.500% due 01/01/2038		2,050		2,233
Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2010				
5.250% due 10/01/2040		750		835
Maricopa County, Arizona Pollution Control Corp. Revenue Bonds, Series 2000				
5.000% due 06/01/2035		1,500		1,676
Salt River Project Agricultural Improvement & Power District, Arizona Revenue Bonds, Series 2009				
5.000% due 01/01/2039 (c)		5,000		5,543
				12,979
ARKANSAS 0.6%				
Arkansas Development Finance Authority Revenue Bonds, (AMBAC Insured), Series 2006				
0.000% due 07/01/2036		5,500		2,102

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
CALIFORNIA 26.0%				
Bay Area Toll Authority, California Revenue Bonds, Series 2010				
5.000% due 10/01/2034	$	2,875	$	3,269

5.000% due 10/01/2042	3,255	3,689
Bay Area Toll Authority, California Revenue Bonds, Series 2013		
5.250% due 04/01/2053	10,000	11,236
California Health Facilities Financing Authority Revenue Bonds, Series 2009		
6.000% due 07/01/2039	2,000	2,304
California Health Facilities Financing Authority Revenue Bonds, Series 2011		
6.000% due 08/15/2042	1,500	1,773
California Health Facilities Financing Authority Revenue Bonds, Series 2013		
5.000% due 08/15/2052	3,000	3,351
California Municipal Finance Authority Revenue Bonds, Series 2011		
7.750% due 04/01/2031	1,335	1,706
California State General Obligation Bonds, Series 2007		
5.000% due 11/01/2032	700	768
5.000% due 06/01/2037	1,200	1,292
California State General Obligation Bonds, Series 2008		
5.125% due 08/01/2036	2,300	2,560
5.250% due 03/01/2038	1,250	1,383
California State General Obligation Bonds, Series 2009		
6.000% due 04/01/2038	3,200	3,779
California State General Obligation Bonds, Series 2010		
5.250% due 11/01/2040	1,900	2,210
5.500% due 03/01/2040	500	585
California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009		
6.625% due 08/01/2029	2,310	2,768
6.750% due 02/01/2038	8,485	10,134
California Statewide Communities Development Authority Revenue Bonds, Series 2008		
5.500% due 07/01/2031	845	921
California Statewide Communities Development Authority Revenue Bonds, Series 2011		
5.000% due 12/01/2041	1,000	1,093
6.500% due 11/01/2021	555	605
Chula Vista, California Revenue Bonds, Series 2004		
5.875% due 02/15/2034	3,000	3,501
Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2015		
5.000% due 06/01/2045	4,000	4,416

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April 30, 2015

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Los Angeles Community College District, California General Obligation Bonds, (FGIC Insured), Series 2007				
5.000% due 08/01/2032	$	5,300	$	5,819
Los Angeles Unified School District, California General Obligation Bonds, (AMBAC Insured), Series 2005				
5.000% due 07/01/2030		2,000		2,015
M-S-R Energy Authority, California Revenue Bonds, Series 2009				
6.125% due 11/01/2029		2,000		2,486
Montebello Unified School District, California General Obligation Bonds, (AGM Insured), Series 2008				
5.000% due 08/01/2033		4,175		4,719
Orange County, California Airport Revenue Bonds, Series 2009				
5.250% due 07/01/2039		5,000		5,651
San Marcos Unified School District, California General Obligation Bonds, Series 2011				
5.000% due 08/01/2038		1,600		1,790
Whittier Union High School District, California General Obligation Bonds, Series 2009				
0.000% due 08/01/2025		2,000		1,304
				87,127
COLORADO 1.0%				
Denver Health & Hospital Authority, Colorado Revenue Bonds, Series 2010				
5.625% due 12/01/2040		450		497
Public Authority for Colorado Energy Revenue Bonds, Series 2008				
6.500% due 11/15/2038		500		683
Regional Transportation District, Colorado Certificates of Participation Bonds, Series 2010				
5.375% due 06/01/2031		400		455
University of Colorado Revenue Bonds, Series 2009				
5.375% due 06/01/2038		1,500		1,749
				3,384
CONNECTICUT 2.4%				
Connecticut State Health & Educational Facility Authority Revenue Bonds, Series 2011				
5.000% due 07/01/2041		5,000		5,383
Connecticut State Health & Educational Facility Authority Revenue Bonds, Series 2012				
5.000% due 07/01/2042		2,500		2,669
				8,052

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
DISTRICT OF COLUMBIA 1.4%				
District of Columbia Revenue Bonds, Series 2009				
5.750% due 10/01/2039	$	2,500	$	2,926
District of Columbia Tobacco Settlement Financing Corp. Revenue Bonds, Series 2001				
6.250% due 05/15/2024		1,595		1,607
				4,533

FLORIDA 3.3%		
Broward County, Florida Water & Sewer Utility Revenue Bonds, Series 2009		
5.250% due 10/01/2034 (c)	4,000	4,508
Florida Development Finance Corp. Revenue Notes, Series 2011		
6.500% due 06/15/2021	280	302
Florida State General Obligation Bonds, Series 2009		
5.000% due 06/01/2038 (c)	3,900	4,308
Lee County Industrial Development Authority, Florida Revenue Bonds, Series 2007		
5.375% due 06/15/2037	500	509
Miami-Dade County, Florida School Board Foundation, Inc. Certificates of Participation Bonds, (AGC Insured), Series 2009		
5.375% due 02/01/2034	1,250	1,401
		11,028
GEORGIA 0.7%		
Medical Center Hospital Authority, Georgia Revenue Bonds, Series 2007		
5.250% due 07/01/2037	2,300	2,324
ILLINOIS 2.4%		
Illinois Finance Authority Revenue Bonds, Series 2009		
5.500% due 07/01/2037 (c)	5,000	5,695
7.125% due 11/15/2037	400	477
Springfield, Illinois Electric Revenue Bonds, Series 2008		
5.000% due 03/01/2036	1,900	2,022
		8,194
INDIANA 2.5%		
Indiana Finance Authority Revenue Bonds, Series 2009		
6.000% due 08/01/2039	1,500	1,737
Indiana Finance Authority Revenue Bonds, Series 2012		
5.000% due 06/01/2032	3,000	3,219

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Schedule of Investments PIMCO Municipal Income Fund (Cont.)

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Indiana Municipal Power Agency Revenue Bonds, Series 2009				
6.000% due 01/01/2039	$	1,000	$	1,147
Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2011				
7.500% due 09/01/2022		1,900		2,255
				8,358
IOWA 2.3%				
Iowa Finance Authority Revenue Bonds, Series 2007				
6.750% due 11/15/2037		3,500		3,704
6.750% due 11/15/2042		1,500		1,585
Iowa Finance Authority Revenue Bonds, Series 2013				
5.250% due 12/01/2025		1,000		1,122
Iowa Finance Authority Revenue Bonds, Series 2014				
2.000% due 05/15/2056 ^		532		3
2.700% due 11/15/2046 ^		2,836		1,157
				7,571
KANSAS 0.6%				
Kansas Development Finance Authority Revenue Bonds, Series 2009				
5.750% due 11/15/2038		1,000		1,157
Lenexa, Kansas Tax Allocation Bonds, Series 2007				
6.000% due 04/01/2027 ^		871		261
Manhattan, Kansas Revenue Bonds, Series 2007				
5.125% due 05/15/2042		650		652
				2,070
KENTUCKY 0.3%				
Kentucky Economic Development Finance Authority Revenue Bonds, Series 2010				
6.375% due 06/01/2040		1,000		1,150
LOUISIANA 1.7%				
Louisiana Local Government Environmental Facilities & Community Development Authority Revenue Bonds, (ACA Insured), Series 2000				
6.550% due 09/01/2025		1,680		1,844
Louisiana Local Government Environmental Facilities & Community Development Authority Revenue Bonds, Series 2010				
5.875% due 10/01/2040		750		880
6.500% due 11/01/2035		400		481
Louisiana Public Facilities Authority Revenue Bonds, Series 2011				
6.500% due 05/15/2037		2,000		2,351
				5,556

