

PIMCO CALIFORNIA MUNICIPAL INCOME FUND II

Form N-CSR

August 02, 2013

[Table of Contents](#)

**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 811-21077

**PIMCO California Municipal Income Fund II**

(Exact name of registrant as specified in charter)

1633 Broadway, New York, New York  
(Address of principal executive offices)

10019  
(Zip code)

**Lawrence G. Altadonna - 1633 Broadway, New York, New York 10019**

(Name and address of agent for service)

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

**Date of fiscal year end: May 31, 2013**

**Date of reporting period: May 31, 2013**

**Table of Contents**

Item 1. REPORT TO SHAREHOLDERS

PIMCO Municipal Income Fund II

PIMCO California Municipal Income Fund II

PIMCO New York Municipal Income Fund II

**Annual Report**

**May 31, 2013**

**Table of Contents**

Contents

2-3	<u>Letter to Shareholders</u>
4	<u>Fund Insights</u>
5-6	<u>Fund Performance and Statistics</u>
7-28	<u>Schedules of Investments</u>
29	<u>Statements of Assets and Liabilities</u>
30	<u>Statements of Operations</u>
32-33	<u>Statements of Changes in Net Assets</u>
34-47	<u>Notes to Financial Statements</u>
48-50	<u>Financial Highlights</u>
51	<u>Report of Independent Registered Public Accounting Firm</u>
52	<u>Tax Information</u>
53	<u>Annual Shareholder Meeting Results</u>
54-55	<u>Privacy Policy/Proxy Voting Policies &amp; Procedures</u>
56-57	<u>Dividend Reinvestment Plan</u>
58-59	<u>Board of Trustees</u>
60	<u>Fund Officers</u>

**Table of Contents**

Letter from the Chairman

and President & CEO

Hans W. Kertess

*Chairman of the Board of Trustees*

Brian S. Shlissel

*President & Chief Executive Officer*

Dear Shareholder:

Despite periodic setbacks, the municipal bond market generated positive results during the fiscal 12-month reporting period ended May 31, 2013. In particular, longer-term, lower credit municipals were particularly favorable during the period as investors were drawn to higher yielding securities.

For the fiscal 12-month period ended May 31, 2013:

n PIMCO Municipal Income Fund II advanced 8.86% on net asset value ( NAV ) and 3.41% on market price.

n PIMCO California Municipal Income Fund II rose 12.22% on NAV and 11.41% on market price.

n PIMCO New York Municipal Income Fund II increased 6.60% on NAV and 4.14% on market price.

**Twelve Months in Review**

The US economy continued to grow during the fiscal 12-month reporting period, but the pace of the expansion was far from robust. 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, grew at an annual pace of 1.3% during the second quarter of 2012. GDP growth accelerated to a 3.1% annual pace during the third quarter of 2012, before declining to a 0.4% annual pace during the fourth quarter of 2012. GDP growth rebounded to an 1.8% annual rate during the first quarter of 2013.

The Federal Reserve (the Fed ) initiated a number of actions to support the economy and reduce unemployment. In September 2012, the Fed introduced a third round of quantitative easing which entailed purchasing \$40 billion of

mortgage securities each month. Toward the end of 2012, the Fed revealed that it would continue

the purchase of \$40 billion mortgage securities each month, in addition to purchasing \$45 billion per month of longer-term Treasuries on an open-ended basis. At its meeting in December 2012, the Fed indicated that it expected to maintain the Fed Funds rate in the 0.0% to 0.25% range as long as the unemployment rate remains above 6.5%, provided that inflation remains well contained. The Fed maintained this stance at its meetings in January, March and May 2013.

US Treasury bond yields moved higher during the 12-months ended May 31, 2013. At the beginning of the fiscal period, the benchmark ten-year Treasury bond was yielding 1.59%, ending the period at 2.16%. In July 2012, the yield on the benchmark ten-year Treasury bond fell to a record low 1.43%. This downward trend reflected a variety of factors, such as Europe's ongoing sovereign debt crisis, uncertainties regarding fiscal policy and decelerating global economic growth. The benchmark ten-year Treasury bond moved sharply higher in May 2013, due to generally positive economic data and concerns that the Fed may begin to taper its quantitative easing program later in the year.

Overall, the municipal bond market was aided by solid demand and attractive yields. As the economy continued to expand, tax revenues increased, which supported many municipalities and helped to improve their fiscal situations. In addition, many municipalities initiated actions to reduce expenditures and address pension funding issues. That being said, the municipal bond market, along with the overall taxable fixed income market, weakened toward the end of the reporting period as Treasury yields increased sharply.

2 May 31, 2013 | Annual Report

**Table of Contents**

**Outlook**

While unemployment remains well above the Fed's 6.5% target, there has been an increase in market volatility and rising Treasury yields. This was partially triggered by expectations that the Fed may begin tapering the amount of quantitative easing. Our belief is that the Fed will want more evidence that the economy is on solid footing prior to adjusting monetary policy. We expect tapering could be more of an issue in 2014. That being said, we may continue to experience

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periods of heightened volatility given incoming economic data and the market's attempts to anticipate future Fed actions.

For specific information on the Funds and their performance, please review the following pages. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds shareholder servicing agent at (800) 254-5197. In addition, a wide range of information and resources is available on our website, [us.allianzgi.com/closedendfunds](http://us.allianzgi.com/closedendfunds).

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess  
*Chairman of the Board of Trustees*

Brian S. Shlissel  
*President & Chief Executive Officer*

## **Table of Contents**

### **Fund Insights**

PIMCO Municipal Income Fund II

PIMCO California Municipal Income Fund II

PIMCO New York Municipal Income Fund II

PIMCO Municipal Income Fund II advanced 8.86% on net asset value ( NAV ) and 3.41% on market price.

PIMCO California Municipal Income Fund II rose 12.22% on NAV and 11.41% on market price.

PIMCO New York Municipal Income Fund II increased 6.60% on NAV and 4.14% on market price.

The municipal bond market generated positive results during the fiscal 12-month reporting period ended May 31, 2013. The overall municipal market, as measured by the Barclays Municipal Bond Index (the Index ), posted positive returns during five of the first six months of the period. During this time, many states benefited from positive year-over-year tax receipts and new issuance was not sufficient to meet robust investor demand. The Index declined in December 2012, as investor sentiment weakened due to uncertainties related to the fiscal cliff and future tax-favored status of municipal bonds. The Index again rallied in January and February 2013, as municipal bonds maintained their tax-exempt status and solid demand resumed. However, there was another sell-off in March, as new supply increased sharply, demand waned and Treasury yields moved higher. After another rally in April, the market declined in May amid sharply rising Treasury yields. All told, during the 12-month period, the Index returned 3.05%. In comparison, the overall taxable fixed income

market, as measured by the Barclays US Aggregate Bond Index, gained 0.91% during the same period.

A shorter duration than the benchmark contributed positively to the performance of Municipal II as municipal yields moved higher across the yield curve during the 12-month reporting period. Conversely, duration positioning detracted from the performance of New York Municipal Income II and California Municipal Income II.

Each of the Funds benefited from an overweighting to the Industrial Revenue and Tobacco sectors given their outperformance versus the Index. Municipal Income II and California Municipal II were rewarded for their overweighting to revenue-backed municipal bonds as they outperformed the Index. Municipal II and New York Municipal II held overweight positions in the Health Care sector, which was beneficial as the sector outperformed the Index.

An underweight exposure to the Transportation sector detracted from the returns of all three Funds as this sector outperformed in comparison to the Index. Municipal II s and California Municipal II s underweighting to the Education sector was detrimental given its outperformance versus the Index. New York Municipal II s exposure to the Water and Sewer Utility sector detracted from results during the reporting period.



**Table of Contents****Fund Performance and Statistics**

## PIMCO Municipal Income Funds II

May 31, 2013 (unaudited)

**Municipal Income II**

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	3.41%	8.86%
5 Year	4.47%	4.91%
10 Year	4.97%	5.08%
Commencement of Operations (6/28/02) to 5/31/13	5.02%	5.47%

**Market Price/NAV Performance:**

Commencement of Operations (6/28/02) to 5/31/13

**Market Price/NAV:**

Market Price	\$12.19
NAV	\$12.17
Premium to NAV	0.16%
Market Price Yield <sup>(2)</sup>	6.40%
Leverage Ratio <sup>(3)</sup>	35.68%

**Moody's Rating**

(as a % of total investments)

**California Municipal Income II**

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	11.41%	12.22%
5 Year	2.48%	1.45%
10 Year	4.09%	2.99%
Commencement of Operations (6/28/02) to 5/31/13	4.13%	3.47%

**Market Price/NAV Performance:**

Commencement of Operations (6/28/02) to 5/31/13

**Market Price/NAV:**

Market Price	\$10.51
NAV	\$8.93
Premium to NAV	17.69%
Market Price Yield <sup>(2)</sup>	6.43%
Leverage Ratio <sup>(3)</sup>	41.61%

**Moody's Rating**

(as a % of total investments)

**Table of Contents****Fund Performance and Statistics**

## PIMCO Municipal Income Funds II

May 31, 2013 (unaudited) (continued)

**New York Municipal Income II**

<b>Total Return<sup>(1)</sup>:</b>	<b>Market Price</b>	<b>NAV</b>
1 Year	4.14%	6.60%
5 Year	3.70%	3.82%
10 Year	4.80%	4.51%
Commencement of Operations (6/28/02) to 5/31/13	4.73%	4.72%

**Market Price/NAV Performance:**

Commencement of Operations (6/28/02) to 5/31/13

**Market Price/NAV:**

Market Price	\$12.01
NAV	\$11.32
Premium to NAV	6.10%
Market Price Yield <sup>(2)</sup>	6.62%
Leverage Ratio <sup>(3)</sup>	41.35%

**Moody's Rating**

(as a % of total investments)

(1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. The calculation assumes that all dividends and distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges in connection with the purchase or sale of Fund shares.

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

An investment in the Funds involves risk, including the loss of principal. Total return, market price, market price yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. There is a one time public offering and once issued, shares of closed-end funds are traded in the open market through a stock exchange. NAV is equal to total assets attributable to common shareholders less total liabilities divided by the number of common shares outstanding. Holdings are subject to change daily.

(2) Market Price Yield is determined by dividing the annualized current monthly dividend per common share (comprised of net investment income) by the market price per common share at May 31, 2013.

(3) Represents Floating Rate Note transactions and Preferred Shares outstanding (collectively Leverage ), as a percentage of total managed assets. Total managed assets refer to total assets (including assets attributable to Leverage) minus accrued liabilities (other than liabilities representing Leverage).

**Table of Contents****Schedule of Investments**

PIMCO Municipal Income Fund II

May 31, 2013

Principal Amount (000s)		Value
<b>Municipal Bonds &amp; Notes 98.5%</b>		
<b>Alabama 1.3%</b>		
	Birmingham-Baptist Medical Centers Special Care Facs. Financing Auth. Rev.,	
\$ 10,000	Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	\$ 10,400,700
	Montgomery BMC Special Care Facs. Financing Auth. Rev.,	
1,235	5.00%, 11/15/29, Ser. B (NPFGC)	1,238,149
2,000	State Docks Department Rev., 6.00%, 10/1/40	2,374,500
		14,013,349
<b>Arizona 6.8%</b>		
	Health Facs. Auth. Rev., Banner Health,	
3,500	5.00%, 1/1/35, Ser. A	3,683,680
2,860	5.50%, 1/1/38, Ser. D	3,150,433
	Pima Cnty. Industrial Dev. Auth. Rev.,	
29,700	5.00%, 9/1/39	30,942,648
1,500	Tucson Electric Power Co., 5.25%, 10/1/40, Ser. A	1,636,800
	Pinal Cnty. Electric Dist. No. 3 Rev.,	
1,750	5.25%, 7/1/36	1,899,590
3,700	5.25%, 7/1/41	3,974,022
	Salt River Project Agricultural Improvement & Power Dist. Rev.,	
10,000	5.00%, 1/1/39, Ser. A (h)	11,198,800
17,900	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	19,642,207
		76,128,180
<b>California 15.4%</b>		
	Bay Area Toll Auth. Rev., San Francisco Bay Area,	
6,000	5.00%, 10/1/29	6,838,380
1,430	5.00%, 4/1/34, Ser. F-1	1,590,031
	Foothill-Eastern Transportation Corridor Agcy. Rev., 5.875%, 1/15/26	
1,565	(IBC-NPFGC)	1,602,341
	Golden State Tobacco Securitization Corp. Rev.,	
2,000	5.00%, 6/1/45, Ser. A	2,079,020
10,000	5.30%, 6/1/37, Ser. A-2	9,393,500
20,035	5.75%, 6/1/47, Ser. A-1	18,816,872
2,000	Hayward Unified School Dist., GO, 5.00%, 8/1/33	2,121,360
	Health Facs. Financing Auth. Rev.,	
1,500	Scripps Health, 5.00%, 11/15/36, Ser. A	1,624,275

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6,300	Sutter Health, 5.00%, 11/15/42, Ser. A (IBC-NPFGC)	6,633,270
2,000	Sutter Health, 5.00%, 8/15/52, Ser. A	2,122,940
3,000	Sutter Health, 6.00%, 8/15/42, Ser. B	3,567,660
	Indian Wells Redev. Agcy., Tax Allocation, Whitewater Project,	
1,500	4.75%, 9/1/34, Ser. A (AMBAC)	1,395,465
2,000	Los Angeles Community College Dist., GO, 5.00%, 8/1/32, Ser. A (FGIC-NPFGC)	2,224,540
4,000	Los Angeles Department of Water & Power Rev., 5.00%, 7/1/39, Ser. A-1 (AMBAC)	4,304,440
5,000	Los Angeles Unified School Dist., GO, 5.00%, 7/1/30, Ser. E (AMBAC)	5,334,500
1,750	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	2,310,508
2,000	Montebello Unified School Dist., GO, 5.00%, 8/1/33 (AGM)	2,201,720
2,985	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	3,510,748
3,000	Newport Beach Rev., Hoag Memorial Hospital Presbyterian, 5.875%, 12/1/30	3,614,700

