

KILROY REALTY CORP  
Form 10-Q  
April 23, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 31, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-12675

**KILROY REALTY CORPORATION**

(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)  
12200 W. Olympic Boulevard,

95-4598246  
(I.R.S. Employer  
Identification No.)  
90064

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Suite 200,

Los Angeles, California  
(Address of principal executive offices)

(Zip Code)

(310) 481-8400

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 22, 2008, 32,728,312 shares of common stock, par value \$.01 per share, were outstanding.

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**KILROY REALTY CORPORATION**

**QUARTERLY REPORT FOR THE THREE MONTHS ENDED MARCH 31, 2008**

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*Unless otherwise indicated or unless the context requires otherwise, all references in this report to we, us, our or the Company mean Kilroy Realty Corporation, including our consolidated subsidiaries.*

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****KILROY REALTY CORPORATION****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	<b>March 31, 2008 (unaudited)</b>	<b>December 31, 2007</b>
<b>ASSETS</b>		
<b>REAL ESTATE ASSETS:</b>		
Land and improvements	\$ 324,779	\$ 324,779
Buildings and improvements	1,733,794	1,719,700
Undeveloped land and construction in progress	347,699	324,077
Total real estate held for investment	2,406,272	2,368,556
Accumulated depreciation and amortization	(480,642)	(463,932)
Total real estate assets, net	1,925,630	1,904,624
CASH AND CASH EQUIVALENTS	4,881	11,732
RESTRICTED CASH	11	546
MARKETABLE SECURITIES (Note 8)	2,238	707
CURRENT RECEIVABLES, NET	4,724	4,891
DEFERRED RENT RECEIVABLES, NET	68,423	67,283
NOTES RECEIVABLE	10,938	10,970
DEFERRED LEASING COSTS AND ACQUISITION-RELATED INTANGIBLES, NET	53,335	54,418
DEFERRED FINANCING COSTS, NET	7,946	8,492
PREPAID EXPENSES AND OTHER ASSETS, NET	7,783	5,057
<b>TOTAL ASSETS</b>	<b>\$ 2,085,909</b>	<b>\$ 2,068,720</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>LIABILITIES:</b>		
Secured debt (Note 2)	\$ 394,983	\$ 395,912
Exchangeable senior notes, net (Note 2)	456,320	456,090
Unsecured senior notes	144,000	144,000
Unsecured line of credit (Note 2)	137,000	111,000
Accounts payable, accrued expenses and other liabilities	49,295	58,249
Accrued distributions (Note 12)	21,464	20,610
Deferred revenue and acquisition-related liabilities (Note 3)	72,573	59,187
Rents received in advance and tenant security deposits	20,699	18,433
Total liabilities	1,296,334	1,263,481
<b>COMMITMENTS AND CONTINGENCIES (NOTE 7)</b>		
<b>MINORITY INTERESTS (Note 4):</b>		
7.45% Series A cumulative redeemable preferred units of the Operating Partnership	73,638	73,638
Common units of the Operating Partnership	37,563	38,309
Total minority interests	111,201	111,947
<b>STOCKHOLDERS EQUITY (Note 5):</b>		

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Preferred stock, \$.01 par value, 30,000,000 shares authorized:		
7.45% Series A cumulative redeemable preferred stock, \$.01 par value, 1,500,000 shares authorized, none issued and outstanding		
Series B junior participating preferred stock, \$.01 par value, 400,000 shares authorized, none issued and outstanding		
9.25% Series D cumulative redeemable preferred stock, \$.01 par value, 900,000 shares authorized, none issued and outstanding		
7.80% Series E cumulative redeemable preferred stock, \$.01 par value, 1,610,000 shares authorized, issued and outstanding (\$40,250 liquidation preference)	38,425	38,425
7.50% Series F cumulative redeemable preferred stock, \$.01 par value, 3,450,000 shares authorized, issued and outstanding (\$86,250 liquidation preference)	83,157	83,157
Common stock, \$.01 par value, 150,000,000 shares authorized, 32,731,835 and 32,765,893 shares issued and outstanding, respectively	327	328
Additional paid-in capital	653,101	658,894
Distributions in excess of earnings	(96,636)	(87,512)
 Total stockholders' equity	 678,374	 693,292
 <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	 <b>\$ 2,085,909</b>	 <b>\$ 2,068,720</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****KILROY REALTY CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited, in thousands, except share and per share data)**