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
MARYLAND 1.2%				
Maryland Economic Development Corp. Revenue Bonds, Series 2010				
5.750% due 06/01/2035	$	1,500	$	1,608
Maryland Health & Higher Educational Facilities Authority Revenue Bonds, Series 2010				
6.250% due 01/01/2041		650		731
Maryland Health & Higher Educational Facilities Authority Revenue Bonds, Series 2015				
5.000% due 07/01/2045		1,500		1,637
				3,976
MASSACHUSETTS 0.9%				
Massachusetts Development Finance Agency Revenue Bonds, Series 2010				
7.000% due 07/01/2042		750		844
Massachusetts Development Finance Agency Revenue Bonds, Series 2011				
0.000% due 11/15/2056		103		1
6.250% due 11/15/2039		388		375
Massachusetts State College Building Authority Revenue Bonds, Series 2009				
5.500% due 05/01/2039		1,500		1,717
				2,937
MICHIGAN 0.9%				
Michigan Tobacco Settlement Finance Authority Revenue Bonds, Series 2007				
6.000% due 06/01/2048		1,500		1,264
Royal Oak Hospital Finance Authority, Michigan Revenue Bonds, Series 2009				
8.250% due 09/01/2039		1,500		1,854
				3,118
MINNESOTA 0.7%				
Minnesota Agricultural & Economic Development Board Revenue Bonds, Series 2000				
6.375% due 11/15/2029		95		95
St Louis Park, Minnesota Revenue Bonds, Series 2009				
5.750% due 07/01/2039		1,500		1,710
Washington County, Minnesota Housing & Redevelopment Authority Revenue Bonds, Series 2007				
5.625% due 06/01/2037		500		523
				2,328

 See Accompanying Notes

April 30, 2015

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
MISSOURI 0.4%				
Joplin Industrial Development Authority, Missouri Revenue Bonds, Series 2007				
5.750% due 05/15/2026	$	1,000	$	1,047
Lee s Summit, Missouri Tax Allocation Bonds, Series 2011				
5.625% due 10/01/2023		285		287
				1,334
NEBRASKA 1.7%				
Public Power Generation Agency, Nebraska Revenue Bonds, Series 2015				
5.000% due 01/01/2029 (a)		5,000		5,659
NEVADA 6.2%				
Clark County, Nevada General Obligation Bonds, (AGM Insured), Series 2006				
4.750% due 06/01/2030		5,000		5,202
Clark County, Nevada General Obligation Bonds, Series 2006 (c)				
4.750% due 11/01/2035		5,230		5,463
Washoe County, Nevada General Obligation Bonds, (NPFGC Insured), Series 2005				
5.000% due 01/01/2035		9,755		10,058
				20,723
NEW JERSEY 14.1%				
New Jersey Economic Development Authority Revenue Bonds, (AGC Insured), Series 2009				
5.500% due 12/15/2034		2,000		2,277
New Jersey Economic Development Authority Special Assessment Bonds, Series 2002				
5.750% due 04/01/2031		16,550		19,230
New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2011				
6.000% due 07/01/2037		500		597
New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2013				
5.500% due 07/01/2043		2,000		2,297
New Jersey State Turnpike Authority Revenue Bonds, Series 2009				
5.250% due 01/01/2040		2,000		2,196
New Jersey Transportation Trust Fund Authority Revenue Bonds, Series 2011				
5.000% due 06/15/2042		7,000		7,196
Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007				
4.750% due 06/01/2034		12,100		9,385
5.000% due 06/01/2041		5,000		3,898
				47,076

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
NEW MEXICO 2.4%				
Farmington, New Mexico Revenue Bonds, Series 2010				
5.900% due 06/01/2040	$	1,000	$	1,111
New Mexico Hospital Equipment Loan Council Revenue Bonds, Series 2009				
5.000% due 08/01/2039		6,400		7,048

		8,159
NEW YORK 21.5%		
Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011		
5.250% due 02/15/2047	15,500	17,103
Metropolitan Transportation Authority, New York Revenue Bonds, Series 2011		
5.000% due 11/15/2036	3,000	3,357
Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014		
2.000% due 01/01/2049	1,137	91
6.700% due 01/01/2049	3,150	3,094
New York City, New York Water & Sewer System Revenue Bonds, Series 2009		
5.000% due 06/15/2039	3,000	3,355
New York Liberty Development Corp. Revenue Bonds, Series 2005		
5.250% due 10/01/2035	7,500	8,787
New York Liberty Development Corp. Revenue Bonds, Series 2007		
5.500% due 10/01/2037	3,000	3,612
New York Liberty Development Corp. Revenue Bonds, Series 2011		
5.000% due 12/15/2041	10,000	11,185
5.000% due 11/15/2044	10,000	10,936
New York Liberty Development Corp. Revenue Bonds, Series 2014		
5.000% due 11/15/2044	2,000	2,081
New York State Dormitory Authority Revenue Bonds, Series 2010		
5.500% due 07/01/2040	3,500	3,997
New York State Dormitory Authority Revenue Bonds, Series 2015		
5.000% due 03/15/2028	2,000	2,364
TSASC, Inc., New York Revenue Bonds, Series 2006		
5.000% due 06/01/2026	2,000	2,013
		71,975
OHIO 6.6%		
Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007		
5.875% due 06/01/2047	8,000	6,578
6.500% due 06/01/2047	10,000	8,890

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Schedule of Investments PIMCO Municipal Income Fund (Cont.)

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Hamilton County, Ohio Revenue Bonds, Series 2012				
5.000% due 06/01/2042	$	1,000	$	1,071
Ohio State Turnpike Commission Revenue Bonds, Series 2013				
5.000% due 02/15/2048		5,000		5,421
				21,960
OREGON 0.9%				
Oregon Department of Administrative Services State Certificates of Participation Bonds, Series 2009				
5.250% due 05/01/2039		600		674
Oregon Health & Science University Revenue Bonds, Series 2009				
5.750% due 07/01/2039		2,000		2,329
				3,003
PENNSYLVANIA 8.0%				
Capital Region Water, Pennsylvania Revenue Bonds, Series 2007				
6.000% due 09/01/2036 ^		2,000		1,200
Geisinger Authority, Pennsylvania Revenue Bonds, Series 2009				
5.250% due 06/01/2039		5,000		5,566
Lancaster County Hospital Authority, Pennsylvania Revenue Bonds, Series 2008				
6.250% due 07/01/2026		750		787
6.375% due 07/01/2030		85		89
Luzerne County, Pennsylvania Industrial Development Authority Revenue Bonds, Series 2009				
5.500% due 12/01/2039		1,100		1,244
Pennsylvania Higher Educational Facilities Authority Revenue Bonds, Series 2010				
5.000% due 03/01/2040		350		380
6.000% due 07/01/2043		500		530
Pennsylvania Turnpike Commission Revenue Bonds, Series 2009				
5.125% due 12/01/2040		2,000		2,172
Philadelphia Hospitals & Higher Education Facilities Authority, Pennsylvania Revenue Bonds, Series 2012				
5.625% due 07/01/2036		5,000		5,375
5.625% due 07/01/2042		1,000		1,066
Philadelphia, Pennsylvania General Obligation Bonds, (AGM Insured), Series 2008				
5.250% due 12/15/2032		7,000		7,778
Philadelphia, Pennsylvania Water & Wastewater Revenue Bonds, Series 2009				
5.250% due 01/01/2036		500		550
				26,737

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
SOUTH CAROLINA 5.6%				
South Carolina Educational Facilities Authority Revenue Bonds, Series 2006				
0.120% due 10/01/2039	$	1,260	$	1,260
South Carolina Jobs-Economic Development Authority Revenue Bonds, Series 2007				
5.500% due 05/01/2028		450		462