**Table of Contents****Schedule of Investments**

## PIMCO Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
<b>California (continued)</b>		
\$ 500	Peralta Community College Dist., GO, 5.00%, 8/1/39, Ser. C	\$ 542,630
2,000	San Diego Cnty. Water Auth., CP, 5.00%, 5/1/38, Ser. 2008-A (AGM)	2,202,240
3,300	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	3,589,806
	Santa Clara Cnty. Financing Auth. Rev., El Camino Hospital,	
2,000	5.75%, 2/1/41, Ser. A (AMBAC)	2,190,360
	State, GO,	
2,925	5.00%, 11/1/32	3,208,988
1,590	5.00%, 6/1/37	1,713,050
5,200	5.125%, 8/1/36	5,742,308
2,500	5.25%, 3/1/38	2,759,425
5,945	5.25%, 11/1/40	6,655,368
5,750	5.50%, 3/1/40	6,674,140
9,500	6.00%, 4/1/38	11,302,150
	Statewide Communities Dev. Auth. Rev.,	
2,970	California Baptist Univ., 5.75%, 11/1/17, Ser. B (a)(d)	3,216,569
785	California Baptist Univ., 6.50%, 11/1/21	922,665
1,000	Cottage Health, 5.00%, 11/1/40	1,080,140
4,890	Methodist Hospital Project, 6.625%, 8/1/29 (FHA)	5,940,617
17,415	Methodist Hospital Project, 6.75%, 2/1/38 (FHA)	20,768,258
5,690	Sutter Health, 6.00%, 8/15/42, Ser. A	6,766,662
4,725	Torrance Rev., Torrance Memorial Medical Center, 5.00%, 9/1/40, Ser. A	5,062,082
		171,623,728
<b>Colorado 1.8%</b>		
5,800	Aurora Rev., Children's Hospital Assoc., 5.00%, 12/1/40	6,216,324
1,000	Denver Health & Hospital Auth. Rev., 5.625%, 12/1/40	1,105,620
	Health Facs. Auth. Rev., Ser. A,	
1,000	American Baptist Homes, 5.90%, 8/1/37	1,009,790
2,500	Catholic Health Initiatives, 5.00%, 2/1/41	2,678,675
500	Evangelical Lutheran, 6.125%, 6/1/38 (Pre-refunded @ \$100 6/1/14) (c)	528,945
6,045	Sisters of Charity of Leavenworth Health System, 5.00%, 1/1/40	6,506,899
1,430	Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	1,916,457
		19,962,710
<b>Connecticut 0.3%</b>		
1,250	Harbor Point Infrastructure Improvement Dist., Tax Allocation,	1,422,925

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7.875%, 4/1/39, Ser. A

State Health & Educational Fac. Auth. Rev., Hartford Healthcare,

2,000	5.00%, 7/1/41, Ser. A	2,128,240
		3,551,165

**District of Columbia 0.9%**

8,070	Dist. of Columbia Rev., 5.00%, 12/1/23, Ser. A	9,871,708
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**Florida 4.8%**

1,000	Brevard Cnty. Health Facs. Auth. Rev., Health First, Inc. Project, 7.00%, 4/1/39	1,213,960
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12,100	Broward Cnty. Airport System Rev., 5.00%, 10/1/42, Ser. Q-1	13,082,157
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600	5.375%, 10/1/29, Ser. O	680,376
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8 May 31, 2013 | Annual Report



**Table of Contents****Schedule of Investments**

## PIMCO Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
<b>Florida (continued)</b>		
\$ 8,500	Broward Cnty. Water & Sewer Utility Rev., 5.25%, 10/1/34, Ser. A (h)	\$ 9,666,880
1,000	Clearwater Water & Sewer Rev., 5.25%, 12/1/39, Ser. A	1,105,680
340	Dev. Finance Corp. Rev., Renaissance Charter School, 6.50%, 6/15/21, Ser. A	393,570
	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System,	
3,000	5.625%, 11/15/37, Ser. B	3,394,440
6,795	Jacksonville Health Facs. Auth. Rev., Ascension Health, 5.25%, 11/15/32, Ser. A	6,875,453
3,000	Leesburg Hospital Rev., Leesburg Regional Medical Center Project, 5.50%, 7/1/32	3,002,430
500	Sarasota Cnty. Health Facs. Auth. Rev., 5.75%, 7/1/37	495,470
7,900	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (h)	8,930,476
5,000	Sumter Landing Community Dev. Dist. Rev., 4.75%, 10/1/35, Ser. A (NPFGC)	5,073,250
		53,914,142
<b>Georgia 0.4%</b>		
1,500	Atlanta Airport Rev., 5.00%, 1/1/40, Ser. A	1,646,730
	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project,	
2,775	5.25%, 7/1/37	2,759,876
		4,406,606
<b>Illinois 6.4%</b>		
	Chicago,	
2,500	GO, 5.00%, 1/1/34, Ser. C	2,631,350
2,758	Special Assessment, Lake Shore East, 6.625%, 12/1/22	2,824,661
5,856	Special Assessment, Lake Shore East, 6.75%, 12/1/32	5,995,314
1,250	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/38, Ser. A (AGC)	1,295,900
	Finance Auth. Rev.,	
2,500	Christian Homes, Inc., 5.75%, 5/15/31, Ser. A	2,644,100
250	Leafs Hockey Club Project, 6.00%, 3/1/37, Ser. A (b)(e)	85,000
700	OSF Healthcare System, 7.125%, 11/15/37, Ser. A	837,592
2,000	Provena Health, 6.00%, 5/1/28, Ser. A	2,305,620
5,000	Univ. of Chicago, 5.50%, 7/1/37, Ser. B (h)	5,821,650
37,000	Sports Facs. Auth. Rev., 5.50%, 6/15/30 (AMBAC)	39,358,380
	Village of Hillside, Tax Allocation, Mannheim Redev. Project,	
3,880	6.55%, 1/1/20	4,026,199
2,900	7.00%, 1/1/28	2,889,328

70,715,094

<b>Indiana 0.5%</b>		
1,500	Finance Auth. Rev., Duke Energy Indiana, Inc., 6.00%, 8/1/39, Ser. B	1,683,900
	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc.,	
990	5.80%, 9/1/47 (a)(d)	1,030,946
1,900	7.50%, 9/1/22	2,450,772
		5,165,618
<b>Iowa 2.4%</b>		
	Finance Auth. Rev.,	
250	Deerfield Retirement Community, Inc., 5.50%, 11/15/27, Ser. A	161,845
1,075	Deerfield Retirement Community, Inc., 5.50%, 11/15/37, Ser. A	695,063
4,500	Edgewater LLC Project, 6.75%, 11/15/42	4,758,840
5,000	Fertilizer Company Project, 5.25%, 12/1/25	5,162,900

**Table of Contents****Schedule of Investments**

## PIMCO Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
<b>Iowa (continued)</b>		
\$ 5,000	Fertilizer Company Project, 5.50%, 12/1/22	\$ 5,228,400
10,350	Tobacco Settlement Auth. Rev., 5.60%, 6/1/34, Ser. B	10,311,912
		26,318,960
<b>Kansas 0.1%</b>		
500	Dev. Finance Auth. Rev., Adventist Health, 5.75%, 11/15/38	567,475
850	Manhattan Rev., Meadowlark Hills Retirement, 5.00%, 5/15/36, Ser. A	852,389
		1,419,864
<b>Kentucky 0.1%</b>		
	Economic Dev. Finance Auth. Rev., Owensboro Medical Healthcare Systems,	
1,000	6.375%, 6/1/40, Ser. A	1,173,490
<b>Louisiana 1.5%</b>		
	Local Gov't Environmental Facs. & Community Dev. Auth Rev.,	
450	Westlake Chemical Corp., 6.50%, 11/1/35, Ser. A-2	536,409
750	Woman's Hospital Foundation, 5.875%, 10/1/40, Ser. A	877,868
1,000	Woman's Hospital Foundation, 6.00%, 10/1/44, Ser. A	1,173,590
	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project,	
3,300	5.50%, 5/15/47, Ser. B	3,504,864
2,000	6.50%, 5/15/37	2,426,860
	Tobacco Settlement Financing Corp. Rev.,	
7,750	5.875%, 5/15/39, Ser. 2001-B	7,785,882
		16,305,473
<b>Maryland 0.9%</b>		
	Health & Higher Educational Facs. Auth. Rev.,	
1,000	Adventist Healthcare, 5.75%, 1/1/25, Ser. A	1,011,790
1,400	Charlestown Community, 6.25%, 1/1/41	1,597,120
1,010	King Farm Presbyterian Community, 5.30%, 1/1/37, Ser. A	978,266
2,380	Medstar Health, 5.00%, 8/15/41	2,549,908
4,050	Washington Cnty. Hospital, 6.00%, 1/1/43	4,376,471
		10,513,555
<b>Massachusetts 0.9%</b>		
	Dev. Finance Agcy. Rev.,	
4,610	Adventcare Project, 6.75%, 10/15/37, Ser. A	4,894,437
580	Adventcare Project, 7.625%, 10/15/37	657,099
1,000	Foxborough Regional Charter School, 7.00%, 7/1/42, Ser. A	1,142,870

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2,900	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	3,345,556
		10,039,962
<b>Michigan</b>	<b>2.3%</b>	
1,000	Detroit, GO, 5.25%, 11/1/35	1,068,160
5,000	Detroit Water and Sewerage Dept. Rev., 5.25%, 7/1/39, Ser. A	5,326,450
5,000	Detroit Water Supply System Rev., 5.25%, 7/1/41, Ser. A	5,247,850
800	Public Educational Facs. Auth. Rev., Bradford Academy, 6.50%, 9/1/37 (a)(d)	438,304
3,000	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39	3,786,330
10,510	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	9,746,974
		25,614,068

10 May 31, 2013 | Annual Report

**Table of Contents****Schedule of Investments**

## PIMCO Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
<b>Minnesota 0.6%</b>		
\$ 1,500	Minneapolis Rev., Providence Project, 5.75%, 10/1/37, Ser. A	\$ 1,513,455
	North Oaks Rev., Presbyterian Homes North Oaks,	
2,640	6.00%, 10/1/33	2,794,836
1,530	6.125%, 10/1/39	1,623,468
500	Oronoco Rev., Wedum Shorewood Campus Project, 5.40%, 6/1/41	501,635
400	St. Louis Park Rev., Nicollett Health Services, 5.75%, 7/1/39	441,700
		6,875,094
<b>Mississippi 0.0%</b>		
	Dev. Bank Special Obligation Rev., Capital Projects and Equipment Acquisition,	
70	5.00%, 7/1/24, Ser. A-2 (AMBAC)	70,234
<b>Missouri 0.1%</b>		
645	Lee s Summit, Tax Allocation, Summit Fair Project, 5.625%, 10/1/23	686,170
<b>Nevada 0.9%</b>		
10,000	Clark Cnty., GO, 4.75%, 11/1/35 (FGIC-NPFGC) (h)	10,511,700
<b>New Hampshire 0.2%</b>		
2,000	Business Finance Auth. Rev., Elliot Hospital, 6.125%, 10/1/39, Ser. A	2,244,700
<b>New Jersey 6.0%</b>		
950	Burlington Cnty. Bridge Commission Rev., The Evergreens Project, 5.625%, 1/1/38	978,263
	Economic Dev. Auth., Special Assessment, Kapkowski Road Landfill Project,	
4,000	5.75%, 10/1/21	4,378,480
11,405	5.75%, 4/1/31	12,824,010
	Economic Dev. Auth. Rev.,	
525	Arbor Glen, 6.00%, 5/15/28, Ser. A	524,942
2,000	MSU Student Housing Project, 5.875%, 6/1/42	2,255,240
	Health Care Facs. Financing Auth. Rev.,	
1,500	AHS Hospital Corp., 6.00%, 7/1/37	1,799,025
1,500	St. Peters Univ. Hospital, 5.75%, 7/1/37	1,625,100
2,000	State Turnpike Auth. Rev., 5.25%, 1/1/40, Ser. E	2,196,980
	Tobacco Settlement Financing Corp. Rev., Ser. 1-A,	
3,300	4.75%, 6/1/34	2,915,352
23,705	5.00%, 6/1/41	20,975,843
15,000	Transportation Trust Fund Auth. Rev., 5.00%, 6/15/42, Ser. B	16,170,600
		66,643,835

**New Mexico 0.2%**

2,000	Farmington Pollution Control Rev., 5.90%, 6/1/40, Ser. D	2,236,140
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**New York 14.1%**

34,500	Hudson Yards Infrastructure Corp. Rev., 5.25%, 2/15/47, Ser. A Liberty Dev. Corp. Rev.,	38,074,890
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1,000	Bank of America Tower at One Bryant Park Project, 5.125%, 1/15/44	1,086,520
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2,500	Bank of America Tower at One Bryant Park Project, 5.625%, 7/15/47	2,815,725
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1,250	Bank of America Tower at One Bryant Park Project, 6.375%, 7/15/49	1,462,825
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10,000	Goldman Sachs Headquarters, 5.25%, 10/1/35 (h)	11,590,400
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1,505	Goldman Sachs Headquarters, 5.25%, 10/1/35	1,744,355
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3,880	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/36, Ser. D	4,257,641
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**Table of Contents****Schedule of Investments**

## PIMCO Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
<b>New York (continued)</b>		
	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside,	
\$ 1,100	6.70%, 1/1/43, Ser. A	\$ 623,854
	New York City Water & Sewer System Rev.,	
2,830	5.00%, 6/15/37, Ser. D (h)	3,031,807
4,000	Second Generation Resolutions, 4.75%, 6/15/35, Ser. DD (h)	4,326,840
2,000	Second Generation Resolutions, 5.00%, 6/15/39, Ser. GG-1	2,205,140
	New York Liberty Dev. Corp. Rev.,	
10,000	1 World Trade Center Project, 5.00%, 12/15/41	11,020,100
54,000	4 World Trade Center Project, 5.75%, 11/15/51	62,218,260
1,750	State Dormitory Auth. Rev., The New School, 5.50%, 7/1/40	1,968,715
10,005	State Thruway Auth. Rev., 5.00%, 1/1/42, Ser. I	10,891,343
		157,318,415
<b>North Carolina 0.1%</b>		
	Medical Care Commission Rev.,	
550	Salemtowne, 5.10%, 10/1/30	561,743
1,000	Village at Brookwood, 5.25%, 1/1/32	1,025,790
		1,587,533
<b>North Dakota 0.4%</b>		
	Stark Cnty. Healthcare Rev., Benedictine Living Communities,	
3,710	6.75%, 1/1/33	4,018,709
<b>Ohio 3.6%</b>		
	Buckeye Tobacco Settlement Financing Auth. Rev.,	
24,140	6.50%, 6/1/47, Ser. A-2	23,464,321
4,000	Hamilton Cnty. Healthcare Rev., Christ Hospital Project, 5.00%, 6/1/42	4,231,360
3,900	Hamilton Cnty. Sales Tax Rev., 5.00%, 12/1/30, Ser. A	4,290,312
	Higher Educational Fac. Commission Rev., Univ. Hospital Health Systems,	
1,000	6.75%, 1/15/39, Ser. 2009-A (Pre-refunded @ \$100, 1/15/15) (c)	1,103,070
2,000	JobsOhio Beverage System Rev., 5.00%, 1/1/38, Ser. A	2,194,400
	Montgomery Cnty. Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A	
1,000	(Pre-refunded @ \$100, 11/15/14) (c)	1,086,300
3,000	State Rev., Cleveland Clinic Health System, 5.50%, 1/1/39, Ser. B	3,347,910