	Three Months Ended March 31,	
	2008	2007
<b>REVENUES:</b>		
Rental income	\$ 62,305	\$ 54,433
Tenant reimbursements	8,193	5,896
Other property income	304	1,104
<b>Total revenues</b>	<b>70,802</b>	<b>61,433</b>
<b>EXPENSES:</b>		
Property expenses	11,488	9,966
Real estate taxes	5,479	4,553
Provision for bad debts	455	(172)
Ground leases	395	403
General and administrative expenses	9,236	9,048
Interest expense	9,713	9,656
Depreciation and amortization	19,866	16,845
<b>Total expenses</b>	<b>56,632</b>	<b>50,299</b>
<b>OTHER INCOME:</b>		
Interest and other investment income	157	619
<b>INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS</b>	<b>14,327</b>	<b>11,753</b>
<b>MINORITY INTERESTS:</b>		
Distributions on cumulative redeemable preferred units	(1,397)	(1,397)
Minority interest in earnings of Operating Partnership attributable to continuing operations	(664)	(513)
<b>Total minority interests</b>	<b>(2,061)</b>	<b>(1,910)</b>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>12,266</b>	<b>9,843</b>
<b>DISCONTINUED OPERATIONS (Note 10):</b>		
Revenues from discontinued operations		2,644
Expenses from discontinued operations		(1,603)
Net gain on dispositions of discontinued operations		8,626
Minority interest in earnings of Operating Partnership attributable to discontinued operations		(630)
<b>Total income from discontinued operations</b>		<b>9,037</b>
<b>NET INCOME</b>	<b>12,266</b>	<b>18,880</b>
<b>PREFERRED DIVIDENDS</b>	<b>(2,402)</b>	<b>(2,402)</b>
<b>NET INCOME AVAILABLE FOR COMMON STOCKHOLDERS</b>	<b>\$ 9,864</b>	<b>\$ 16,478</b>

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Income from continuing operations per common share basic (Note 11)	\$ 0.30	\$ 0.23
Income from continuing operations per common share diluted (Note 11)	\$ 0.30	\$ 0.23
Net income per common share basic (Note 11)	\$ 0.30	\$ 0.51
Net income per common share diluted (Note 11)	\$ 0.30	\$ 0.51
Weighted average shares outstanding basic (Note 11)	32,456,614	32,348,690
Weighted average shares outstanding diluted (Note 11)	32,554,927	32,484,954
Dividends declared per common share	\$ 0.580	\$ 0.555

See accompanying notes to consolidated financial statements.

**Table of Contents****KILROY REALTY CORPORATION****CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****(unaudited, in thousands, except share and per share data)**

	<b>Preferred Stock</b>	<b>Common Stock Number of Shares</b>	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Distributions in Excess of Earnings</b>	<b>Total</b>
BALANCE AT DECEMBER 31, 2007	\$ 121,582	32,765,893	\$ 328	\$ 658,894	\$ (87,512)	\$ 693,292
Net income					12,266	12,266
Repurchase of common stock (Note 5)		(216,436)	(3)	(10,632)		(10,635)
Issuance of nonvested shares of common stock (Note 6)		182,378	2	2,165		2,167
Non-cash amortization of nonvested share grants				2,533		2,533
Adjustment for minority interest				141		141
Preferred dividends					(2,402)	(2,402)
Dividends declared per common share (\$0.58 per share)					(18,988)	(18,988)
BALANCE AT MARCH 31, 2008	\$ 121,582	32,731,835	\$ 327	\$ 653,101	\$ (96,636)	\$ 678,374

See accompanying notes to consolidated financial statements.

**Table of Contents****KILROY REALTY CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited, in thousands)**

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 12,266	\$ 18,880
Adjustments to reconcile net income to net cash provided by operating activities (including discontinued operations):		
Depreciation and amortization of building and improvements and leasing costs	19,671	17,026
Increase (decrease) in provision for uncollectible tenant receivables	280	(172)
Increase in provision for uncollectible deferred rent receivables	175	
Distributions on cumulative redeemable preferred units	1,397	1,397
Minority interests in earnings of Operating Partnership	664	1,143
Depreciation of furniture, fixtures and equipment	195	211
Non-cash amortization of nonvested shares of common stock	3,490	3,474
Non-cash amortization of deferred financing costs and debt discount	803	352
Non-cash amortization of above/below market rents, net	(172)	(316)
Net gain on dispositions of operating properties		(8,626)
Non-cash amortization of deferred revenue related to tenant improvements (Note 3)	(1,832)	(641)
Other		(13)
Changes in assets and liabilities:		
Marketable securities	(1,531)	
Current receivables	(113)	(1,034)
Deferred rent receivables	(1,315)	(1,012)
Deferred leasing costs	(381)	(694)
Prepaid expenses and other assets	(2,927)	(2,031)
Accounts payable, accrued expenses and other liabilities	(2,248)	(312)
Deferred revenue	822	5,566
Rents received in advance and tenant security deposits	2,266	1,464
<b>Net cash provided by operating activities</b>	<b>31,510</b>	<b>34,662</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures for operating properties	(7,415)	(12,674)
Expenditures for development and redevelopment properties	(19,670)	(47,683)
Acquisition of redevelopment property and undeveloped land		(68,970)
Proceeds received from 1031 exchange completion		43,794
Net proceeds received from dispositions of operating properties		14,473
Decrease in escrow deposits		3,000
Decrease in restricted cash	535	494
Receipt of principal payments on note receivable	32	31
<b>Net cash used in investing activities</b>	<b>(26,518)</b>	<b>(67,535)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings on unsecured line of credit	26,000	55,000
Principal payments on secured debt	(3,710)	(3,968)
Repurchase of common stock (Note 5)	(10,635)	(2,631)