South Carolina State Ports Authority Revenue Bonds, Series 2010		
5.250% due 07/01/2040	2,200	2,439
South Carolina State Public Service Authority Revenue Bonds, Series 2013		
5.125% due 12/01/2043	5,000	5,578
5.500% due 12/01/2053	5,000	5,644
South Carolina State Public Service Authority Revenue Bonds, Series 2014		
5.500% due 12/01/2054	3,000	3,425
		18,808
TENNESSEE 3.5%		
Tennessee Energy Acquisition Corp. Revenue Bonds, Series 2006		
5.000% due 02/01/2027	5,000	5,752
5.250% due 09/01/2024	5,000	5,895
		11,647
TEXAS 18.6%		
Central Texas Turnpike System Revenue Bonds, Series 2015		
5.000% due 08/15/2037	1,000	1,114
5.000% due 08/15/2042	5,000	5,384
Dallas, Texas Revenue Bonds, (AGC Insured), Series 2009		
5.250% due 08/15/2038	1,200	1,348
Grand Parkway Transportation Corp., Texas Revenue Bonds, Series 2013		
5.000% due 04/01/2053	5,500	5,979
JPMorgan Chase Putters/Drivers Trust, Texas General Obligation Notes, Series 2009		
8.070% due 02/01/2017 (d)	1,000	1,259
JPMorgan Chase Putters/Drivers Trust, Texas Revenue Bonds, Series 2008		
10.070% due 10/01/2031 (d)	600	788
North Harris County, Texas Regional Water Authority Revenue Bonds, Series 2008		
5.250% due 12/15/2033	4,200	4,714
5.500% due 12/15/2038	4,200	4,769
North Texas Tollway Authority Revenue Bonds, Series 2008		
5.625% due 01/01/2033	6,050	6,664
5.750% due 01/01/2033	600	674

 See Accompanying Notes

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		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
North Texas Tollway Authority Revenue Bonds, Series 2009				
5.250% due 01/01/2044	$	3,000	$	3,268
North Texas Tollway Authority Revenue Bonds, Series 2011				
5.000% due 01/01/2038		2,750		2,948
5.500% due 09/01/2041		600		708
North Texas Tollway Authority Revenue Bonds, Series 2015				
5.000% due 01/01/2034		3,000		3,314
San Juan Higher Education Finance Authority, Texas Revenue Bonds, Series 2010				
6.700% due 08/15/2040		250		297
Tarrant County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2009				
6.250% due 11/15/2029		4,000		4,700
Texas Municipal Gas Acquisition & Supply Corp. Revenue Bonds, Series 2006				
5.250% due 12/15/2023		3,500		4,114
Texas Municipal Gas Acquisition & Supply Corp. Revenue Bonds, Series 2008				
6.250% due 12/15/2026		6,500		8,053
Texas State Public Finance Authority Charter School Finance Corp. Revenue Bonds, Series 2007				
5.875% due 12/01/2036		400		435
Uptown Development Authority, Texas Tax Allocation Bonds, Series 2009				
5.500% due 09/01/2029		1,000		1,096
Wise County, Texas Revenue Bonds, Series 2011				
8.000% due 08/15/2034		500		590
				62,216
UTAH 2.4%				
Salt Lake County, Utah Revenue Bonds, (AMBAC Insured), Series 2001				
5.125% due 02/15/2033		7,000		8,061
VIRGINIA 3.1%				
Fairfax County, Virginia Industrial Development Authority Revenue Bonds, Series 2009				
5.500% due 05/15/2035		1,000		1,137
Fairfax County, Virginia Industrial Development Authority Revenue Bonds, Series 2012				
5.000% due 05/15/2040		6,490		7,233
Peninsula Town Center Community Development Authority, Virginia Revenue Bonds, Series 2007				
6.450% due 09/01/2037		1,985		2,126
				10,496

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
WASHINGTON 4.8%				
JPMorgan Chase Putters/Drivers Trust, Washington General Obligation Bonds, Series 2009				
11.810% due 08/01/2028 (d)	$	6,670	$	9,017
Washington Health Care Facilities Authority Revenue Bonds, (AGC Insured), Series 2008				
6.000% due 08/15/2039		700		840
Washington Health Care Facilities Authority Revenue Bonds, Series 2007				
6.125% due 08/15/2037		2,000		2,168
Washington Health Care Facilities Authority Revenue Bonds, Series 2009				
7.375% due 03/01/2038		250		307

Washington State Housing Finance Commission Revenue Bonds, Series 2007			
5.625% due 01/01/2038	3,600		3,523
Washington State Housing Finance Commission Revenue Notes, Series 2007			
5.250% due 01/01/2017	230		233
			16,088
WEST VIRGINIA 0.3%			
West Virginia Hospital Finance Authority Revenue Bonds, Series 2011			
9.125% due 10/01/2041	980		1,093
WISCONSIN 0.2%			
Wisconsin Health & Educational Facilities Authority Revenue Bonds, Series 2009			
6.625% due 02/15/2039	500		601
Total Municipal Bonds & Notes (Cost $469,952)			**528,631**
SHORT-TERM INSTRUMENTS 2.7%			
U.S. TREASURY BILLS 2.7%			
0.045% due 07/23/2015 - 09/10/2015	9,100		9,100
Total Short-Term Instruments (Cost $9,099)			**9,100**
Total Investments in Securities (Cost $479,051)			**537,731**
Total Investments 160.6% (Cost $479,051)		$	**537,731**
Preferred Shares (56.7%)			**(190,000)**
Other Assets and Liabilities, net (3.9%)			**(12,956)**
Net Assets Applicable to Common Shareholders 100.0%		$	**334,775**

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Schedule of Investments PIMCO Municipal Income Fund (Cont.)

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*):

* A zero balance may reflect actual amounts rounding to less than one thousand.
^ Security is in default.
(a) When-issued security.
(b) Security becomes interest bearing at a future date.
(c) Represents an underlying municipal bond transferred to a tender option bond trust established in a tender option bond transaction in which the Fund sold, or caused the sale of, the underlying municipal bond and purchased the residual interest certificate. The security serves as collateral in a financing transaction. See Note 5(a) in the Notes to Financial Statements for more information.
(d) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on April 30, 2015.

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of April 30, 2015 in valuing the Fund s assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 04/30/2015
Investments in Securities, at Value				
Municipal Bonds & Notes				
Alabama	$ 0	$ 12,018	$ 0	$ 12,018
Alaska	0	4,190	0	4,190
Arizona	0	12,979	0	12,979
Arkansas	0	2,102	0	2,102
California	0	87,127	0	87,127
Colorado	0	3,384	0	3,384
Connecticut	0	8,052	0	8,052
District of Columbia	0	4,533	0	4,533
Florida	0	11,028	0	11,028
Georgia	0	2,324	0	2,324
Illinois	0	8,194	0	8,194
Indiana	0	8,358	0	8,358
Iowa	0	7,571	0	7,571
Kansas	0	2,070	0	2,070
Kentucky	0	1,150	0	1,150
Louisiana	0	5,556	0	5,556
Maryland	0	3,976	0	3,976
Massachusetts	0	2,937	0	2,937
Michigan	0	3,118	0	3,118
Minnesota	0	2,328	0	2,328
Missouri	0	1,334	0	1,334
Nebraska	0	5,659	0	5,659

Nevada	0	20,723	0	20,723
New Jersey	0	47,076	0	47,076
New Mexico	0	8,159	0	8,159
New York	0	71,975	0	71,975
Ohio	0	21,960	0	21,960
Oregon	0	3,003	0	3,003
Pennsylvania	0	26,737	0	26,737
South Carolina	0	18,808	0	18,808
Tennessee	0	11,647	0	11,647
Texas	0	62,216	0	62,216
Utah	0	8,061	0	8,061
Virginia	0	10,496	0	10,496

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April 30, 2015

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 04/30/2015
Washington	$ 0	$ 16,088	$ 0	$ 16,088
West Virginia	0	1,093	0	1,093
Wisconsin	0	601	0	601
Short-Term Instruments				
U.S. Treasury Bills	0	9,100	0	9,100
Total Investments	$ 0	$ 537,731	$ 0	$ 537,731

There were no significant transfers between Levels 1, 2, or 3 during the period ended April 30, 2015.