39,717,673

**Oregon 0.2%**

Clackamas Cnty. Hospital Fac. Auth. Rev., Legacy Health System,

1,000 5.50%, 7/15/35, Ser. A 1,089,050

1,155 State Department of Administrative Services, CP, 5.25%, 5/1/39, Ser. A 1,254,261

2,343,311

**Pennsylvania 4.7%**

Berks Cnty. Municipal Auth. Rev., Reading Hospital Medical Center,

10,000 5.00%, 11/1/44, Ser. A 10,719,400

Cumberland Cnty. Municipal Auth. Rev., Messiah Village Project, Ser. A,

750 5.625%, 7/1/28 790,988

670 6.00%, 7/1/35 710,113

Harrisburg Auth. Rev., Harrisburg Univ. of Science, 6.00%, 9/1/36, Ser. B

3,250 (e) 2,375,197

Higher Educational Facs. Auth. Rev.,

850 Edinboro Univ. Foundation, 6.00%, 7/1/43 951,566

**12** May 31, 2013 | Annual Report



**Table of Contents****Schedule of Investments**

PIMCO Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
<b>Pennsylvania (continued)</b>		
\$ 400	Thomas Jefferson Univ., 5.00%, 3/1/40	\$ 430,988
	Luzerne Cnty. Industrial Dev. Auth. Rev., Pennsylvania American Water Co.,	
500	5.50%, 12/1/39	543,380
	Montgomery Cnty. Industrial Dev. Auth. Rev., New Regional Medical Center,	
8,500	5.375%, 8/1/38 (FHA)	9,575,165
17,000	Philadelphia, GO, 5.25%, 12/15/32, Ser. A (AGM)	18,403,350
	Philadelphia Hospitals & Higher Education Facs. Auth. Rev., Temple Univ. Health	
6,000	System, 5.625%, 7/1/42, Ser. A	6,401,280
500	Philadelphia Water & Wastewater Rev., 5.25%, 1/1/36, Ser. A	548,445
	Westmoreland Cnty. Industrial Dev. Auth. Rev., Excelsa Health Project,	
1,000	5.125%, 7/1/30	1,096,410
		52,546,282
<b>Rhode Island 5.2%</b>		
56,200	Tobacco Settlement Financing Corp. Rev., 6.25%, 6/1/42, Ser. 2002-A	57,330,744
<b>South Carolina 0.1%</b>		
1,000	Greenwood Cnty. Rev., Self Regional Healthcare, 5.375%, 10/1/39	1,078,400
<b>Tennessee 1.2%</b>		
	Claiborne Cnty. Industrial Dev. Board Rev., Lincoln Memorial Univ. Project,	
1,750	6.625%, 10/1/39	1,971,988
	Johnson City Health & Educational Facs. Board Rev., Mountain States Health	
1,000	Alliance, 6.00%, 7/1/38, Ser. A	1,162,880
	Sullivan Cnty. Health Educational & Housing Facs. Board Rev., Wellmont Health	
500	Systems Project, 5.25%, 9/1/36, Ser. C	529,535
	Tennessee Energy Acquisition Corp. Rev., Ser. C,	

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3,000	5.00%, 2/1/23	3,415,980
6,000	5.00%, 2/1/27	6,727,200
		13,807,583
<b>Texas</b>	<b>12.1%</b>	
130	Aubrey Independent School Dist., GO, 5.50%, 2/15/33 (GTD-PSF)	134,167
6,500	Brazos Cnty. Health Facs. Dev. Corp. Rev., 5.375%, 1/1/32	6,531,785
2,500	Dallas Rev., Dallas Civic Center, 5.25%, 8/15/38 (AGC)	2,734,325
4,000	Dallas/Fort Worth International Airport Rev., 5.00%, 11/1/33, Ser. G	4,377,400
	Harris Cnty. Cultural Education Facs. Finance Corp. Rev.,	
2,000	Baylor College of Medicine, 5.00%, 11/15/37	2,152,720
3,750	Texas Children s Hospital Project, 5.25%, 10/1/29	4,297,537
12,700	Texas Children s Hospital Project, 5.50%, 10/1/39	14,228,064
	HFDC of Central Texas, Inc. Rev., Village at Gleannloch Farms,	
700	5.50%, 2/15/37, Ser. A	692,622
5,000	Municipal Gas Acquisition & Supply Corp. III Rev., 5.00%, 12/15/26	5,438,300
	North Harris Cnty. Regional Water Auth. Rev.,	
10,300	5.25%, 12/15/33	11,394,890
10,300	5.50%, 12/15/38	11,447,317
	North Texas Tollway Auth. Rev.,	
5,750	5.00%, 1/1/38	6,188,437
1,300	5.50%, 9/1/41, Ser. A	1,499,706
5,000	5.625%, 1/1/33, Ser. B	5,602,150

Annual Report | May 31, 2013 13

**Table of Contents****Schedule of Investments**

PIMCO Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
<b>Texas (continued)</b>		
\$ 1,200	5.75%, 1/1/33, Ser. F Private Activity Bond Surface Transportation Corp. Rev.,	\$ 1,339,980
1,920	7.00%, 6/30/40	2,328,192
250	San Juan Higher Education Finance Auth. Rev., 6.70%, 8/15/40, Ser. A State, Mobility Fund, GO (h),	294,745
10,025	4.75%, 4/1/35, Ser. A	10,552,616
17,500	4.75%, 4/1/36 State Public Finance Auth. Charter School Finance Corp. Rev.,	18,863,775
1,000	5.875%, 12/1/36, Ser. A Tarrant Cnty. Cultural Education Facs. Finance Corp. Rev., Baylor Health Care	1,080,610
3,000	Systems Project, 6.25%, 11/15/29 Texas Municipal Gas Acquisition & Supply Corp. I Rev.,	3,502,740
15,300	6.25%, 12/15/26, Ser. D	19,273,257
1,000	Wise Cnty. Rev., Parker Cnty. Junior College Dist., 8.00%, 8/15/34	1,194,370
		135,149,705
<b>Virginia 0.2%</b>		
	Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems,	
1,000	5.50%, 5/15/35, Ser. A James City Cnty. Economic Dev. Auth. Rev., United Methodist Home, Ser. A,	1,139,260
412	2.00%, 10/1/48	10,900
1,273	6.00%, 6/1/43	1,183,555
		2,333,715
<b>Washington 1.5%</b>		
	Health Care Facs. Auth. Rev.,	
1,300	Multicare Health Systems, 6.00%, 8/15/39, Ser. B (AGC)	1,477,957
1,000	Seattle Cancer Care Alliance, 7.375%, 3/1/38	1,251,170
13,000	Virginia Mason Medical Center, 6.125%, 8/15/37, Ser. A	14,203,020
		16,932,147
<b>West Virginia 0.2%</b>		

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2,000	Hospital Finance Auth. Rev., Highland Hospital, 9.125%, 10/1/41	2,549,560
<b>Wisconsin</b>	<b>0.1%</b>	
	Health & Educational Facs. Auth. Rev., Prohealth Care, Inc.,	
1,000	6.625%, 2/15/39	1,148,880
	Total Municipal Bonds & Notes (cost-\$996,831,488)	1,097,868,202
<b>Variable Rate Notes 1.5%</b>		
<b>California 0.5%</b>		
5,000	Health Facs. Financing Auth. Rev., 8.04%, 11/15/36, Ser. 3193 (a)(d)(f)(g)	5,927,700
<b>Florida 0.2%</b>		
	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System,	
1,830	5.00%, 11/15/31, Ser. C (g)	1,893,300
<b>Texas 0.6%</b>		
5,365	State, GO, 7.603%, 4/1/37, Ser. 3197 (a)(d)(f)(g)	6,364,338

14 May 31, 2013 | Annual Report

**Table of Contents****Schedule of Investments**

PIMCO Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
<b>West Virginia 0.2%</b>		
	Economic Dev. Auth. Rev., Appalachian Power,	
\$ 2,000	5.375%, 12/1/38, Ser. A (g)	\$ 2,232,600
	<b>Total Variable Rate Notes (cost-\$13,982,612)</b>	<b>16,417,938</b>
<b>Short-Term Investments 0.0%</b>		
<b>U.S. Treasury Obligations 0.0%</b>		
100	U.S. Treasury Bills, 0.084%, 2/6/14 (i)	99,943
100	U.S. Treasury Notes, 1.25%, 4/15/14	100,961
	<b>Total U.S. Treasury Obligations (cost-\$200,916)</b>	<b>200,904</b>
	<b>Total Investments (cost-\$1,011,015,016) 100.0%</b>	<b>\$1,114,487,044</b>

Industry classification of portfolio holdings as a percentage of total investments at May 31, 2013 was as follows:

<b>Revenue Bonds:</b>	
Health, Hospital & Nursing Home Revenue	25.3%
Tobacco Settlement Funded	14.6
Industrial Revenue	7.2
Miscellaneous Taxes	6.9
Natural Gas Revenue	5.3
Miscellaneous Revenue	4.6
Water Revenue	4.4
Port, Airport & Marina Revenue	3.0
Highway Revenue Tolls	2.9
Lease (Appropriation)	2.8
College & University Revenue	2.7
Electric Power & Light Revenue	2.3
Income Tax Revenue	0.9
Sewer Revenue	0.5
Sales Tax Revenue	0.4
Transit Revenue	0.4
Resource Recovery Revenue	0.2
Fuel Sales Tax Revenue	0.1
Local or Guaranteed Housing	0.1
Lease Revenue	0.1

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Recreational Revenue	0.0
Total Revenue Bonds	84.7%
General Obligation	11.8
Special Assessment	2.3
Tax Allocation	0.9
Certificates of Participation	0.3
U.S. Treasury Notes	0.0
U.S. Treasury Bills	0.0
Total Investments	100.0%

Annual Report | May 31, 2013 15

**Table of Contents**

**Schedule of Investments**

PIMCO Municipal Income Fund II

May 31, 2013 (continued)

**Notes to Schedule of Investments:**

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$16,977,857, representing 1.5% of total investments.
- (b) Illiquid.
- (c) Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date).
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) In default.
- (f) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on May 31, 2013.
- (g) Variable Rate Notes Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on May 31, 2013.
- (h) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (i) Rates reflect the effective yields at purchase date.

(j) Floating Rate Notes for the year ended May 31, 2013: The weighted average daily balance of Floating Rate Notes outstanding during the year ended May 31, 2013 was \$49,317,277 at a weighted average interest rate, including fees, of 0.79%.

(k) Interest rate swap agreements outstanding at May 31, 2013:

OTC swap agreements:

Swap Counterparty	Notional Amount (000s)	Termination Date	Rate Type Payments Made	Payments Received	Value	Upfront Premiums Received	Unrealized Appreciation
Bank of America	\$ 89,000	9/5/18	3-Month USD-LIBOR	1.60%	\$ 218,940	\$ (69,190)	\$ 288,130
Citigroup	47,000	11/20/22	3-Month USD-LIBOR	2.65%	11,750	(34,420)	46,170
					\$ 230,690	\$ (103,610)	\$ 334,300

(l) Fair Value Measurements See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/13
<b>Investments in Securities Assets</b>				
Municipal Bonds & Notes	\$	\$ 1,097,868,202	\$	\$ 1,097,868,202
Variable Rate Notes		16,417,938		16,417,938
Short-Term Investments		200,904		200,904
		1,114,487,044		1,114,487,044
<b>Other Financial Instruments* Assets</b>				
Interest Rate Contracts		334,300		334,300
<b>Totals</b>	<b>\$</b>	<b>\$ 1,114,821,344</b>	<b>\$</b>	<b>\$ 1,114,821,344</b>



**Table of Contents****Schedule of Investments**

PIMCO Municipal Income Fund II

May 31, 2013 (continued)

At May 31, 2013, there were no transfers between Levels 1 and 2.

\* Other financial instruments are derivatives, such as swap agreements, which are valued at the unrealized appreciation (depreciation) of the instrument.

(m) The following is a summary of the derivative instruments categorized by risk exposure:  
The effect of derivatives on the Statement of Assets and Liabilities at May 31, 2013:

Location	Interest Rate Contracts
<b>Asset derivatives:</b>	
Unrealized appreciation of OTC swaps	\$ 334,300

The effect of derivatives on the Statement of Operations for the year ended May 31, 2013:

Location	Interest Rate Contracts
<b>Net realized loss on:</b>	
Futures contracts	\$ (372,078)
Swaps	(334,300)
<b>Total net realized loss</b>	<b>\$ (706,378)</b>
<b>Net change in unrealized appreciation/depreciation of:</b>	
Futures contracts	\$ 203,238
Swaps	334,300
<b>Total net change in unrealized appreciation/depreciation</b>	<b>\$ 537,538</b>

The average volume (measured at each fiscal quarter-end) of derivative activity during the year ended May 31, 2013:

	Futures	Interest
	Contracts	Rate Swap
	Short <sup>(1)</sup>	Agreements <sup>(2)</sup>
	(20)	\$ 27,200

(1) Number of contracts

(2) Notional Amount (in thousands)

**Glossary:**

AGC	-	insured by Assured Guaranty Corp.
AGM	-	insured by Assured Guaranty Municipal Corp.
AMBAC	-	insured by American Municipal Bond Assurance Corp.
CP	-	Certificates of Participation
FGIC	-	insured by Financial Guaranty Insurance Co.
FHA	-	insured by Federal Housing Administration
GO	-	General Obligation Bond
GTD	-	Guaranteed
IBC	-	Insurance Bond Certificate
LIBOR	-	London Inter-Bank Offered Rate
NPFGC	-	insured by National Public Finance Guarantee Corp.
OTC	-	Over-the-Counter
PSF	-	Public School Fund

See accompanying Notes to Financial Statements | May 31, 2013 | Annual Report 17

**Table of Contents****Schedule of Investments**

## PIMCO California Municipal Income Fund II

May 31, 2013

Principal Amount (000s)		Value
<b>California Municipal Bonds &amp; Notes 86.5%</b>		
\$ 2,000	Alhambra Rev., Atherton Baptist Homes, 7.625%, 1/1/40, Ser. A	\$ 2,210,780
20,000	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 4/1/39 (g)	21,999,600
17,305	Chabot-Las Positas Community College Dist., GO, Ser. C, zero coupon, 8/1/36 (AMBAC)	5,453,498
5,000	zero coupon, 8/1/37 (AMBAC)	1,493,850
15,000	zero coupon, 8/1/43 (AMBAC)	3,298,950
1,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	1,180,540
300	City & Cnty. of San Francisco, Capital Improvement Projects, CP, 5.25%, 4/1/31, Ser. A	324,465
9,145	Coronado Community Dev. Agcy., Tax Allocation, 4.875%, 9/1/35 (AMBAC)	9,413,040
25,000	Desert Community College Dist., GO, zero coupon, 8/1/46, Ser. C (AGM)	4,341,500
8,300	El Dorado Irrigation Dist. & El Dorado Water Agcy., CP, 5.75%, 8/1/39, Ser. A (AGC)	8,692,590
1,500	Foothill-Eastern Transportation Corridor Agcy. Rev., 5.875%, 1/15/27 (IBC-NPFGC)	1,535,145
1,440	Fremont Community Facs. Dist. No. 1, Special Tax, Pacific Commons, 5.30%, 9/1/30	1,458,965
13,885	Golden State Tobacco Securitization Corp. Rev., 5.00%, 6/1/45 (AMBAC-TCRS)	14,433,596
3,500	5.00%, 6/1/45, Ser. A	3,638,285
6,000	5.00%, 6/1/45, Ser. A (FGIC-TCRS)	6,237,060
8,500	5.125%, 6/1/47, Ser. A-1	7,448,635
30,415	5.75%, 6/1/47, Ser. A-1	28,565,768
250	Health Facs. Financing Auth. Rev., Adventist Health System, 5.75%, 9/1/39, Ser. A	287,460
3,000	Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	3,512,490
1,000	Children s Hospital of Los Angeles, 5.00%, 11/15/34, Ser. A	1,070,680
500	Children s Hospital of Orange Cnty., 6.50%, 11/1/38, Ser. A	596,780
9,000	Scripps Health, 5.00%, 11/15/40, Ser. A	9,821,250
3,700	Stanford Hospital, 5.25%, 11/15/40, Ser. A-2	4,135,342
1,000	Sutter Health, 5.00%, 8/15/35, Ser. D	1,085,230
4,220	Sutter Health, 5.00%, 11/15/42, Ser. A (IBC-NPFGC)	4,443,238
6,000	Sutter Health, 5.00%, 8/15/52, Ser. A	6,368,820
12,195	Sutter Health, 5.25%, 11/15/46, Ser. A (g)	12,987,553

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4,500	Imperial Irrigation Dist. Rev., 5.00%, 11/1/41, Ser. B	4,791,735
175	Infrastructure & Economic Dev. Bank Rev., 5.25%, 2/1/38	189,450
515	Irvine Unified School Dist., Special Tax, 6.70%, 9/1/35	573,195
1,000	Lancaster Redev. Agcy., Tax Allocation, 6.875%, 8/1/39	1,120,680
500	Long Beach Airport Rev., 5.00%, 6/1/40, Ser. A	531,160
	Long Beach Bond Finance Auth. Rev., Long Beach Natural Gas,	
7,500	5.50%, 11/15/37, Ser. A	8,815,125
10,000	Long Beach Unified School Dist., GO, 5.25%, 8/1/33, Ser. A (g)	11,578,200
2,000	Los Angeles Department of Airports Rev., 5.00%, 5/15/40, Ser. D	2,195,120
	Los Angeles Department of Water & Power Rev.,	
15,000	4.75%, 7/1/30, Ser. A-2 (AGM) (g)	15,789,150
8,000	5.00%, 7/1/36, Ser. B	8,945,440
500	5.00%, 7/1/43, Ser. B	551,720

18 May 31, 2013 | Annual Report

**Table of Contents****Schedule of Investments**

## PIMCO California Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
\$ 11,000	Los Angeles Unified School Dist., GO, 5.00%, 1/1/34, Ser. I	\$ 12,427,690
3,200	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	4,224,928
10,000	Manteca Redev. Agcy., Tax Allocation, 5.00%, 10/1/36 (AMBAC)	9,850,400
4,000	Merced Cnty., Juvenile Justice Correctional Fac., CP, 5.00%, 6/1/32 (AMBAC)	4,004,840
5,000	Metropolitan Water Dist. of Southern California Rev., 5.00%, 7/1/37, Ser. A (g)	5,456,700
1,175	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	1,381,953
5,000	Oakland Unified School Dist., Alameda Cnty., GO, 6.125%, 8/1/29, Ser. A	5,477,250
4,750	Palomar Pomerado Health, CP, 6.75%, 11/1/39	5,321,947
10,000	Placentia-Yorba Linda Unified School Dist., CP, 5.00%, 10/1/32 (FGIC-NPFGC)	10,360,700
	Pollution Control Financing Auth. Rev., American Water Capital Corp. Project,	
1,500	5.25%, 8/1/40 (a)(d)	1,615,590
	Poway Unified School Dist., GO,	
11,000	zero coupon, 8/1/40	2,954,490
16,000	zero coupon, 8/1/46	3,152,320
1,950	Riverside, CP, 5.00%, 9/1/33 (AMBAC) (Pre-refunded @ \$100, 9/1/13) (c)	1,972,386
2,000	Roseville Redev. Agcy., Tax Allocation, 5.00%, 9/1/32, Ser. B (NPFGC)	2,008,480
1,375	Ross Valley School Dist., GO, 5.00%, 8/1/42, Ser. B	1,535,311
1,000	San Diego Public Facs. Financing Auth. Sewer Rev., 5.25%, 5/15/39, Ser. A	1,140,340
4,000	San Diego Public Facs. Financing Auth. Water Rev., 5.25%, 8/1/38, Ser. A	4,508,200
	San Diego Regional Building Auth. Rev., Cnty. Operations Center & Annex,	
2,800	5.375%, 2/1/36, Ser. A	3,187,156
2,800	San Diego Unified School Dist., GO, 4.75%, 7/1/27, Ser. D-2 (AGM)	2,936,136
1,000	San Jose Hotel Tax Rev., Convention Center Expansion, 6.50%, 5/1/36	1,187,350
1,300	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	1,414,166
1,260	Santa Cruz Cnty., CP, 5.25%, 8/1/32	1,276,267
	Santa Cruz Cnty. Redev. Agcy., Tax Allocation, Live Oak/Soquel Community,	
1,500	7.00%, 9/1/36, Ser. A	1,771,575
	State, GO,	
2,500	5.00%, 9/1/31	2,732,350
10,000	6.00%, 4/1/38	11,897,000
	State Public Works Board Rev.,	
3,000	5.75%, 10/1/30, Ser. G-1	3,464,280
2,000	California State Univ., 6.00%, 11/1/34, Ser. J	2,360,000
2,000	Judicial Council Projects, 5.00%, 12/1/29, Ser. D	2,192,500

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2,500	Judicial Council Projects, 5.00%, 3/1/38, Ser. A (b)	2,689,425
7,915	Regents Univ., 5.00%, 3/1/33, Ser. A	8,715,681
	Statewide Communities Dev. Auth. Rev.,	
1,165	Bentley School, zero coupon, 7/1/50 (b)	52,076
3,760	Bentley School, 7.00%, 7/1/40, Ser. A	4,304,598
1,520	Catholic Healthcare West, 5.50%, 7/1/31, Ser. D	1,681,196
1,520	Catholic Healthcare West, 5.50%, 7/1/31, Ser. E	1,681,196
250	Huntington Park Charter School Project, 5.15%, 7/1/30, Ser. A	237,725
1,250	Huntington Park Charter School Project, 5.25%, 7/1/42, Ser. A	1,155,537
500	International School of the Peninsula Project, 5.00%, 11/1/29	491,195
1,000	Lancer Student Housing Project, 7.50%, 6/1/42	1,138,530
9,700	Los Angeles Jewish Home, 5.50%, 11/15/33 (CA Mtg. Ins.)	9,847,537

**Table of Contents****Schedule of Investments**

## PIMCO California Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
\$ 2,135	Methodist Hospital Project, 6.625%, 8/1/29 (FHA)	\$ 2,593,705
7,860	Methodist Hospital Project, 6.75%, 2/1/38 (FHA)	9,373,443
3,700	St. Joseph Health System, 5.75%, 7/1/47, Ser. A (FGIC)	4,127,424
5,600	Sutter Health, 6.00%, 8/15/42, Ser. A	6,659,632
4,500	Univ. of California Irvine E. Campus, 5.375%, 5/15/38	4,920,660
1,800	Tobacco Securitization Agcy. Rev., Stanislaus Cnty., 5.875%, 6/1/43, Ser. A	1,802,196
3,100	Torrance Rev., Torrance Memorial Medical Center, 5.00%, 9/1/40, Ser. A	3,321,154
1,000	Tustin Unified School Dist., Special Tax, 6.00%, 9/1/40, Ser. 2006-1	1,048,880
15,000	Univ. of California Rev., 5.00%, 5/15/42, Ser. G	16,569,300
	Total California Municipal Bonds & Notes (cost-\$363,905,040)	415,339,480
<b>California Variable Rate Notes (a)(d)(e)(f) 5.9%</b>		
6,035	Desert Community College Dist., GO, 7.99%, 8/1/32, Ser. 3016-1 (AGC)	7,386,237
7,500	JPMorgan Chase Putters/Drivers Trust Rev., 8.015%, 5/15/40, Ser. 3838	8,943,750
4,000	Los Angeles Community College Dist., GO, 11.746%, 8/1/33, Ser. 3096	5,385,920
5,000	San Diego Community College Dist., GO, 8.463%, 2/1/17	6,462,150
	Total California Variable Rate Notes (cost-\$22,311,952)	28,178,057
<b>Other Municipal Bonds &amp; Notes 5.2%</b>		
<b>Arizona 1.5%</b>		
6,400	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	7,022,912
<b>New Jersey 0.7%</b>		
	Tobacco Settlement Financing Corp. Rev., Ser. 1-A,	
1,300	4.75%, 6/1/34	1,148,472
2,700	5.00%, 6/1/41	2,389,149
		3,537,621
<b>New York 0.7%</b>		
1,250	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.25%, 10/1/35	1,448,800
1,900	TSASC, Inc. Rev., 5.00%, 6/1/34, Ser. 1	1,685,243
		3,134,043
<b>Rhode Island 2.3%</b>		
11,000	Tobacco Settlement Financing Corp. Rev., 6.25%, 6/1/42, Ser. 2002-A	11,221,320
	Total Other Municipal Bonds & Notes (cost-\$20,883,563)	24,915,896
<b>Short-Term Investments 2.4%</b>		
<b>U.S. Treasury Obligations 2.4%</b>		
4,300	U.S. Treasury Bills, 0.084%, 2/6/14 (h)	4,297,536

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	U.S. Treasury Notes,	
5,500	0.25%, 4/30/14	5,505,803
538	1.25%, 2/15/14	542,329
262	1.25%, 3/15/14	264,313
800	1.875%, 4/30/14	812,625
	Total U.S. Treasury Obligations (cost-\$11,422,438)	11,422,606
	<b>Total Investments</b> (cost-\$418,522,993) <b>100.0%</b>	<b>\$ 479,856,039</b>

20 May 31, 2013 | Annual Report



**Table of Contents****Schedule of Investments**

PIMCO California Municipal Income Fund II

May 31, 2013 (continued)

Industry classification of portfolio holdings as a percentage of total investments at May 31, 2013 was as follows:

Revenue Bonds:	
Health, Hospital & Nursing Home Revenue	17.9%
Tobacco Settlement Funded	16.4
College & University Revenue	5.8
Highway Revenue Tolls	4.9
Natural Gas Revenue	4.4
Water Revenue	4.4
Electric Power & Light Revenue	4.3
Lease (Abatement)	2.9
Port, Airport & Marina Revenue	2.4
Local or Guaranteed Housing	1.0
Private Schools	1.0
Miscellaneous Revenue	0.3
Lease Revenue	0.3
Hotel Occupancy Tax	0.3
Sewer Revenue	0.2
Recreational Revenue	0.0
Total Revenue Bonds	66.5%
General Obligation	18.7
Certificates of Participation	6.7
Tax Allocation	5.0
U.S. Treasury Notes	1.5
U.S. Treasury Bills	0.9
Special Tax	0.7
Total Investments	100.0%

**Notes to Schedule of Investments:**

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$29,793,647, representing 6.2% of total investments.

- (b) Illiquid.
- (c) Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date).
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on May 31, 2013.
- (f) Variable Rate Notes Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on May 31, 2013.
- (g) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (h) Rates reflect the effective yields at purchase date.
- (i) Floating Rate Notes for the year ended May 31, 2013: The weighted average daily balance of Floating Rate Notes outstanding during the year ended May 31, 2013 was \$41,133,596 at a weighted average interest rate, including fees, of 0.77%.

**Table of Contents****Schedule of Investments**

## PIMCO California Municipal Income Fund II

May 31, 2013 (continued)

(j) Interest rate swap agreements outstanding at May 31, 2013:

OTC swap agreements:

Swap Counterparty	Notional Amount (000s)	Termination Date	Rate Type Payments Made	Payments Received	Value	Upfront Premiums Received	Unrealized Appreciation
Bank of America	\$ 38,000	9/5/18	3-Month USD-LIBOR	1.60%	\$ 93,451	\$ (11,485)	\$ 104,936
Citigroup	15,000	11/20/22	3-Month USD-LIBOR	2.65%	3,740	(10,985)	14,725
					\$ 97,191	\$ (22,470)	\$ 119,661

(k) Fair Value Measurements See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/13
<b>Investments in Securities Assets</b>				
California Municipal Bonds & Notes	\$	\$ 415,339,480	\$	\$ 415,339,480
California Variable Rate Notes		28,178,057		28,178,057
Other Municipal Bonds & Notes		24,915,896		24,915,896
Short-Term Investments		11,422,606		11,422,606
		479,856,039		479,856,039
<b>Other Financial Instruments* Assets</b>				
Interest Rate Contracts		119,661		119,661
<b>Totals</b>	<b>\$</b>	<b>\$ 479,975,700</b>	<b>\$</b>	<b>\$ 479,975,700</b>

At May 31, 2013, there were no transfers between Levels 1 and 2.

A roll forward of fair value measurements using significant unobservable inputs (Level 3) for the year ended May 31, 2013, was as follows:

	Beginning Balance 5/31/12	Purchases	Sales	Accrued Discount (Premiums)	Net Realized Gain (Loss)	Net Change in Unrealized Appreciation/ Depreciation	Transfers into Level 3	Transfers out of Level 3	Ending Balance 5/31/13
<b>Investments in Securities Assets</b>									
California Municipal Bonds & Notes	\$941,850	\$	\$(532,612)	\$	\$ (832,388)	\$ 423,150	\$	\$	\$

\* Other financial instruments are derivatives, such as swap agreements, which are valued at the unrealized appreciation (depreciation) of the instrument.