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Schedule of Investments PIMCO California Municipal Income Fund

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
INVESTMENTS IN SECURITIES 164.8%		
MUNICIPAL BONDS & NOTES 164.1%		
CALIFORNIA 158.9%		
Bay Area Toll Authority, California Revenue Bonds, Series 2008		
5.000% due 04/01/2034	$ 10,000	$ 11,164
California County Tobacco Securitization Agency Revenue Bonds, Series 2006		
5.600% due 06/01/2036	1,500	1,385
California Educational Facilities Authority Revenue Bonds, Series 2009		
5.000% due 01/01/2039 (a)	10,200	11,353
5.000% due 10/01/2039 (a)	10,000	11,133
California Health Facilities Financing Authority Revenue Bonds, (IBC/NPFGC Insured), Series 2007		
5.000% due 11/15/2042	1,600	1,681
California Health Facilities Financing Authority Revenue Bonds, Series 2008		
5.250% due 11/15/2040	5,050	5,898
California Health Facilities Financing Authority Revenue Bonds, Series 2009		
5.750% due 09/01/2039	2,000	2,299
6.000% due 07/01/2039	4,000	4,607
6.500% due 11/01/2038	1,000	1,201
California Health Facilities Financing Authority Revenue Bonds, Series 2010		
5.000% due 11/15/2036	1,450	1,616
8.110% due 11/15/2036 (b)	1,000	1,249
California Health Facilities Financing Authority Revenue Bonds, Series 2011		
5.000% due 08/15/2035	1,000	1,102
6.000% due 08/15/2042	2,800	3,310
10.130% due 11/15/2042 (b)	6,000	6,709
California Health Facilities Financing Authority Revenue Bonds, Series 2012		
5.000% due 08/15/2051	11,000	12,139
California Health Facilities Financing Authority Revenue Bonds, Series 2013		
5.000% due 08/15/2052	3,675	4,104
California Infrastructure & Economic Development Bank Revenue Bonds, Series 2013		
5.000% due 02/01/2039	10,000	11,002
California Municipal Finance Authority Revenue Bonds, Series 2008		
5.875% due 10/01/2034	2,900	3,193
California Municipal Finance Authority Revenue Bonds, Series 2011		
7.750% due 04/01/2031	1,000	1,278
California Pollution Control Financing Authority Revenue Bonds, Series 2010		
5.100% due 06/01/2040	2,000	2,211
5.250% due 08/01/2040	1,250	1,345

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
California State General Obligation Bonds, Series 2006		
5.000% due 09/01/2035	$ 5,885	$ 6,200
California State General Obligation Bonds, Series 2007		
5.000% due 06/01/2037	100	108
5.000% due 12/01/2037	3,000	3,284
California State General Obligation Bonds, Series 2009		
6.000% due 04/01/2038	2,000	2,362
6.000% due 11/01/2039	2,000	2,413
California State General Obligation Bonds, Series 2010		
5.250% due 11/01/2040	2,400	2,791
5.500% due 03/01/2040	1,500	1,756
California State General Obligation Bonds, Series 2013		

5.000% due 11/01/2043	7,000	7,875
California State Public Works Board Revenue Bonds, Series 2009		
5.000% due 04/01/2034	2,000	2,301
5.750% due 10/01/2030	2,000	2,354
6.000% due 11/01/2034	2,000	2,393
California State Public Works Board Revenue Bonds, Series 2011		
5.000% due 12/01/2029	1,500	1,724
California Statewide Communities Development Authority Certificates of Participation Bonds, Series 1999		
5.375% due 04/01/2030	2,150	2,156
California Statewide Communities Development Authority Revenue Bonds, (FGIC Insured), Series 2007		
5.750% due 07/01/2047	3,200	3,570
California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009		
6.625% due 08/01/2029	1,870	2,241
6.750% due 02/01/2038	6,875	8,211
California Statewide Communities Development Authority Revenue Bonds, (NPFGC Insured), Series 2000		
5.125% due 07/01/2024	100	112
California Statewide Communities Development Authority Revenue Bonds, Series 2006		
5.250% due 03/01/2045	1,000	1,030
California Statewide Communities Development Authority Revenue Bonds, Series 2007		
5.500% due 11/01/2038	900	944
California Statewide Communities Development Authority Revenue Bonds, Series 2008		
5.500% due 07/01/2031	845	921

 See Accompanying Notes

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April 30, 2015

		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
California Statewide Communities Development Authority Revenue Bonds, Series 2010				
5.000% due 11/01/2040	$	10,000	$	10,899
6.250% due 10/01/2039		1,000		1,122
7.500% due 06/01/2042		1,000		1,108
California Statewide Communities Development Authority Revenue Bonds, Series 2011				
6.000% due 08/15/2042		2,000		2,365
California Statewide Communities Development Authority Revenue Bonds, Series 2012				
5.000% due 04/01/2042		11,500		12,668
5.125% due 05/15/2031		4,000		4,438
5.375% due 05/15/2038		4,500		5,027
California Statewide Communities Development Authority Revenue Bonds, Series 2015				
5.000% due 11/01/2043		1,600		1,785
Chula Vista, California Revenue Bonds, Series 2004				
5.875% due 02/15/2034		5,000		5,835
Contra Costa County, California Public Financing Authority Tax Allocation Bonds, Series 2003				
5.850% due 08/01/2033		350		350
Desert Community College District, California General Obligation Bonds, (AGM Insured), Series 2007				
5.000% due 08/01/2037		5,000		5,393
Eastern Municipal Water District, California Certificates of Participation Bonds, Series 2008				
5.000% due 07/01/2035		6,300		6,930
El Monte, California Certificates of Participation Bonds, (AMBAC Insured), Series 2001				
5.250% due 01/01/2034 (c)		14,425		14,468
Folsom Redevelopment Agency, California Tax Allocation Bonds, Series 2009				
5.500% due 08/01/2036		1,000		1,058
Fremont Community Facilities District No. 1, California Special Tax Bonds, Series 2001				
6.000% due 09/01/2018		165		166
6.000% due 09/01/2019		505		509
6.300% due 09/01/2031		3,500		3,518
Golden State, California Tobacco Securitization Corp. Revenue Bonds, (FGIC Insured), Series 2005				
5.000% due 06/01/2035		3,000		3,011
5.000% due 06/01/2038		6,000		6,021
Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2005				
5.000% due 06/01/2045		2,195		2,203
Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2007				
5.125% due 06/01/2047		8,300		6,611
5.750% due 06/01/2047		32,475		28,046
Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2015				
5.000% due 06/01/2040		7,000		7,747
5.000% due 06/01/2045		4,500		4,968
		PRINCIPAL AMOUNT (000S)		MARKET VALUE (000S)
Imperial Irrigation District, California Revenue Bonds, Series 2011				
5.000% due 11/01/2041	$	1,000	$	1,105
Kern County, California Certificates of Participation Bonds, (AGC Insured), Series 2009				
5.750% due 08/01/2035		10,590		12,092
Lancaster Redevelopment Agency, California Tax Allocation Bonds, Series 2009				
6.875% due 08/01/2039		500		603
Long Beach Bond Finance Authority, California Revenue Bonds, Series 2007				
5.500% due 11/15/2027		1,000		1,206
Long Beach, California Airport System Revenue Bonds, Series 2010				
5.000% due 06/01/2040		5,000		5,539
Los Angeles County, California Public Works Financing Authority Revenue Bonds, Series 2015				
5.000% due 12/01/2039		1,700		1,921
5.000% due 12/01/2044		1,850		2,074
Los Angeles Department of Water & Power, California Revenue Bonds, Series 2009				
5.375% due 07/01/2034 (a)		3,000		3,390
5.375% due 07/01/2038 (a)		7,000		7,855

Los Angeles Department of Water & Power, California Revenue Bonds, Series 2012		
5.000% due 07/01/2037	4,100	4,641
5.000% due 07/01/2043	5,000	5,585
Los Angeles Department of Water & Power, California Revenue Bonds, Series 2014		
5.000% due 07/01/2043	3,650	4,120
Los Angeles Department of Water & Power, California Revenue Bonds, Series 2015		
5.000% due 07/01/2044	1,250	1,418
Los Angeles Unified School District, California General Obligation Bonds, Series 2009		
5.000% due 07/01/2029 (a)	10,000	11,374
5.000% due 01/01/2034 (a)	8,500	9,577
5.300% due 01/01/2034	250	285
M-S-R Energy Authority, California Revenue Bonds, Series 2009		
6.500% due 11/01/2039	10,600	14,427
Malibu, California Certificates of Participation Bonds, Series 2009		
5.000% due 07/01/2039	700	766
Peralta Community College District, California General Obligation Bonds, Series 2009		
5.000% due 08/01/2039	1,250	1,407
Regents of the University of California Medical Center Pooled Revenue Bonds, Series 2013		
5.000% due 05/15/2043	2,000	2,217
River Islands Public Financing Authority, California Special Tax Bonds, Series 2015		
5.500% due 09/01/2045	3,000	3,101

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Schedule of Investments PIMCO California Municipal Income Fund (Cont.)