Net realized gain (loss) and net change in unrealized appreciation/depreciation are reflected on the Statement of Operations.

**Table of Contents**

**Schedule of Investments**

PIMCO California Municipal Income Fund II

May 31, 2013 (continued)

(1) The following is a summary of the derivative instruments categorized by risk exposure:  
The effect of derivatives on the Statement of Assets and Liabilities at May 31, 2013:

Location	Interest Rate Contracts
<b>Asset derivatives:</b>	
Unrealized appreciation of OTC swaps	\$ 119,661

The effect of derivatives on the Statement of Operations for the year ended May 31, 2013:

Location	Interest Rate Contracts
<b>Net realized loss on:</b>	
Swaps	\$ (119,700)
<b>Net change in unrealized appreciation/depreciation of:</b>	
Swaps	\$ 119,661

The average volume (measured at each fiscal quarter-end) of derivative activity during the year ended May 31, 2013:

Interest Rate Swap Agreements <sup>(1)</sup>	\$10,600
--	----------

(1) Notional Amount (in thousands)

**Glossary:**

AGC	-	insured by Assured Guaranty Corp.
AGM	-	insured by Assured Guaranty Municipal Corp.
AMBAC	-	insured by American Municipal Bond Assurance Corp.
CA Mtg. Ins.	-	insured by California Mortgage Insurance
CP	-	Certificates of Participation
FGIC	-	insured by Financial Guaranty Insurance Co.
FHA	-	insured by Federal Housing Administration
GO	-	General Obligation Bond
IBC	-	Insurance Bond Certificate
LIBOR	-	London Inter-Bank Offered Rate
NPFGC	-	insured by National Public Finance Guarantee Corp.
OTC	-	Over-the-Counter
TCRS	-	Temporary Custodian Receipts

See accompanying Notes to Financial Statements | May 31, 2013 | Annual Report **23**

**Table of Contents****Schedule of Investments**

PIMCO New York Municipal Income Fund II

May 31, 2013

Principal Amount (000s)		Value
<b>New York Municipal Bonds &amp; Notes 91.1%</b>		
	Chautauqua Cnty. Industrial Dev. Agcy. Rev., Dunkirk Power Project,	
\$ 1,000	5.875%, 4/1/42	\$ 1,123,460
	Erie Cnty. Industrial Dev. Agcy. Rev., Orchard Park, Inc. Project,	
150	6.00%, 11/15/36, Ser. A	153,119
	Hudson Yards Infrastructure Corp. Rev., Ser. A,	
1,000	5.25%, 2/15/47	1,103,620
9,000	5.75%, 2/15/47	10,296,360
	Liberty Dev. Corp. Rev.,	
1,400	Bank of America Tower at One Bryant Park Project, 5.625%, 7/15/47	1,576,806
1,300	Bank of America Tower at One Bryant Park Project, 6.375%, 7/15/49	1,521,338
4,120	Goldman Sachs Headquarters, 5.25%, 10/1/35 (g)	4,775,245
3,000	Goldman Sachs Headquarters, 5.25%, 10/1/35	3,477,120
3,500	Goldman Sachs Headquarters, 5.50%, 10/1/37	4,194,925
500	Long Island Power Auth. Rev., 5.00%, 9/1/34, Ser. A (AMBAC)	512,235
	Metropolitan Transportation Auth. Rev.,	
2,000	5.00%, 11/15/30, Ser. D	2,251,460
2,000	5.00%, 11/15/34, Ser. B	2,214,240
3,000	5.00%, 11/15/43, Ser. B	3,233,880
5,000	5.50%, 11/15/39, Ser. A	5,712,500
	Monroe Cnty. Industrial Dev. Corp. Rev., Unity Hospital Rochester Project,	
7,000	5.50%, 8/15/40 (FHA)	7,871,500
	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside,	
2,400	6.70%, 1/1/43, Ser. A	1,361,136
1,500	New York City Health & Hospital Corp. Rev., 5.00%, 2/15/30, Ser. A	1,670,085
	New York City Industrial Dev. Agcy. Rev.,	
1,415	Liberty Interactive Corp., 5.00%, 9/1/35	1,459,318
1,500	Pilot Queens Baseball Stadium, 6.50%, 1/1/46 (AGC)	1,699,995
1,500	United Jewish Appeal Federation Project, 5.00%, 7/1/27, Ser. A	1,565,805
750	Yankee Stadium, 5.00%, 3/1/31 (FGIC)	791,918
1,900	Yankee Stadium, 5.00%, 3/1/36 (NPFGC)	1,990,668
4,900	Yankee Stadium, 7.00%, 3/1/49 (AGC)	5,914,496
	New York City Transitional Finance Auth. Rev.,	

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10	5.00%, 11/1/27, Ser. B	10,033
4,850	5.00%, 5/1/39, Ser. F-1	5,394,509
5,000	5.25%, 1/15/39, Ser. S-3	5,695,900
	New York City Trust for Cultural Res. Rev., Wildlife Conservation Society,	
2,000	5.00%, 8/1/33, Ser. A	2,319,360
	New York City Water & Sewer System Rev.,	
1,000	5.25%, 6/15/40, Ser. EE	1,127,330
500	Second Generation Resolutions, 5.00%, 6/15/39, Ser. GG-1	551,285
	New York Liberty Dev. Corp. Rev.,	
3,000	1 World Trade Center Project, 5.00%, 12/15/41	3,306,030
10,000	4 World Trade Center Project, 5.75%, 11/15/51	11,521,900
1,000	Onondaga Cnty. Rev., Syracuse Univ. Project, 5.00%, 12/1/36	1,112,440
	Port Auth. of New York & New Jersey Rev., JFK International Air Terminal,	
1,400	6.00%, 12/1/36	1,654,086

24 May 31, 2013 | Annual Report



**Table of Contents****Schedule of Investments**

## PIMCO New York Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
	State Dormitory Auth. Rev.,	
\$ 3,000	5.00%, 3/15/38, Ser. A	\$ 3,319,350
2,500	5.00%, 2/15/40, Ser. D	2,761,125
4,000	5.00%, 7/1/42, Ser. A	4,439,840
7,490	5.50%, 5/15/31, Ser. A (AMBAC)	9,370,364
2,600	Catholic Health of Long Island, 5.10%, 7/1/34	2,687,854
1,500	Fordham Univ., 5.50%, 7/1/36, Ser. A	1,698,075
2,750	Memorial Sloan-Kettering Cancer Center, 5.00%, 7/1/35, Ser. 1	2,914,367
2,000	Memorial Sloan-Kettering Cancer Center, 5.00%, 7/1/36, Ser. A-1	2,165,320
2,000	Mount Sinai Hospital, 5.00%, 7/1/31, Ser. A	2,218,240
2,100	New York Univ., 5.00%, 7/1/38, Ser. A	2,329,572
1,000	New York Univ. Hospital Center, 5.625%, 7/1/37, Ser. B	1,104,340
600	North Shore-Long Island Jewish Health System, 5.50%, 5/1/37, Ser. A	665,526
	Rochester General Hospital, 5.00%, 12/1/35 (Radian)	
5,000	(Pre-refunded @ \$100 12/1/15) (c)	5,565,050
3,000	Teachers College, 5.50%, 3/1/39	3,234,900
1,000	The New School, 5.50%, 7/1/40	1,124,980
3,000	Yeshiva Univ., 5.125%, 7/1/34 (AMBAC)	3,063,510
5,000	State Environmental Facs. Corp. Rev., 5.125%, 6/15/38, Ser. A	5,721,150
	State Thruway Auth. Rev.,	
1,000	4.75%, 1/1/29, Ser. G (AGM)	1,051,990
3,800	5.00%, 1/1/42, Ser. I	4,136,642
6,000	State Urban Dev. Corp. Rev., 5.00%, 3/15/36, Ser. B-1 (g)	6,648,780
5,000	Triborough Bridge & Tunnel Auth. Rev., 5.25%, 11/15/34, Ser. A-2 (g)	5,750,700
	Troy Capital Res. Corp. Rev., Rensselaer Polytechnic Institute Project,	
3,435	5.125%, 9/1/40, Ser. A	3,711,449
	TSASC, Inc. Rev., Ser. 1,	
5,000	5.00%, 6/1/26	4,943,550
5,000	5.00%, 6/1/34	4,434,850
1,815	Ulster Cnty. Industrial Dev. Agcy. Rev., 6.00%, 9/15/37, Ser. A (b)	1,271,408
	Warren & Washington Cntys. Industrial Dev. Agcy. Rev., Glens Falls Hospital	
2,000	Project, 5.00%, 12/1/35, Ser. A (AGM)	2,013,440
1,490	Westchester Cnty. Healthcare Corp. Rev., 6.125%, 11/1/37, Ser. C-2	1,736,818
1,000	Yonkers Economic Dev. Corp. Rev., Charter School of Educational Excellence	1,054,590

Project, 6.00%, 10/15/30, Ser. A		
Yonkers Industrial Dev. Agcy. Rev., Sarah Lawrence College Project,		
600	6.00%, 6/1/41, Ser. A	679,026
Total New York Municipal Bonds & Notes (cost-\$176,329,874)		190,980,908
<b>Other Municipal Bonds &amp; Notes 4.7%</b>		
<b>Florida 0.5%</b>		
1,000	Clearwater Water & Sewer Rev., 5.25%, 12/1/39, Ser. A	1,105,680
<b>Louisiana 0.6%</b>		
1,000	East Baton Rouge Sewerage Commission Rev., 5.25%, 2/1/39, Ser. A	1,132,320

**Table of Contents****Schedule of Investments**

## PIMCO New York Municipal Income Fund II

May 31, 2013 (continued)

Principal Amount (000s)		Value
<b>Ohio 3.1%</b>		
	Buckeye Tobacco Settlement Financing Auth. Rev., Ser. A-2,	
\$ 1,435	5.875%, 6/1/47	\$ 1,292,921
5,315	6.50%, 6/1/47	5,166,233
		6,459,154
<b>U.S. Virgin Islands 0.5%</b>		
1,000	Public Finance Auth. Rev., 6.00%, 10/1/39, Ser. A	1,118,380
	Total Other Municipal Bonds & Notes (cost-\$9,170,199)	9,815,534
<b>New York Variable Rate Notes 3.0%</b>		
	JPMorgan Chase Putters/Drivers Trust Rev.,	
5,000	7.961%, 7/1/33, Ser. 3382 (a)(d)(e)(f) (cost-\$4,884,076)	6,309,850
<b>Short-Term Investments 1.2%</b>		
<b>U.S. Treasury Obligations 1.2%</b>		
	U.S. Treasury Notes,	
200	0.125%, 12/31/13	200,047
1,800	0.25%, 4/30/14	1,801,899
262	1.25%, 3/15/14	264,313
300	1.875%, 4/30/14	304,734
	Total U.S. Treasury Obligations (cost-\$2,570,857)	2,570,993
	<b>Total Investments</b> (cost-\$192,955,006) <b>100.0%</b>	<b>\$ 209,677,285</b>

Industry classification of portfolio holdings as a percentage of total investments at May 31, 2013 was as follows:

<b>Revenue Bonds:</b>	
Health, Hospital & Nursing Home Revenue	15.9%
College & University Revenue	13.2
Industrial Revenue	10.3
Miscellaneous Revenue	9.6
Income Tax Revenue	8.7
Tobacco Settlement Funded	7.6
Transit Revenue	6.4
Miscellaneous Taxes	5.4
Highway Revenue Tolls	5.2

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Lease (Abatement)	4.5
Recreational Revenue	4.1
Water Revenue	4.1
Port, Airport & Marina Revenue	2.4
Economic Development Revenue	0.7
Sewer Revenue	0.5
Electric Power & Light Revenue	0.2
Total Revenue Bonds	98.8%
U.S. Treasury Notes	1.2
Total Investments	100.0%

26 May 31, 2013 | Annual Report

**Table of Contents**

**Schedule of Investments**

PIMCO New York Municipal Income Fund II

May 31, 2013 (continued)

**Notes to Schedule of Investments:**

- (a) Private Placement Restricted as to resale and may not have a readily available market. Security with a value of \$6,309,850, representing 3.0% of total investments.
- (b) Illiquid.
- (c) Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date).
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on May 31, 2013.
- (f) Variable Rate Notes Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on May 31, 2013.
- (g) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (h) Floating Rate Notes for the year ended May 31, 2013: The weighted average daily balance of Floating Rate Notes outstanding during the year ended May 31, 2013 was \$13,657,374 at a weighted average interest rate, including fees, of 0.81%.
- (i) Interest rate swap agreements outstanding at May 31, 2013:

OTC swap agreements:

Swap Counterparty	Notional Amount (000s)	Termination Date	Rate Type Payments Made	Payments Received	Value	Upfront Premiums Received	Unrealized Appreciation
Bank of America	\$ 24,000	9/5/18	3-Month USD-LIBOR	1.60%	\$ 59,040	\$ (18,658)	\$ 77,698
Citigroup	12,000	11/20/22	3-Month USD-LIBOR	2.65%	2,992	(8,788)	11,780
					\$ 62,032	\$ (27,446)	\$ 89,478

(j) Fair Value Measurements See Note 1(b) in the Notes to Financial Statements.

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/13
<b>Investments in Securities Assets</b>				
New York Municipal Bonds & Notes	\$	\$ 190,980,908	\$	\$ 190,980,908
Other Municipal Bonds & Notes		9,815,534		9,815,534
New York Variable Rate Notes		6,309,850		6,309,850
Short-Term Investments		2,570,993		2,570,993
		209,677,285		209,677,285
<b>Other Financial Instruments* Assets</b>				
Interest Rate Contracts		89,478		89,478
<b>Totals</b>	<b>\$</b>	<b>\$ 209,766,763</b>	<b>\$</b>	<b>\$ 209,766,763</b>

At May 31, 2013, there were no transfers between Levels 1 and 2.

\* Other financial instruments are derivatives, such as swap agreements, which are valued at the unrealized appreciation (depreciation) of the instrument.