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
Sacramento County, California Sanitation Districts Financing Authority Revenue Bonds, (NPFGC Insured), Series 2005		
5.000% due 08/01/2030	$ 5,000	$ 5,059
San Diego County, California Water Authority Certificates of Participation Bonds, (AGM Insured), Series 2008		
5.000% due 05/01/2038	6,250	6,824
San Diego Regional Building Authority, California Revenue Bonds, Series 2009		
5.375% due 02/01/2036	3,285	3,713
San Francisco, California City & County Certificates of Participation Bonds, Series 2009		
5.250% due 04/01/2031	650	738
San Jose, California Hotel Tax Revenue Bonds, Series 2011		
6.500% due 05/01/2036	1,500	1,822
San Jose, California Special Assessment Bonds, Series 2001		
5.600% due 09/02/2017	230	238
San Marcos Unified School District, California General Obligation Bonds, Series 2011		
5.000% due 08/01/2038	1,200	1,343
Santa Clara County, California Financing Authority Revenue Bonds, (AMBAC Insured), Series 2007		
5.750% due 02/01/2041	3,500	3,816
Santa Cruz County, California Redevelopment Agency Tax Allocation Bonds, Series 2009		
7.000% due 09/01/2036	1,300	1,506
Tobacco Securitization Authority of Southern California Revenue Bonds, Series 2006		
5.000% due 06/01/2037	800	686
Torrance, California Revenue Bonds, Series 2010		
5.000% due 09/01/2040	6,300	6,708
Turlock, California Certificates of Participation Bonds, Series 2007		
5.500% due 10/15/2037	2,000	2,233
Washington Township Health Care District, California General Obligation Bonds, Series 2013		
5.000% due 08/01/2043	2,500	2,728
Westlake Village, California Certificates of Participation Bonds, Series 2009		
5.000% due 06/01/2039	1,000	1,037
		424,125

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
IOWA 3.1%		
Iowa Tobacco Settlement Authority Revenue Bonds, Series 2005		
5.600% due 06/01/2034	$ 8,600	$ 8,231
TEXAS 2.1%		
Wood County, Texas Central Hospital District Revenue Bonds, Series 2011		
6.000% due 11/01/2041	5,000	5,563
Total Municipal Bonds & Notes (Cost $393,293)		**437,919**

SHORT-TERM INSTRUMENTS 0.7%

SHORT-TERM NOTES 0.1%

Fannie Mae

0.081% due 05/01/2015	100		100
U.S. TREASURY BILLS 0.6%			
0.052% due 06/11/2015 - 10/08/2015	1,700		1,700
Total Short-Term Instruments (Cost $1,800)			**1,800**
Total Investments in Securities (Cost $395,093)			**439,719**
Total Investments 164.8% (Cost $395,093)		$	**439,719**
Preferred Shares (56.2%)			**(150,000)**
Other Assets and Liabilities, net (8.6%)			**(22,881)**
Net Assets Applicable to Common Shareholders 100.0%		$	**266,838**

NOTES TO SCHEDULE OF INVESTMENTS (AMOUNTS IN THOUSANDS*):

* A zero balance may reflect actual amounts rounding to less than one thousand.

(a) Represents an underlying municipal bond transferred to a tender option bond trust established in a tender option bond transaction in which the Fund sold, or caused the sale of, the underlying municipal bond and purchased the residual interest certificate. The security serves as collateral in a financing transaction. See Note 5(a) in the Notes to Financial Statements for more information.

 See Accompanying Notes

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April 30, 2015

(b) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on April 30, 2015.

(c) RESTRICTED SECURITIES:

Issuer Description	Coupon	Maturity Date	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets
El Monte, California Certificates of Participation Bonds, (AMBAC Insured), Series 2001						
Other commission income – net of expenses	$3,318	100 %	$5,617	100 %		
LICENSING SEGMENT:						
Licensing income – net of expenses	$2,331	100 %	$970	100 %		

Selected Financial Information
Nine Months Ended
September 30
($ in thousands)

	2011		2010	
CONSOLIDATED:				
Net sales	$ 688,794	100 %	$ 474,390	100 %
Cost of sales	426,114	62	268,096	57
Gross profit	262,680	38	206,294	43
Other operating income – net of expenses	14,648	2	18,000	4
Operating expenses	162,177	24	129,994	27
Income from operations	115,151	17	94,300	20
Interest and other income – net	4,905	1	2,927	1
Income before income taxes	120,056	17	97,227	20
Net income	73,415	11	58,100	12
By Segment:				
WHOLESALE FOOTWEAR SEGMENT:				
Net sales	$ 468,204	100 %	$ 310,176	100 %
Cost of sales	308,889	66	186,247	60
Gross profit	159,315	34	123,929	40
Operating expenses	85,602	18	58,884	19
Income from operations	73,713	16	65,045	21
WHOLESALE ACCESSORIES SEGMENT:				
Net sales	$ 119,480	100 %	$ 75,161	100 %
Cost of sales	77,267	65	45,853	61
Gross profit	42,213	35	29,308	39
Operating expenses	23,593	20	17,139	23
Income from operations	18,620	16	12,169	16
RETAIL SEGMENT:				
Net sales	$ 101,110	100 %	$ 89,053	100 %
Cost of sales	39,958	40	35,996	40
Gross profit	61,152	60	53,057	60
Operating expenses	52,982	52	53,973	61
Income (loss) from operations	8,170	8	(914)	(1)
Number of stores	82		82	
FIRST COST SEGMENT:				
Other commission income – net of expenses	$ 8,605	100 %	$ 14,976	100 %

LICENSING SEGMENT:

Licensing income – net of expenses	$	6,043	100	%	$	3,024	100	%

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RESULTS OF OPERATIONS
($ in thousands)

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Consolidated:

Net sales for the three months ended September 30, 2011 increased to $313,887 compared to $184,118 for the comparable period of 2010. Excluding net sales from Topline and Cejon, both acquired in May of 2011, as well as the Target and Olsenboye footwear businesses, which were not included in the net sales line last year, organic net sales growth was 11.7% on a consolidated basis. Our gross margin was 34.9% for the third quarter of 2011 compared to 42.1% in the comparable period of 2010, with the decrease due to sales mix shifts as a result of the addition of the Topline and Cejon businesses and the inclusion of the Company's Target private label and Olsenboye footwear businesses in net sales. Excluding these businesses, consolidated gross margin was flat to prior year's third quarter. Operating expenses increased in the third quarter of this year to $64,594 from $46,707 in the same period last year, primarily due to incremental costs associated with our recently acquired Topline and Cejon businesses and our new Betsey Johnson® and Big Buddha® shoe businesses. As a percentage of sales, exclusive of Topline and Cejon, operating expenses decreased to 20.6% in the third quarter of 2011 from 25.4% in the same period of last year, reflecting leverage gained from sales increases. Our commission and licensing fee income decreased to $5,649 in the third quarter of 2011 compared to $6,587 in the third quarter of 2010 due to the transition of our Target private label and Olsenboye footwear businesses from the commission model to the wholesale model. Net income for the third quarter of 2011 increased 39% to $31,868 compared to net income for the quarter ended September 30, 2010 of $22,916.

Wholesale Footwear Segment:

Net sales from the Wholesale Footwear segment accounted for $211,223 or 67% and $123,251 or 67% of our total net sales for the third quarter of 2011 and 2010, respectively. The 71% increase in net sales quarter over quarter was partially due to the inclusion of net sales from our Topline, Target and Olsenboye businesses, none of which were included in the net sales line last year. In addition, nets sales increased due to organic growth in our Steve Madden Women's, Madden Girl and Steven brands as well as in our international business. Finally, two new brands, Big Buddha® shoes, which began shipping in the third quarter of 2010, and Betsey Johnson® shoes, which began shipping in the first quarter of 2011, also contributed to the increase in net sales.

Gross profit margin in the Wholesale Footwear segment was 31.6% in the third quarter of 2011 and was 39.2% in the same period last year. This decrease was due to sales mix shifts as a result of the addition of the Topline business and the inclusion of the Company's Target private label and Olsenboye footwear businesses in net sales. In the third quarter of 2011, operating expenses increased to $35,036 from $20,859 in the third quarter last year, primarily due to incremental costs associated with our recently acquired Topline business and our new Betsey Johnson® and Big Buddha® shoe businesses. As a percentage of sales, operating expenses decreased to 16.6% in the third quarter of 2011 compared to 16.9% in the same quarter of last year. Income from operations for the Wholesale Footwear segment increased to $31,616 for the quarter ended September 30, 2011 compared to $27,503 for the same period of last year.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for $67,030 or 21% and $29,801 or 16% of total Company net sales for the third quarters of 2011 and 2010, respectively. The 125% increase in net sales quarter over quarter was primarily due to our recently acquired Cejon business, which contributed $32,620 in net sales in the third quarter of 2011. In addition, double digit net sales increases in our Steven Madden, Big Buddha and Betsey Johnson handbag businesses also contributed to our net sales increase for the quarter.

Gross profit margin in the Wholesale Accessories segment was 32.8% in the third quarter of this year and 37.2% in the same period last year. This decrease was primarily due to the addition of our Cejon cold weather accessories business which typically achieves lower gross margins than our existing handbag and belt businesses. In the third quarter of 2011, operating expenses increased to $10,999 compared to $6,052 in the same quarter of the prior year, primarily due to the incremental costs related to our recently acquired Cejon business. As a percentage of sales, operating expenses decreased 390 basis points to 16.4% in the third quarter of 2011 compared to 20.3% in the same quarter of last year, reflecting leverage from increased sales. Income from operations for the Wholesale Accessories segment increased to $10,974 for the quarter ended September 30, 2011, compared to $5,043 for the quarter ended September 30, 2010.

Retail Segment:

In the third quarter of 2011, net sales from the Retail segment accounted for $35,634 or 11% of our total net sales compared to $31,066 or 17% of total net sales in the same period last year. We opened eight new stores, acquired one store as part of the acquisition of Topline and closed nine under-performing stores during the twelve months ended September 30, 2011. As a result, we had 82 retail stores as of September 30, 2011 and 2010. The 82 stores currently in operation include 72 Steve Madden full price stores, five Steve Madden outlet stores, three Steven stores, one Report store and one e-commerce website. Comparable store sales (sales of those stores, including the e-commerce website, that were open throughout the third quarters of 2011 and 2010) increased 13.2% in the third quarter of this year. In the quarter ended September 30, 2011, gross margin increased to 58.4% from 58.1% in the same period of 2010, primarily due to a decrease in promotional selling combined with improved operating efficiencies. In the third quarter of 2011, operating expenses were $18,559 compared to $19,796 in the third quarter of last year. The decrease in operating expenses was due to a charge of $1,750 in the third quarter of 2010 for the preliminary settlement of a class action lawsuit (see Note W to the Condensed Consolidated Financial Statements). Income from operations for the Retail segment increased to $2,269 in the third quarter of this year compared to a loss from operations of $1,745 in the same period of last year.

First Cost Segment:

The First Cost segment generated net commission income and design fees of $3,318 for the three-month period ended September 30, 2011, compared to $5,617 for the comparable period of 2010. The primary reason for this decrease is the transition of our Target private label and Olsenboye footwear businesses from the commission model to the wholesale model in 2011.

Licensing Segment:

During the quarter ended September 30, 2011, net licensing income increased to $2,331 from $970 in the same period of last year primarily due to the incremental licensing revenue generated by our recently acquired Betsey Johnson intellectual property assets.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Consolidated:

Total net sales for the nine-month period ended September 30, 2011 increased by 45% to $688,794 from $474,390 for the comparable period of 2010. During the nine months ended September 30, 2011, gross margin decreased to 38.1% compared to 43.5% in the same period of last year. Operating expenses increased in the nine months ended September 30, 2011 to $162,177 from $129,994 in the same period last year, primarily due to incremental costs associated with our recently acquired Topline and Cejon businesses and our new Betsey Johnson® and Big Buddha® shoe businesses. As a percentage of sales, operating expenses decreased 390 basis points to 23.5% in the nine months ended September 30, 2011 compared to 27.4% in the same period of last year. Commission and licensing fee income decreased to $14,648 in the first nine months of 2011 compared to $18,000 in the first nine months of 2010. During the nine months ended September 30, 2011, income from operations increased 22% to $115,151 and net income increased 26% to $73,415 compared to income from operations of $94,300 and a net income of $58,100 in the same period last year.

Wholesale Footwear Segment:

Net sales from the Wholesale Footwear segment accounted for $468,204 or 68% and $310,176 or 65% of our total net sales for the first nine months of 2011 and 2010, respectively. The 51% increase in net sales period over period was partially due to the inclusion of net sales from our Topline, Target and Olsenboye businesses, none of which were included in the net sales line last year. In addition, organic growth in our Steve Madden Women's and Madden Girl as well as a 51% sales increase in our international business contributed to our net sales increase in the third quarter of 2011. Finally, two new brands, Big Buddha® shoes, which began shipping in the third quarter of 2010, and Betsey Johnson® shoes, which began shipping in the first quarter of 2011, also contributed to the increase in net sales.

Gross profit margin decreased to 34.0% in the first nine months of this year from 40.0% in the same period last year, due to sales mix shifts as a result of the addition of the Topline business and the inclusion of the Company's Target private label and Olsenboye footwear businesses in net sales. In the first nine months of 2011, operating expenses increased to $85,602 from $58,884 in the same period of 2010, primarily due to incremental costs associated with our recently acquired Topline business and our new Betsey Johnson® and Big Buddha® shoe businesses. As a percentage of sales, operating expenses improved to 18.3% in the first nine months of 2011 from 19.0% in the same period of last year. Income from operations for the Wholesale Footwear Segment increased to $73,713 for the nine-month period ended September 30, 2011 compared to $65,045 for the same period of 2010.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for $119,480 or 17% and $75,161 or 16% of total Company net sales for the nine months ended September 30, 2011 and 2010, respectively. The 59% increase in net sales period over period was primarily due to our new Cejon business that we acquired in the second quarter of this year. In addition, net sales increases in our Big Buddha®, Madden Zone, Steve Madden® handbags and belt businesses contributed to our net sales increase during the period ended September 30, 2011.

Gross profit margin in the Wholesale Accessories segment decreased to 35.3% in the first nine months of this year from 39.0% in the same period last year, primarily due to the addition of our Cejon cold weather accessories business which typically achieves lower gross margins than our existing handbag and belt businesses. In the first nine months of 2011, operating expenses increased to $23,593 compared to $17,139 in the first nine months of 2010, primarily due to the incremental costs related to our recently acquired Cejon business. As a percentage of sales, operating expenses improved to 19.7% in the first nine months of 2011 from 22.8% in the same period of last year. Income from operations for the Wholesale Accessories segment increased 53.0% to $18,620 for the nine months ended September 30, 2011 compared to $12,169 for the same period of 2010.