**Table of Contents****Schedule of Investments**

PIMCO New York Municipal Income Fund II

May 31, 2013 (continued)

(k) The following is a summary of the derivative instruments categorized by risk exposure:  
The effect of derivatives on the Statement of Assets and Liabilities at May 31, 2013:

Location	Interest Rate Contracts
<b>Asset derivatives:</b>	
Unrealized appreciation of OTC swaps	\$ 89,478

The effect of derivatives on the Statement of Operations for the year ended May 31, 2013:

Location	Interest Rate Contracts
<b>Net realized loss on:</b>	
Futures contracts	\$ (74,416)
Swaps	(89,486)
<b>Total net realized loss</b>	<b>\$ (163,902)</b>
<b>Net change in unrealized appreciation/depreciation of:</b>	
Futures contracts	\$ 40,648
Swaps	89,478
<b>Total net change in unrealized appreciation/depreciation</b>	<b>\$ 130,126</b>

The average volume (measured at each fiscal quarter-end) of derivative activity during the year ended May 31, 2013:

Futures Contracts Short <sup>(1)</sup>	Interest Rate Swap Agreements <sup>(2)</sup>
--	--

(4) \$7,200

(1) Number of contracts

(2) Notional Amount (in thousands)

**Glossary:**

AGC	-	insured by Assured Guaranty Corp.
AGM	-	insured by Assured Guaranty Municipal Corp.
AMBAC	-	insured by American Municipal Bond Assurance Corp.
FGIC	-	insured by Financial Guaranty Insurance Co.
FHA	-	insured by Federal Housing Administration
LIBOR	-	London Inter-Bank Offered Rate
NPFGC	-	insured by National Public Finance Guarantee Corp.
OTC	-	Over-the-Counter
Radian	-	insured by Radian Guaranty, Inc.

28 Annual Report | May 31, 2013 | See accompanying Notes to Financial Statements



**Table of Contents****Statements of Assets and Liabilities**

## PIMCO Municipal Income Funds II

May 31, 2013

	Municipal II	California Municipal II	New York Municipal II
<b>Assets:</b>			
Investments, at value (cost-\$1,011,015,016, \$418,522,993 and \$192,955,006, respectively)	\$1,114,487,044	\$479,856,039	\$209,677,285
Cash	482,006	544,377	541,722
Receivable for investments sold	61,191,542	17,435,740	6,787,070
Interest receivable	18,573,668	6,921,871	3,051,130
Unrealized appreciation of OTC swaps	334,300	119,661	89,478
Prepaid expenses and other assets	50,691	45,800	22,437
<b>Total Assets</b>	<b>1,195,119,251</b>	<b>504,923,488</b>	<b>220,169,122</b>
<b>Liabilities:</b>			
Payable for Floating Rate Notes issued	44,317,277	38,098,801	8,186,394
Payable for investments purchased	37,043,552	18,997,029	8,004,908
Payable for swaps purchased	230,690	97,230	62,040
Dividends payable to common and preferred shareholders	3,964,524	1,978,978	725,323
Investment management fees payable	619,414	249,008	113,642
Swap premiums received	103,610	22,470	27,446
Interest payable	88,847	63,496	14,760
Accrued expenses and other liabilities	383,784	235,541	349,451
<b>Total Liabilities</b>	<b>86,751,698</b>	<b>59,742,553</b>	<b>17,483,964</b>
<b>Preferred Shares (\$0.00001 par value and \$25,000 liquidation preference per share applicable to an aggregate of 14,680, 6,520 and 3,160 shares issued and outstanding, respectively)</b>	<b>367,000,000</b>	<b>163,000,000</b>	<b>79,000,000</b>
<b>Net Assets Applicable to Common Shareholders</b>	<b>\$741,367,553</b>	<b>\$282,180,935</b>	<b>\$123,685,158</b>
<b>Composition of Net Assets Applicable to Common Shareholders:</b>			
Common Shares:			
Par value (\$0.00001 per share)	\$609	\$316	\$109
Paid-in-capital in excess of par	810,503,939	411,555,250	147,871,647
Undistributed (dividends in excess of) net investment income	22,643,835	(2,098,678)	1,873,593
Accumulated net realized loss	(195,580,458)	(188,730,715)	(42,861,946)
Net unrealized appreciation	103,799,628	61,454,762	16,801,755
<b>Net Assets Applicable to Common Shareholders</b>	<b>\$741,367,553</b>	<b>\$282,180,935</b>	<b>\$123,685,158</b>

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Common Shares Issued and Outstanding	60,896,627	31,610,327	10,927,322
<b>Net Asset Value Per Common Share</b>	\$12.17	\$8.93	\$11.32

See accompanying Notes to Financial Statements | May 31, 2013 | Annual Report **29**

**Table of Contents****Statements of Operations**

PIMCO Municipal Income Funds II

Year ended May 31, 2013

	Municipal II	California Municipal II	New York Municipal II
<b>Investment Income:</b>			
Interest	\$59,149,149	\$25,520,084	\$10,406,726
<b>Expenses:</b>			
Investment management	7,250,067	2,904,736	1,338,320
Auction agent and commissions	582,297	275,949	131,823
Interest	390,570	316,631	110,695
Custodian and accounting agent	135,990	97,828	65,920
Shareholder communications	94,261	39,926	23,277
Trustees	84,057	32,434	14,709
New York Stock Exchange listing	50,171	26,007	21,976
Audit and tax services	46,274	61,351	42,546
Legal	35,613	14,997	11,603
Transfer agent	34,396	34,397	32,433
Insurance	24,838	12,323	7,969
Miscellaneous	15,905	13,644	11,991
Total Expenses	8,744,439	3,830,223	1,813,262
Less: investment management fees waived	(44,626)	(17,814)	(8,296)
custody credits earned on cash balances	(3,948)	(2,157)	(3,219)
Net Expenses	8,695,865	3,810,252	1,801,747
<b>Net Investment Income</b>	<b>50,453,284</b>	<b>21,709,832</b>	<b>8,604,979</b>
<b>Realized and Change in Unrealized Gain (Loss):</b>			
Net realized gain (loss) on:			
Investments	4,812,483	3,227,999	456,665
Futures contracts	(372,078)		(74,416)
Swaps	(334,300)	(119,700)	(89,486)
Net change in unrealized appreciation/depreciation of:			
Investments	9,181,525	7,580,345	(743,057)
Futures contracts	203,238		40,648
Swaps	334,300	119,661	89,478
Net realized and change in unrealized gain (loss)	13,825,168	10,808,305	(320,168)
<b>Net Increase in Net Assets Resulting from Investment Operations</b>	<b>64,278,452</b>	<b>32,518,137</b>	<b>8,284,811</b>
	(901,014)	(402,646)	(194,449)

**Dividends on Preferred Shares from Net Investment  
Income**

<b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment Operations</b>	\$63,377,438	\$32,115,491	\$8,090,362
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**30** Annual Report | May 31, 2013 | See accompanying Notes to Financial Statements

**Table of Contents**

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Annual Report | May 31, 2013 **31**

**Table of Contents****Statements of Changes in Net Assets****Applicable to Common Shareholders**

## PIMCO Municipal Income Funds II

	Municipal II	
	Year ended May 31, 2013	Year ended May 31, 2012
<b>Investment Operations:</b>		
Net investment income	\$50,453,284	\$53,422,247
Net realized gain (loss)	4,106,105	(14,470,319)
Net change in unrealized appreciation/depreciation	9,719,063	117,235,329
Net increase in net assets resulting from investment operations	64,278,452	156,187,257
<b>Dividends on Preferred Shares from Net Investment Income</b>	(901,014)	(844,983)
Net increase in net assets applicable to common shareholders resulting from investment operations	63,377,438	155,342,274
<b>Dividends to Common Shareholders from:</b>		
Net investment income	(47,407,514)	(47,201,725)
Return of capital		
Total dividends and distributions to common shareholders	(47,407,514)	(47,201,725)
<b>Common Share Transactions:</b>		
Reinvestment of dividends	3,236,891	3,220,671
Total increase in net assets applicable to common shareholders	19,206,815	111,361,220
<b>Net Assets Applicable to Common Shareholders:</b>		
Beginning of year	722,160,738	610,799,518
End of year*	\$741,367,553	\$722,160,738
*Including undistributed (dividends in excess of) net investment income of:	\$22,643,835	\$20,835,879
<b>Common Shares Issued in Reinvestment of Dividends</b>	257,784	295,661

32 Annual Report | May 31, 2013 | See accompanying Notes to Financial Statements

**Table of Contents****Statements of Changes in Net Assets****Applicable to Common Shareholders (continued)**

## PIMCO Municipal Income Funds

California Municipal II		New York Municipal II	
Year ended May 31, 2013	Year ended May 31, 2012	Year ended May 31, 2013	Year ended May 31, 2012
\$21,709,832	\$22,432,123	\$8,604,979	\$9,095,315
3,108,299	(6,106,658)	292,763	(3,777,108)
7,700,006	47,433,034	(612,931)	17,268,915
32,518,137	63,758,499	8,284,811	22,587,122
(402,646)	(383,285)	(194,449)	(181,888)
32,115,491	63,375,214	8,090,362	22,405,234
(21,313,126)	(22,056,823)	(8,669,854)	(8,629,270)
(2,354,016)	(1,522,981)		
(23,667,142)	(23,579,804)	(8,669,854)	(8,629,270)
1,162,949	1,288,406	597,357	635,052
9,611,298	41,083,816	17,865	14,411,016
272,569,637	231,485,821	123,667,293	109,256,277
\$282,180,935	\$272,569,637	\$123,685,158	\$123,667,293
\$(2,098,678)	\$(1,973,038)	\$1,873,593	\$2,232,908
113,525	142,977	47,813	58,575

See accompanying Notes to Financial Statements | May 31, 2013 | Annual Report **33**

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**1. Organization and Significant Accounting Policies**

PIMCO Municipal Income Fund II ( "Municipal II" ), PIMCO California Municipal Income Fund II ( "California Municipal II" ) and PIMCO New York Municipal Income Fund II ( "New York Municipal II" ), (each a "Fund" and collectively referred to as the "Funds" or "PIMCO Municipal Income Funds II" ), were organized as Massachusetts business trusts on March 29, 2002. Prior to commencing operations on June 28, 2002, the Funds had no operations other than matters relating to their organization and registration as non-diversified, closed-end management investment companies registered under the Investment Company Act of 1940 and the rules and regulations thereunder, as amended. Allianz Global Investors Fund Management LLC (the "Investment Manager" ) and Pacific Investment Management Company LLC ( "PIMCO" or the "Sub-Adviser" ) serve as the Funds' investment manager and sub-adviser, respectively, and are both indirect, wholly-owned subsidiaries of Allianz Asset Management of America L.P. ( "AAM" ). AAM is an indirect, wholly-owned subsidiary of Allianz SE, a publicly traded European insurance and financial services company. Each Fund has authorized an unlimited amount of common shares with \$0.00001 par value.

Under normal market conditions, Municipal II invests substantially all of its assets in a portfolio of municipal bonds, the interest from which is exempt from U.S. federal income taxes. Under normal market conditions, California Municipal II invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal and California state income taxes. Under normal market conditions, New York Municipal II invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal, New York State and New York City income taxes. There can be no

assurance that the Funds will meet their stated objectives. The Funds will generally seek to avoid investing in bonds generating interest income which could potentially subject individuals to alternative minimum tax. The issuers' abilities to meet their obligations may be affected by economic and political developments in a specific state or region.

The preparation of the Funds' financial statements in accordance with accounting principles generally accepted in the United States of America requires the Funds' management to make estimates and assumptions that affect the reported amounts and disclosures in each Fund's financial statements. Actual results could differ from those estimates.

In the normal course of business, the Funds enter into contracts that contain a variety of representations that provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update ( "ASU" ) No. 2011-11, "Disclosures About Offsetting Assets and Liabilities" , as amended in January 2013 by the issued ASU No. 2013-01, which requires enhanced disclosures that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. The amendments are effective for fiscal years



beginning on or after January 1, 2013. The Funds' management is currently evaluating the effect that the guidance may have on the Funds' financial statements.

**34** May 31, 2013 | Annual Report

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

The following is a summary of significant accounting policies consistently followed by the Funds:

**(a) Valuation of Investments**

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services. The Funds' investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics.

The Board of Trustees (the Board) has adopted procedures for valuing portfolio securities and other financial derivative instruments in circumstances where market quotes are not readily available, and has delegated the responsibility for applying the valuation methods to the Investment Manager and Sub-Adviser. The Funds' Valuation Committee was established by the Board to oversee the implementation of the Funds' valuation methods and to make fair value determinations on behalf of the Board, as instructed. The Sub-Adviser monitors the continued appropriateness of methods applied and determines if adjustments should be made in light of market changes, events affecting the issuer, or other factors. If the Sub-Adviser determines that a valuation method may no longer be appropriate, another valuation

method may be selected, or the Valuation Committee will be convened to consider the matter and take any appropriate action in accordance with procedures set forth by the Board. The Board shall review the appropriateness of the valuation methods and these methods may be amended or supplemented from time to time by the Valuation Committee.

Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61<sup>st</sup> day prior to maturity, if the original term to maturity exceeded 60 days.

The prices used by the Funds to value investments may differ from the value that would be realized if the investments were sold, and these differences could be material to the Funds' financial statements. Each Fund's net asset value (NAV) is normally determined as of the close of regular trading (normally, 4:00 p.m. Eastern time) on the New York Stock Exchange (NYSE) on each day the NYSE is open for business.

**(b) Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.* the exit price ) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

- n Level 1 quoted prices in active markets for identical investments that the Funds have the ability to access
- n Level 2 valuations based on other significant observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates or other market corroborated inputs

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

n Level 3 valuations based on significant unobservable inputs (including the Sub-Adviser's or Valuation Committee's own assumptions and securities whose price was determined by using a single broker's quote)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following are certain inputs and techniques that the Funds generally use to evaluate how to classify each major category of assets and liabilities for Level 2 and Level 3, in accordance with Generally Accepted Accounting Principles ( GAAP ).

**U.S. Treasury Obligations** U.S. Treasury obligations are valued by independent pricing services based on pricing models that evaluate the mean between the most recently quoted bid and ask price. The models also take into consideration data received from active market makers and broker-dealers, yield curves, and the spread over comparable U.S. Treasury issues. The spreads change daily in response to market conditions and are generally obtained from the new issue market and broker-dealer sources. To the extent that these inputs are observable, the values of U.S. Treasury obligations are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Municipal Bonds & Notes and Variable Rate Notes** Municipal bonds & notes and variable rate notes are valued by independent pricing services based on pricing models that take into account, among other factors, information received from market makers and broker-dealers, current trades, bid-want lists, offerings, market movements, the callability of the bond, state of issuance, benchmark yield curves, and

bond or note insurance. To the extent that

these inputs are observable, the values of municipal bonds & notes and variable rate notes are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

**Interest Rate Swaps** Over-the-counter ( OTC ) interest rate swaps are valued by independent pricing services using pricing models that are based on real-time intraday snapshots of relevant interest rate curves that are built using the most actively traded securities for a given maturity. The pricing models also incorporate cash and money market rates. In addition, market data pertaining to interest rate swaps is monitored regularly to ensure that interest rates are properly depicting the current market rate. To the extent that these inputs are observable, the values of interest rate swaps are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

The valuation techniques used by the Funds to measure fair value during the year ended May 31, 2013 were intended to maximize the use of observable inputs and to minimize the use of unobservable inputs.

The Funds' policy is to recognize transfers between levels at the end of the reporting period. An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to the fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation techniques used. Investments categorized as Level 1 or 2 as of period end may have been transferred between Levels 1 and 2 since the prior period due to changes in the valuation method utilized in valuing the investments.

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

**(c) Investment Transactions and Investment Income**

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on an identified cost basis. Interest income adjusted for the accretion of discount and amortization of premiums is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized, respectively, to interest income.

**(d) Federal Income Taxes**

The Funds intend to distribute all of their taxable income and to comply with the other requirements of Subchapter M of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required.

Accounting for uncertainty in income taxes establishes for all entities, including pass-through entities such as the Funds, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. Funds management has determined that its evaluation of the positions taken in the tax returns has resulted in no material impact to the Funds financial statements at May 31, 2013. The federal income tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

**(e) Dividends and Distributions – Common Shares**

The Funds declare dividends from net investment income to common shareholders monthly. Distributions of net realized capital gains, if any, are paid at least annually. The Funds record dividends and distributions on the

ex-dividend date. The amount of dividends from net investment income and distributions from net realized capital gains is determined in accordance with federal income tax regulations, which may differ from GAAP. These book-tax differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment; temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes, they are reported as dividends and/or distributions to shareholders from return of capital.

**(f) Inverse Floating Rate Transactions – Residual Interest Municipal Bonds ( RIBs )/ Residual Interest Tax Exempt Bonds ( RITEs )**

The Funds invest in RIBs and RITEs ( Inverse Floaters ), whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. In inverse floating rate transactions, the Funds sell a fixed rate municipal bond ( Fixed Rate Bond ) to a broker who places the Fixed Rate Bond in a special purpose trust ( Trust ) from which floating rate bonds ( Floating Rate Notes ) and Inverse Floaters are issued. The Funds simultaneously or within a short period of time, purchase the Inverse Floaters from the broker. The Inverse Floaters held by the Funds provide the Funds with the right to: (1) cause the holders of the Floating Rate Notes to tender their notes at par, and (2) cause the broker to transfer the Fixed-Rate Bond held by the Trust to the Funds, thereby collapsing the Trust. The Funds account for the transaction described above as a secured borrowing by including the Fixed Rate Bond in their Schedules of Investments, and account for the Floating Rate Notes as a liability under the caption Payable for Floating Rate Notes issued

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

in the Funds' Statements of Assets and Liabilities. The Floating Rate Notes have interest rates that generally reset weekly and their holders have the option to tender their notes to the broker for redemption at par at each reset date.

The Funds may also invest in Inverse Floaters without transferring a fixed rate municipal bond into a Trust, which are not accounted for as secured borrowings. The Funds may also invest in Inverse Floaters for the purpose of increasing leverage.

The Inverse Floaters are created by dividing the income stream provided by the underlying bonds to create two securities, one short-term and one long-term. The interest rate on the short-term component is reset by an index or auction process typically every 7 to 35 days. After income is paid on the short-term securities at current rates, the residual income from the underlying bond(s) goes to the long-term securities. Therefore, rising short-term rates result in lower income for the long-term component and vice versa. The longer-term bonds may be more volatile and less liquid than other municipal bonds of comparable maturity. Investments in Inverse Floaters typically will involve greater risk than in an investment in Fixed Rate Bonds.

In addition to general market risks, the Funds' investments in Inverse Floaters may involve greater risk and volatility than an investment in a fixed rate bond, and the value of Inverse Floaters may decrease significantly when market interest rates increase. Inverse Floaters have varying degrees of liquidity, and the market for these securities may be volatile. These securities tend to underperform the market for fixed rate bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates

decline or remain relatively stable. Although volatile, Inverse Floaters typically offer the potential for yields exceeding the yields available on fixed rate bonds with comparable credit quality, coupon, call provisions and maturity. Trusts in which Inverse Floaters may be held 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.

**(g) U.S. Government Agencies or Government-Sponsored Enterprises**

Securities issued by U.S. Government agencies or government-sponsored enterprises may not be guaranteed by the U.S. Treasury. The Government National Mortgage Association ( GNMA or Ginnie Mae ), a wholly-owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Government-related guarantors not backed by the full faith and credit of the U.S. Government include the Federal National Mortgage Association ( FNMA or Fannie Mae ) and the Federal Home Loan Mortgage Corporation ( FHLMC



or Freddie Mac ). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA, but are not backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but its participation certificates are not backed by the full faith and credit of the U.S. Government.

**(h) Restricted Securities**

The Funds are permitted to invest in securities that are subject to legal or contractual restrictions on resale. These securities generally

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**1. Organization and Significant Accounting Policies (continued)**

may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expenses, and prompt sale at an acceptable price may be difficult.

**(i) Repurchase Agreements.**

The Funds enter into transactions with their custodian bank or securities brokerage firms whereby they purchase securities under agreements to resell such securities at an agreed upon price and date ( repurchase agreements ). The Funds, through their custodian, take possession of securities collateralizing the repurchase agreement. Such agreements are carried at the contract amount in the financial statements, which is considered to represent fair value. Collateral pledged (the securities received), which consists primarily of U.S. government obligations and asset-backed securities, is held by the custodian bank for the benefit of the Funds until maturity of the repurchase agreement. Provisions of the repurchase agreements and the procedures adopted by the Funds require that the market value of the collateral, including accrued interest thereon, be sufficient in the event of default by the counterparty. If the counterparty defaults and the value of the collateral declines or if the counterparty enters an insolvency proceeding, realization of the collateral by the Funds may be delayed or limited.

**(j) When-Issued/Delayed-Delivery Transactions.**

When-issued or delayed-delivery transactions involve a commitment to purchase or sell securities for the predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery purchases are outstanding, the Funds will set aside and maintain until the settlement

date in a designated account, liquid assets in an amount sufficient to meet the purchase price. When purchasing a security on a delayed-delivery basis, the Funds assume the rights and risks of ownership of the security, including the risk of price and yield fluctuations; consequently, such fluctuations are taken into account when determining the net asset value. The Funds may dispose of or renegotiate a delayed-delivery transaction after it is entered into, and may sell when-issued securities before they are delivered, which may result in a realized gain or loss. When a security is sold on delayed-delivery basis, the Funds do not participate in future gains and losses with respect to the security.

**(k) Interest Expense**

Interest expense primarily relates to the Funds participation in Floating Rate Notes held by third parties in conjunction with Inverse Floater transactions.

**(l) Custody Credits on Cash Balances**

The Funds may benefit from an expense offset arrangement with their custodian bank, whereby uninvested cash balances may earn credits that reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income-producing securities, they would have generated income for the Funds. Cash overdraft charges, if any, are included in custodian and accounting agent fees.

## **2. Principal Risks**

In the normal course of business, the Funds trade financial instruments and enter into financial transactions where risk of potential loss exists due to, among other things, changes in the market (market risk) or failure of the other party to a transaction to perform (counterparty risk). The Funds are also exposed to other risks such as, but not limited to, interest rate, credit and leverage risks.

Interest rate risk is the risk that fixed income securities will decline in value because of

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**2. Principal Risks (continued)**

changes in interest rates. As nominal interest rates rise, the values of certain fixed income securities held by the Funds are likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is used primarily as a measure of the sensitivity of a fixed income security's market price to interest rate (*i.e.* yield) movements.

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.

The Funds are exposed to credit risk, which is the risk of losing money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived (whether by market participants, rating agencies, pricing services or otherwise) as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings.

The market values of securities may decline due to general market conditions (market risk)

which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities and equity-related investments generally have greater market price volatility than fixed income securities.

The Funds are exposed to counterparty risk, or the risk that an institution or other entity with which the Funds have unsettled or open transactions will default. The potential loss to the Funds could exceed the value of the financial assets recorded in the Funds' financial statements. Financial assets, which potentially expose the Funds to counterparty risk, consist principally of cash due from counterparties and investments. The Sub-Adviser seeks to minimize the Funds' counterparty risk by performing reviews of each counterparty and by minimizing concentration of counterparty risk by undertaking transactions with multiple customers and counterparties on recognized and reputable exchanges. Delivery of securities sold is only made once the Funds have received payment. Payment is made on a purchase once the securities have been delivered by the counterparty. The trade will fail if either party fails to meet its obligation.

The Funds are exposed to risks associated with leverage. Leverage may cause the value of the Funds' shares to be more volatile than if the Funds did not use leverage. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the Funds' portfolio securities. The Funds may engage in transactions or purchase instruments that give rise to forms of leverage. In addition, to the extent the Funds employ leverage, dividend and interest costs may not be recovered by any

**40** May 31, 2013 | Annual Report

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**2. Principal Risks** (continued)

appreciation of the securities purchased with the leverage proceeds and could exceed the Funds' investment returns, resulting in greater losses.

The Funds are party to International Swaps and Derivatives Association, Inc. Master Agreements ( ISDA Master Agreements ) with select counterparties that govern transactions, over-the-counter derivatives and foreign exchange contracts entered into by the Funds and those counterparties. The ISDA Master Agreements contain provisions for general obligations, representations, agreements, collateral and events of default or termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements of the Funds.

The considerations and factors surrounding the settlement of certain purchases and sales made on a delayed-delivery basis are governed by Master Securities Forward Transaction Agreements ( Master Forward Agreements ) between the Funds and select counterparties. The Master Forward Agreements maintain provisions for, among other things, initiation and confirmation, payment and transfer, events of default, termination, and maintenance of collateral.

The Funds are also a party to Master Repurchase Agreements ( Master Repo Agreements ) with select counterparties. The Master Repo Agreements maintain provisions for initiation, income payments, events of default, and maintenance of collateral.

**3. Financial Derivative Instruments**

Disclosure about derivatives and hedging activities requires qualitative disclosure regarding objectives and strategies for using derivatives, quantitative disclosure about fair value amounts of gains and losses on derivatives, and disclosure about credit-risk-related contingent features in derivative agreements. The disclosure requirements distinguish between derivatives, which are accounted for as hedges , and those that do not qualify for such accounting. Although the Funds at times use derivatives for hedging purposes, the Funds reflect derivatives at fair value and recognize changes in fair value through the Funds' Statements of Operations, and such derivatives do not qualify for hedge accounting treatment.

**(a) Futures Contracts**

The Funds use futures contracts to manage their exposure to the securities markets or the movements in interest rates and currency values. A futures contract is an agreement between two parties to buy and sell a financial instrument at a set price on a future date. Upon entering into such a contract, the Funds are required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange. Pursuant to the contracts, the

Funds agree to receive from or pay to the broker an amount of cash or securities equal to the daily fluctuation in the value of the contracts. Such receipts or payments are known as variation margin and are recorded by the Funds as unrealized appreciation or depreciation. When the contracts are closed, the Funds record a realized gain or loss equal to the difference between the value of the contracts at the time they were opened and the value at the time they were closed. Any unrealized appreciation or depreciation recorded is simultaneously reversed. The use of futures transactions involves various risks, including the risk of an

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**3. Financial Derivative Instruments (continued)**

imperfect correlation in the movements in the price of futures contracts, interest rates and underlying hedging assets, and possible inability or unwillingness of counterparties to meet the terms of their contracts.

**(b) Swap Agreements**

Swap agreements are bilaterally negotiated agreements between the Funds and a counterparty to exchange or swap investment cash flows, assets, foreign currencies or market or event-linked returns at specified, future intervals. Swap agreements may be privately negotiated in the over-the-counter market ( OTC swaps ) or may be executed in a multilateral or other trade facility platform, such as a registered commodities exchange ( centrally cleared swaps ). The Funds may enter into credit default, cross-currency, interest rate, total return, variance and other forms of swap agreements in order, among other things, to manage their exposure to credit, currency and interest rate risk. In connection with these agreements, securities may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency.

OTC swap payments received or made at the beginning of the measurement period are reflected as such on the Funds Statements of Assets and Liabilities and represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreement and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are recorded as realized gains or losses on the Funds Statements of Operations upon termination or maturity of the swap. A liquidation payment received or made at the

termination of the swap is recorded as realized gain or loss on the Funds Statements of Operations. Net periodic payments received or paid by the Funds are included as part of realized gains or losses on the Funds Statements of Operations. Changes in market value, if any, are reflected as a component of net changes in unrealized appreciation/depreciation on the Funds Statements of Operations. Daily changes in valuation of centrally cleared swaps, if any, are recorded as a receivable or payable, as applicable, for variation margin on centrally cleared swaps on the Funds Statements of Assets and Liabilities.

Entering into these agreements involves, to varying degrees, elements of credit, legal, market and documentation risk in excess of the amounts recognized on the Funds Statements of Assets and Liabilities. Such risks include the possibility that there will be no liquid market for these agreements, that the counterparties to the agreements may default on their obligation to perform or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates.



Interest Rate Swap Agreements Interest rate swap agreements involve the exchange by the Funds with a counterparty of their respective commitments to pay or receive interest, e.g., an exchange of floating rate payments for fixed rate payments, with respect to the notional amount of principal. Certain forms of interest rate swap agreements may include: (i) interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or cap, (ii) interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or floor, (iii) interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself

**42** May 31, 2013 | Annual Report

**Table of Contents**

**Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**3. Financial Derivative Instruments (continued)**

against interest rate movements exceeding given minimum or maximum levels, (iv) callable interest rate swaps, under which the counterparty may terminate the swap transaction in whole at zero cost by a predetermined date and time prior to the maturity date, (v) spreadlocks, which allow the interest rate swap users to lock in the forward differential (or spread) between the interest rate swap rate and a specified benchmark, or (vi) basis swaps, under which two parties can exchange variable interest rates based on different money markets.

**4. Investment Manager/Sub-Adviser**

Each Fund has an Investment Management Agreement (each an Agreement) with the Investment Manager. Subject to the supervision of each Fund's Board, the Investment Manager is responsible for managing, either directly or through others selected by it, the Funds' investment activities, business affairs and administrative matters. Pursuant to each Agreement, the Investment Manager receives an annual fee, payable monthly, at an annual

rate of 0.65% of each Fund's average daily net assets, inclusive of net assets attributable to any Preferred Shares that were outstanding. For the period July 1, 2011 through June 30, 2012, the Investment Manager voluntarily agreed to waive a portion of its fee for each Fund at the annual rate of 0.05% of each Fund's average daily net assets, inclusive of net assets attributable to any Preferred Shares that were outstanding. For the year ended May 31, 2013, each Fund paid investment management fees at an effective rate of 0.65% of each Fund's average daily net assets, inclusive of net assets attributable to any Preferred Shares that were outstanding.