Retail Segment:

In the first nine months of 2011 net sales from the Retail segment accounted for $101,110 or 15% of our total net sales compared to $89,053 or 19% in the same period last year. We opened eight new stores, acquired one store as part of the acquisition of Topline and closed nine under-performing stores during the twelve months ended September 30, 2011. As a result, we had 82 retail stores as of September 30, 2011 and 2010. The 82 stores currently in operation include 72 Steve Madden full price stores, five Steve Madden outlet stores, three Steven stores, one Report store and one e-commerce website. Comparable store sales (sales of those stores, including the e-commerce website, that were open throughout the first nine months of 2011 and 2010) increased 12.0% in the first nine months of this year. The gross margin in the Retail segment increased to 60.5% in the nine months ended September 30, 2011 from 59.6% in the first nine months of 2010 primarily due to a decrease in promotional selling. During the nine months ended September 30, 2011, operating expenses decreased to $52,982 from $53,973 in the same period of last year. This decrease is partially due to a charge of $1,750 in the third quarter of 2010 for the preliminary settlement of a class action lawsuit that was ultimately settled for less, resulting in a credit of $782 in the second quarter of 2011 (see Note W to the Condensed Consolidated Financial Statements). In addition, operating expenses were impacted by a reduction in a number of operating costs as well as by several one-time credits totaling about $1,000. Excluding the impact of the lawsuit settlement and the one-time charges, net income for the nine months ended September 30, 2011 was $6,365 compared to $836 during the same period of 2010. Inclusive of the impact of the lawsuit and the one-time charges, income from operations for the Retail segment was $8,170 in the first nine months of this year compared to a loss from operations of $914 for the same period in 2010.

First Cost Segment:

The First Cost segment generated income from operations of $8,605 for the nine-month period ended September 30, 2011, compared to $14,976 for the comparable period of 2010. The primary reason for this decrease is the transition of our Target private label and Olsenboye footwear businesses from the commission model to the wholesale model in 2011.

Licensing Segment:

During the nine months ended September 30, 2011, licensing income increased to $6,043 from $3,024 in the same period of last year, primarily due to the incremental licensing revenue generated by our recently acquired Betsey Johnson® intellectual property assets.

LIQUIDITY AND CAPITAL RESOURCES
($ in thousands)

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc ("Rosenthal"). The agreement provides us with a credit facility in the amount of $30,000, having a sub-limit of $15,000 on the aggregate face amount of letters of credit, at an interest rate based, at our election, upon either the prime rate or LIBOR. The agreement can be terminated by the Company or Rosenthal at any time with 60 days' prior written notice. As of September 30, 2011, we have no borrowings against the credit facility.

On September 30, 2011, we had working capital of $197,553. We had cash and cash equivalents of $35,141, investments in marketable securities of $76,659 and we did not have any long term debt.

Management believes that based upon our current financial position and available cash and marketable securities, we will meet all of our financial commitments and operating needs for at least the next twelve months.

OPERATING ACTIVITIES
($ in thousands)

During the nine-month period ended September 30, 2011, net cash provided by operating activities was $7,385. The primary source of cash was the net income for the nine months ended September 30, 2011. An additional source of cash was provided by the increase of accounts payable and other accrued expenses of $41,969. The primary uses of cash were an increase in due from factor of $53,184, an increase in accounts receivable of $40,030 and an increase in inventory of $25,301 primarily due to our new acquisitions, Topline and Cejon.

INVESTING ACTIVITIES
($ in thousands)

During the nine-month period ended September 30, 2011, the Company received $64,885 from the maturities and sales of securities and invested $13,983 in marketable securities. We also paid $85,234 for the acquisitions of Topline and Cejon. Additionally, during this period, the Company made capital expenditures of $12,246, principally for systems enhancements, the six new stores that opened in the current period and leasehold improvements to our showrooms and offices.

FINANCING ACTIVITIES
($ in thousands)

During the nine-month period ended September 30, 2011, we received $4,005 in cash and realized a tax benefit of $4,178 in connection with the exercise of stock options.

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CONTRACTUAL OBLIGATIONS
($ in thousands)

Our contractual obligations as of September 30, 2011 were as follows:

	Payment due by period				
Contractual Obligations	Total	Remainder of 2011	2012-2013	2014-2015	2016 and after
Operating lease obligations	$148,505	$5,556	$41,785	$37,196	$63,968
Purchase obligations	126,548	126,548	—	—	—
Contingent payment liability	40,023	3,787	22,501	9,360	4,375
Other long-term liabilities (future minimum royalty payments)	2,048	355	1,693	—	—
Total	$317,124	$136,246	$65,979	$46,556	$68,343

At September 30, 2011, we had open letters of credit for the future purchase of inventory of approximately $4,129.

We have an employment agreement with Steven Madden, our Creative and Design Chief and a principal stockholder of the Company, which provides for an annual base salary of $600 subject to certain specified adjustments through December 31, 2019. The agreement also provides for annual bonuses based on EBITDA, revenue of any new business and royalty income over $2,000, plus an equity grant and a non-accountable expense allowance.

We have employment agreements with certain executive officers, which provide for the payment of compensation aggregating approximately $685 during the remaining three months of 2011, $2,236 in 2012 and $1,025 in 2013. In addition, some of the employment agreements provide for discretionary bonuses or provide for incentive compensation based on various performance criteria as well as other benefits including stock options.

In connection with our acquisition of Cejon on May 25, 2011, we are subject to potential earn-out payments to the seller of Cejon based on the annual performance of Cejon for each of the twelve-month periods ending on June 30, 2012 through 2016, inclusive. In connection with our acquisition of Topline on May 20, 2011, we are subject to potential earn-out payments to the seller of Topline based on the performance of Topline for the twelve-month period ending on June 30, 2012. In connection with our acquisition of Big Buddha during the first fiscal quarter of 2010, we are subject to potential earn-out payments to the seller of Big Buddha based on the annual performance of Big Buddha for each of the twelve month periods ending on March 31, 2012 and 2013.

Approximately ninety-nine percent (99%) of our products are produced overseas by unrelated foreign manufacturing companies, the majority of which are located in China, with the remaining located in Brazil, Italy, India, Spain and Mexico. We have not entered into any long-term manufacturing or supply contracts with any of these foreign companies. We believe that a sufficient number of alternative sources exist outside of the United States for the manufacture of our products. We currently make approximately 99% of our purchases in U.S. dollars.

INFLATION

We do not believe that the price inflation experienced over the last few years in the United States has had a significant effect on the Company's sales or profitability. Historically, we have minimized the impact of product cost increases by improving operating efficiencies, changing suppliers and increasing prices. However, no assurance can be given that we will be able to offset any such inflationary cost increases in the future. We are currently seeing increases in our cost of goods from southern China averaging approximately 5% to 8%. We are working to mitigate this pressure by shifting some production to northern China, where costs remain lower, and to a lesser extent, to other countries such as Mexico. We are also raising prices on select items with fresh materials or styling and, to date, have not seen resistance to these price increases. Putting this all together, the net impact of all these changes on gross margin was not material in the first nine months of 2011, and we expect that to be the case in the near term as well.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. Estimates by their nature are based on judgments and available information. Our estimates are made based upon historical factors, current circumstances and the experience and judgment of management. Assumptions and estimates are evaluated on an ongoing basis and we may employ outside experts to assist in evaluations. Therefore, actual results could materially differ from those estimates under different assumptions and conditions. Management believes the following critical accounting estimates are more significantly affected by judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements: allowance for bad debts, returns, and customer chargebacks; inventory valuation; valuation of intangible assets; litigation reserves and cost of sales.