The Investment Manager has retained the Sub-Adviser to manage the Funds' investments. Subject to the supervision of the Investment Manager, the Sub-Adviser is responsible for making all of the Funds' investment decisions. The Investment Manager, not the Funds, pays a portion of the fees it receives as Investment Manager to the Sub-Adviser in return for its services.

**5. Investments in Securities**

For the year ended May 31, 2013, purchases and sales of investments, other than short-term securities were:

	California	New York
Municipal II	Municipal II	Municipal II

Purchases	\$ 183,996,310	\$ 63,006,662	\$ 53,803,166
Sales	201,363,349	74,943,662	56,678,342

**6. Income Tax Information**

The tax character of dividends paid was:

	Year ended May 31, 2013			Year ended May 31, 2012		
	Ordinary Income	Tax Exempt Income	Return of Capital	Ordinary Income	Tax Exempt Income	Return of Capital
Municipal II	\$ 458,232	\$ 47,850,296	\$	\$ 465,597	\$ 47,581,111	\$
California Municipal II	583,738	21,132,034	2,354,016	705,738	21,734,370	1,522,981
New York Municipal II	76,412	8,787,891		51,714	8,759,444	

**Table of Contents****Notes to Financial Statements**

## PIMCO Municipal Income Funds II

May 31, 2013

**6. Income Tax Information** (continued)

At May 31, 2013, the components of distributable earnings were:

	Tax Exempt Income	Capital loss Carryforwards <sup>(1)</sup>	Post-October Capital loss <sup>(2)</sup> Short-Term	Long-Term
Municipal II	\$22,978,135	\$ 196,721,637	\$	\$
California Municipal II		188,566,070		
New York Municipal II	1,963,079	42,820,315	20,433	

(1) Capital loss carryforwards available as a reduction, to the extent provided in the regulations, of any future net realized gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be disbursed.

(2) Capital losses realized during the period November 1, 2012 through May 31, 2013 which the Funds elected to defer to the following taxable year pursuant to income regulations.

Under the Regulated Investment Company Modernization Act of 2010, the Funds will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010, for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term capital losses.

At May 31, 2013, capital loss carryforward amounts were:

	Year of Expiration					No Expiration <sup>(3)</sup>	
	2014	2015	2016	2017	2018	Short-Term	Long-Term
Municipal II	4,473,237	7,912,932		7,955,461	164,801,603	11,578,404	
California Municipal II		5,531,398	4,849,597	18,401,113	157,995,404	1,788,558	
New York Municipal II		51,848	1,171,157	2,961,908	34,379,048	4,256,354	

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For the year ended May 31, 2013, the Funds had post-enactment capital loss carryforwards which were utilized as follows:

	Utilized	
	Short-Term	Long-Term
Municipal II	\$ 4,815,293	\$
California Municipal II	3,513,335	
New York Municipal II	20,917	804,790

For the year ended May 31, 2013, the Funds had capital loss carryforwards which were expired as follows:

	Expired
Municipal II	49,108,685
California Municipal II	16,328,922
New York Municipal II	5,755,677

(3) Carryforward amounts are subject to the provisions of the Regulated Investment Company Modernization Act of 2010.

44 May 31, 2013 | Annual Report

**Table of Contents****Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**6. Income Tax Information** (continued)

For the year ended May 31, 2013, permanent book-tax adjustments were:

	Undistributed Net Investment Income	Accumulated Net Realized Gain(Loss)	Paid-in Capital in Excess of Par
Municipal II <sup>(a)(b)(c)</sup>	\$(336,800)	\$49,445,485	\$(49,108,685)
California Municipal II <sup>(b)(c)</sup>	(119,700)	16,448,622	(16,328,922)
New York Municipal II <sup>(a)(b)(c)</sup>	(99,991)	5,855,668	(5,755,677)

These permanent book-tax differences were primarily attributable to:

- (a) Differing treatment of Inverse Floaters
- (b) Expiring Capital Loss Carryforwards
- (c) Swap reclass

Net investment income, net realized gains or losses and net assets were not affected by these adjustments.

At May 31, 2013, the aggregate cost basis and the net unrealized appreciation (depreciation) of investments for federal income tax purposes were:

	Federal Tax Cost Basis	Unrealized Appreciation	Unrealized Depreciation	Net Unrealized Appreciation
Municipal II	\$ 965,272,220	\$ 108,069,710	\$ 3,435,568	\$ 104,634,142
California Municipal II	380,523,683	62,022,758	909,776	61,112,982
New York Municipal II	184,498,703	18,720,329	2,006,705	16,713,624

Differences between book and tax cost basis were attributable to Inverse Floaters transactions and wash sale loss deferrals.

**7. Auction-Rate Preferred Shares**

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Municipal II has 2,936 shares of Preferred Shares Series A, 2,936 shares of Preferred Shares Series B, 2,936 shares of Preferred Shares Series C, 2,936 shares of Preferred Shares Series D and 2,936 shares of Preferred Shares Series E outstanding, each with a liquidation preference of \$25,000 per share plus any accumulated, unpaid dividends.

California Municipal II has 1,304 shares of Preferred Shares Series A, 1,304 shares of Preferred Shares Series B, 1,304 shares of Preferred Shares Series C, 1,304 shares of Preferred Shares Series D and 1,304 shares of Preferred Shares Series E outstanding, each with a liquidation preference of \$25,000 per share plus any accumulated, unpaid dividends.

New York Municipal II has 1,580 shares of Preferred Shares Series A and 1,580 shares of Preferred Shares Series B outstanding, each with a liquidation preference of \$25,000 per share plus any accumulated, unpaid dividends.

Dividends are accumulated daily at an annual rate (typically re-set every seven days) through auction procedures (or through default procedures in the event of failed auctions). Distributions of net realized capital gains, if any, are paid annually.

**Table of Contents****Notes to Financial Statements**

## PIMCO Municipal Income Funds II

May 31, 2013

**7. Auction-Rate Preferred Shares (continued)**

For the year ended May 31, 2013, the annualized dividend rates ranged from:

	High	Low	At May 31, 2013
<b>Municipal II:</b>			
Series A	0.377%	0.131%	0.246%
Series B	0.377%	0.131%	0.246%
Series C	0.377%	0.131%	0.246%
Series D	0.377%	0.131%	0.246%
Series E	0.377%	0.144%	0.246%
<b>California Municipal II:</b>			
Series A	0.377%	0.131%	0.246%
Series B	0.377%	0.131%	0.246%
Series C	0.377%	0.131%	0.246%
Series D	0.377%	0.131%	0.246%
Series E	0.377%	0.144%	0.246%
<b>New York Municipal II:</b>			
Series A	0.377%	0.131%	0.246%
Series B	0.377%	0.144%	0.246%

The Funds are subject to certain limitations and restrictions while Preferred Shares are outstanding. Failure to comply with these limitations and restrictions could preclude the Funds from declaring or paying any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of Preferred Shares at their liquidation preference plus any accumulated, unpaid dividends.

Preferred shareholders, who are entitled to one vote per share, generally vote together with the common shareholders but vote separately as a class to elect two Trustees and on any matters affecting the rights of the Preferred Shares.

Since mid-February 2008, holders of auction-rate preferred shares ( ARPS ) issued by the Funds have been directly impacted by an unprecedented lack of liquidity, which has similarly affected ARPS holders in many of the nation's closed-end funds. Since then, regularly scheduled auctions for ARPS issued by the Funds have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, ARPS holders cannot sell all, and may not be able to sell any, of their shares tendered for sale. While



repeated auction failures have affected the liquidity for ARPS, they do not constitute a default or automatically alter the credit quality of the ARPS, and the ARPS holders have continued to receive dividends at the defined maximum rate equal to the higher of the 30-day AA Composite Commercial Paper Rate multiplied by 110% or the Taxable Equivalent of the Short-Term Municipal Obligations Rate-defined as 90% of the quotient of (A) the per annum rate expressed on an interest equivalent basis equal to the S&P Municipal Bond 7-day High Grade Rate Index divided by (B) 1.00 minus the Marginal Tax Rate (expressed as a decimal) multiplied by 110% (which is a function of short-term interest rates and typically higher than the rate that would have otherwise been set through a successful auction). If the Funds ARPS auctions continue to fail and the maximum rate payable on the ARPS rises as a result of changes in short-term interest rates, returns for the Funds common shareholders could be adversely affected.

**Table of Contents****Notes to Financial Statements**

PIMCO Municipal Income Funds II

May 31, 2013

**7. Auction-Rate Preferred Shares (continued)**

In the Fall of 2012, S&P Evaluation Services announced that it would discontinue providing the S&P Weekly High Grade Municipal Bond Index (formerly, the Kenny S&P 30-Day High Grade Municipal Bond Index) (the Prior Index ) effective January 1, 2013. The Funds' Board approved the use of the S&P Municipal Bond 7-Day High Grade Rate Index in replacement of the Prior Index to calculate ARPS dividend rates on and after January 1, 2013, as well as corresponding amendments to the Funds' bylaws.

**8. Transfer Agent Change**

Effective September 17, 2012 (the Effective Date ), American Stock Transfer & Trust Company, LLC ( AST ) assumed responsibility as the Funds' transfer agent. The amended Dividend Reinvestment Plan (the Plan ) and AST's role as transfer agent for Participants under the Plan commenced as of the Effective Date.

**9. Subsequent Events**

In preparing these financial statements, the Funds' management has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

On June 3, 2013, the following dividends were declared to common shareholders payable July 1, 2013 to shareholders of record on June 13, 2013.

Municipal II	\$0.065 per common share
California Municipal II	\$0.0625 per common share
New York Municipal II	\$0.06625 per common share

On July 1, 2013, the following dividends were declared to common shareholders payable August 1, 2013 to shareholders of record on July 11, 2013.

Municipal II	\$0.065 per common share
California Municipal II	\$0.0625 per common share
New York Municipal II	\$0.06625 per common share

There were no other subsequent events that require recognition or disclosure.



**Table of Contents****Financial Highlights**

## PIMCO Municipal Income Fund II

For a common share outstanding throughout each year:

	2013	2012	Year ended May 31, 2011	2010	2009
Net asset value, beginning of year	\$11.91	\$10.12	\$10.77	\$8.97	\$13.86
<b>Investment Operations:</b>					
Net investment income	0.82	0.88	0.91	0.88	1.02
Net realized and change in unrealized gain (loss)	0.23	1.70	(0.75)	1.73	(4.94)
Total from investment operations	1.05	2.58	0.16	2.61	(3.92)
<b>Dividends on Preferred Shares from Net Investment Income</b>					
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(0.01)	(0.01)	(0.03)	(0.03)	(0.19)
	1.04	2.57	0.13	2.58	(4.11)
<b>Dividends to Common Shareholders from Net Investment Income</b>	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)
Net asset value, end of year	\$12.17	\$11.91	\$10.12	\$10.77	\$8.97
Market price, end of year	\$12.19	\$12.54	\$10.45	\$11.12	\$9.56
<b>Total Investment Return</b> <sup>(1)</sup>	3.41%	28.70%	1.30%	25.49%	(26.46)%
<b>Ratios/Supplemental Data:</b>					
Net assets, applicable to common shareholders, end of year (000s)	\$741,368	\$722,161	\$610,800	\$645,589	\$534,046
Ratio of expenses to average net assets, including interest expense <sup>(2)(3)(4)</sup>	1.16% <sup>(5)</sup>	1.19% <sup>(5)</sup>	1.37%	1.38% <sup>(5)</sup>	1.73% <sup>(5)</sup>
Ratio of expenses to average net assets, excluding interest expense <sup>(2)(3)</sup>	1.11% <sup>(5)</sup>	1.11% <sup>(5)</sup>	1.24%	1.24% <sup>(5)</sup>	1.35% <sup>(5)</sup>

Ratio of net investment income to average net assets <sup>(2)</sup>	6.74% <sup>(5)</sup>	8.04% <sup>(5)</sup>	8.80%	8.77% <sup>(5)</sup>	10.23% <sup>(5)</sup>
Preferred shares asset coverage per share	\$75,501	\$74,192	\$66,606	\$68,974	\$61,376
Portfolio turnover rate	16%	26%	21%	6%	42%

- (1) 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 Fund's dividend reinvestment plan. Total investment return does not reflect brokerage commissions or sales charges in connection with the purchase or sale of Fund shares.
- (2) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.
- (3) Inclusive of expenses offset by custody credits earned on cash balances at the custodian bank (See note 1(I) in Notes to Financial Statements).
- (4) Interest expense relates to the liability for Floating Rate Notes issued in connection with Inverse Floater transactions and/or participation in reverse repurchase agreement transactions.
- (5) During the years indicated above, the Investment Manager waived a portion of its investment management fee. The effect of such waiver relative to the average net assets of common shareholders was 0.006%, 0.07%, 0.004% and 0.10% for the years ended May 31, 2013, May 31, 2012, May 31, 2010 and May 31, 2009, respectively.

**48** Annual Report | May 31, 2013 | See accompanying Notes to Financial Statements

**Table of Contents****Financial Highlights**

## PIMCO California Municipal Income Fund II

For a common share outstanding throughout each year:

	Year ended May 31,				
	2013	2012	2011	2010	2009
Net asset value, beginning of year	\$8.65	\$7.38	\$8.11	\$7.48	\$13.34
<b>Investment Operations:</b>					
Net investment income	0.69	0.71	0.74	0.76	0.85
Net realized and change in unrealized gain (loss)	0.35	1.32	(0.70)	0.67	(5.69)
Total from investment operations	1.04	2.03	0.04	1.43	(4.84)
<b>Dividends on Preferred Shares from Net Investment Income</b>					
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	(0.01)	(0.01)	(0.02)	(0.03)	(0.18)
	1.03	2.02	0.02	1.40	(5.02)
<b>Dividends and Distributions to Common Shareholders from:</b>					
Net investment income	(0.68)	(0.70)	(0.75)	(0.77)	(0.80)
Return of capital	(0.07)	(0.05)			(0.04)
<b>Total dividends and distributions to shareholders</b>	<b>(0.75)</b>	<b>(0.75)</b>	<b>(0.75)</b>	<b>(0.77)</b>	<b>(0.84)</b>
Net asset value, end of year	\$8.93	\$8.65	\$7.38	\$8.11	\$7.48
Market price, end of year	\$10.51	\$10.15	\$9.21	\$9.33	\$8.78
<b>Total Investment Return</b> <sup>(1)</sup>					