Allowances for bad debts, returns and customer chargebacks. We provide reserves against our trade accounts receivables for future customer chargebacks, co-op advertising allowances, discounts, returns and other miscellaneous deductions that relate to the current period. The reserve against our non-factored trade receivables also includes estimated losses that may result from customers' inability to pay. The amount of the reserve for bad debts, returns, discounts and compliance chargebacks are determined by analyzing aged receivables, current economic conditions, the prevailing retail environment and historical dilution levels for customers. We evaluate anticipated customer markdowns and advertising chargebacks by reviewing several performance indicators for our major customers. These performance indicators (which include inventory levels at the retail floors, sell through rates and gross margin levels) are analyzed by Management to estimate the amount of the anticipated customer allowance. Failure to correctly estimate the amount of the reserve could materially impact our results of operations and financial position.

Inventory valuation. Inventories are stated at lower-of-cost or market, on a first-in, first-out basis. We review inventory on a regular basis for excess and slow moving inventory. The review is based on an analysis of inventory on hand, prior sales, and expected net realizable value through future sales. The analysis includes a review of inventory quantities on hand at period-end in relation to year-to-date sales and projections for sales in the foreseeable future as well as subsequent sales. We consider quantities on hand in excess of estimated future sales to be at risk for market impairment. The net realizable value, or market value, is determined based on the estimate of sales prices of such inventory through off-price or discount store channels. The likelihood of any material inventory write-down is dependent primarily on the expectation of future consumer demand for our products. A misinterpretation or misunderstanding of future consumer demand for our products, the economy, or other failure to estimate correctly, in addition to abnormal weather patterns, could result in inventory valuation changes compared to the valuation determined to be appropriate as of the balance sheet date.

Valuation of intangible assets. Accounting Standards Codification ("ASC") Topic 350, "Intangible – Goodwill and Other", requires that goodwill and intangible assets with indefinite lives no longer be amortized, but rather be tested for impairment at least annually. This pronouncement also requires that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with ASC Topic 360, "Property, Plant and Equipment" ("ASC Topic 360"). In accordance with ASC Topic 360, long-lived assets, such as property, equipment, leasehold improvements and goodwill subject to amortization, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Litigation reserves. Estimated amounts for litigation claims that are probable and can be reasonably estimated are recorded as liabilities in our Condensed Consolidated Financial Statements. The likelihood of a material change in these estimated reserves would be dependent on new claims as they may arise and the favorable or unfavorable events of a particular litigation. As additional information becomes available, management will assess the potential liability related to the pending litigation and revise its estimates. Such revisions in management’s estimates of a contingent liability could materially impact our results of operation and financial position.

Cost of sales. All costs incurred to bring finished products to our distribution center and, in the Retail segment, the costs incurred to bring products to our stores are included in the cost of sales line item on our Condensed Consolidated Statement of Income. These include the cost of finished products, purchase commissions, letter of credit fees, brokerage fees, material and labor and related items, sample expenses, custom duty, inbound freight, royalty payments on licensed products, labels and product packaging. All warehouse and distribution costs are included in the operating expenses line item of our Condensed Consolidated Statements of Income. We classify shipping costs to customers, if any, as operating expense. Our gross profit margins may not be comparable to other companies in the industry because some companies may include warehouse and distribution costs as a component of cost of sales, while other companies report on the same basis as we do and include them in operating expenses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
($ in thousands)

We do not engage in the trading of market risk sensitive instruments in the normal course of business. Our financing arrangements are subject to variable interest rates, primarily based on the prime rate and LIBOR. The summarized terms of our collection agency agreements with Rosenthal & Rosenthal can be found in the Liquidity and Capital Resources section under Item 2 and in Note E to the notes to the Condensed Consolidated Financial Statements included in this Quarterly Report.

As of September 30, 2011, we held marketable securities valued at $76,659, which consist primarily of corporate and U.S. government and federal agency bonds. These investments are subject to interest rate risk and will decrease in value if market interest rates increase. We have the ability to hold these investments until maturity. In addition, any decline in interest rates would be expected to reduce our interest income.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter covered by this Quarterly Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were, as of the end of the fiscal quarter covered by this Quarterly Report, effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated our internal controls over financial reporting to determine whether any changes occurred during the quarter covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this Quarterly Report.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
($ in thousands)

On June 24, 2009, a class action lawsuit, Shahrzad Tahvilian, et al. v. Steve Madden Retail, Inc. and Steve Madden, Ltd., Case No. BC 414217, was filed in the Superior Court of California, Los Angeles County, against the Company and its wholly-owned subsidiary alleging violations of California labor laws. The parties submitted the dispute to private mediation and, on August 31, 2010, reached a settlement on all claims. Based on the proposed settlement, the Company increased its reserve for this claim from $1,000 to $2,750 in the third quarter of 2010. In June of 2011, the court approved the final settlement for $1,968. The payment of the final settlement did not have a material effect on the Company’s financial position.

On August 10, 2005, following the conclusion of an audit of the Company conducted by auditors for U.S. Customs and Border Protection ("U.S. Customs") during 2004 and 2005, U.S. Customs issued a report that asserts that certain commissions that the Company treated as "buying agents' commissions" (which are non-dutiable) should be treated as "selling agents' commissions" and hence are dutiable. Subsequently, U.S. Immigration and Customs Enforcement notified the Company's legal counsel that a formal investigation of the Company's importing practices had been commenced as a result of the audit. In September of 2007, U.S. Customs notified the Company that it had finalized its assessment of the underpaid duties at $1,400. The Company, with the advice of legal counsel, evaluated the liability in the case, including additional duties, interest and penalties, and believed that it was not likely to exceed $3,045, and accordingly, a reserve for this amount was recorded as of December 31, 2009. The Company contested the conclusions of the U.S. Customs audit and filed a request for review and issuance of rulings thereon by U.S. Customs Headquarters, Office of Regulations and Rulings, under internal advice procedures. On September 20, 2010, the Company was advised by legal counsel that U.S. Customs had issued a ruling in the matter, concluding that the commissions paid by the Company pursuant to buying agreements entered into by the Company and one of its two buying agents under review were bona fide buying-agent commissions and, therefore, were non-dutiable. With respect to the second buying agent, U.S. Customs also ruled that beginning in February of 2002, commissions paid by the Company were bona fide buying agent commissions and, therefore, were non-dutiable. However, U.S. Customs found that the Company's pre-2002 buying agreements with the second agent were legally insufficient to substantiate a buyer-buyer's agent relationship between the Company and the agent and that commissions paid to the second agent under such buying agreements, in fact, were dutiable. The Company is reviewing the ruling, its consequences and the Company's options with its legal counsel. On the basis of the U.S. Customs ruling, the Company reevaluated the liability in the case and believes that it is not likely to exceed $1,248 and the reserve was reduced from $3,045 to such amount as of September 30, 2010.

U.S. Customs has not made a formal claim for collection of the duties allegedly owed and, as the statute of limitations for commencement of a collection claim is expiring, U.S. Customs has requested a waiver from the Company of the statute of limitations until December 5, 2013. The Company has submitted a proposed waiver of the statute of limitations to U.S. Customs in this regard the terms of which have not yet been agreed upon. If the Company and U.S. Customs do not reach agreement regarding the terms of the waiver, the statute of limitations for the commencement of a collection action will expire on December 5, 2011.

We have been named as a defendant in certain other lawsuits in the normal course of business. In the opinion of management, after consulting with legal counsel, the liabilities, if any, resulting from these matters should not have a material effect on our financial condition or results of operations. It is the policy of management to disclose the amount or range of reasonably possible losses in excess of recorded amounts.

Certain other legal proceedings in which we are involved are discussed in Note N to our Condensed Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and in Part I Item 3 of that Annual Report. Unless otherwise indicated in this Quarterly Report, all proceedings discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 which are not indicated therein as having been dismissed or otherwise concluded remain outstanding.

ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following materials from Steven Madden, Ltd.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Income; (iii) the Condensed Consolidated Statements of Cash Flows; and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.*

* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filing, except to the extent the Company specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: November 9, 2011

STEVEN MADDEN, LTD.

By: /s/ EDWARD R. ROSENFELD
Edward R. Rosenfeld
Chairman and Chief Executive Officer

By: /s/ ARVIND DHARIA
Arvind Dharia
Chief Financial Officer and Chief Accounting Officer

Exhibit Index

Exhibit No.	Description
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