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Financing costs	(299)	(110)
Dividends and distributions paid to common stockholders and common unitholders	(19,400)	(18,400)
Dividends and distributions paid to preferred stockholders and preferred unitholders	(3,799)	(3,799)
Net cash (used in) provided by financing activities	(11,843)	26,092
Net decrease in cash and cash equivalents	(6,851)	(6,781)
Cash and cash equivalents, beginning of period	11,732	11,948
Cash and cash equivalents, end of period	\$ 4,881	\$ 5,167

Table of Contents**KILROY REALTY CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

(unaudited, in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest, net of capitalized interest of \$4,151 and \$4,597 at March 31, 2008 and 2007, respectively	\$ 7,582	\$ 11,353
<b>NON-CASH INVESTING AND FINANCING TRANSACTIONS:</b>		
Tenant improvements funded directly by tenants to third-parties	\$ 14,574	
Accrual for expenditures for operating properties and development and redevelopment properties	\$ 5,100	\$ 23,241
Accrual of dividends and distributions payable to common stockholders and common unitholders	\$ 20,254	\$ 19,395
Accrual of dividends and distributions payable to preferred stockholders and preferred unitholders	\$ 1,909	\$ 1,909
Accrual of public facility bond obligation (Note 2)	\$ 2,781	
Exchange of common units of the Operating Partnership into shares of the Company's common stock		\$ 1,837
Accrued cost for capped call options on common stock		\$ 25,000
Accrued costs for issuance of exchangeable senior notes		\$ 810

See accompanying notes to consolidated financial statements.

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**KILROY REALTY CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Three Months Ended March 31, 2008 and 2007**

**(unaudited)**

**1. Organization and Basis of Presentation**

*Organization*

Kilroy Realty Corporation (the Company) owns, operates, develops and acquires office and industrial real estate located in Southern California. The Company qualifies and operates as a self-administered real estate investment trust ( REIT ) under the Internal Revenue Code of 1986, as amended.

As of March 31, 2008, the Company's stabilized portfolio of operating properties was comprised of 86 office buildings (the Office Properties) and 43 industrial buildings (the Industrial Properties), which encompassed an aggregate of approximately 8.1 million and 3.9 million rentable square feet, respectively. As of March 31, 2008, the Office Properties were approximately 94.8% leased to 306 tenants, and the Industrial Properties were approximately 94.8% leased to 63 tenants. All of the Company's properties are located in Southern California.

The Company's stabilized portfolio excludes development and redevelopment properties currently under construction and lease-up properties (collectively, the in-process development and redevelopment properties). The Company defines lease-up properties as properties recently developed or redeveloped by the Company that have not yet reached 95% occupancy and are within one year following cessation of major construction activities. As of March 31, 2008, the in-process development and redevelopment properties included three buildings that were under construction and three lease-up properties, which will encompass an aggregate of approximately 611,000 rentable square feet of new office space. All of the in-process development and redevelopment properties are in the San Diego region of Southern California, except for one redevelopment property, which is in El Segundo, California.

The Company owns its interests in all of its Office Properties and Industrial Properties through Kilroy Realty, L.P. (the Operating Partnership) and Kilroy Realty Finance Partnership, L.P. (the Finance Partnership). The Company conducts substantially all of its operations through the Operating Partnership, in which it owned a 93.7% general partnership interest as of March 31, 2008. The remaining 6.3% common limited partnership interest in the Operating Partnership as of March 31, 2008, was owned by certain of the Company's executive officers and directors, certain of their affiliates, and other outside investors (see Note 4). Kilroy Realty Finance, Inc., a wholly-owned subsidiary of the Company, is the sole general partner of the Finance Partnership and owns a 1.0% general partnership interest. The Operating Partnership owns the remaining 99.0% limited partnership interest. The Company conducts substantially all of its development activities through Kilroy Services, LLC ( KSLLC ), which is a wholly-owned subsidiary of the Operating Partnership. Unless otherwise indicated, all references to the Company include the Operating Partnership, the Finance Partnership, KSLLC and all wholly-owned subsidiaries of the Company. With the exception of the Operating Partnership, all of the Company's subsidiaries are wholly-owned.

*Basis of Presentation*

The consolidated financial statements of the Company include the consolidated financial position and results of operations of the Company, the Operating Partnership, the Finance Partnership, KSLLC and all wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. The Company also consolidates all variable interest entities ( VIEs ) in which it is deemed to be the primary beneficiary in accordance with Financial Accounting Standards Board ( FASB ) Interpretation No. 46R, *Consolidation of Variable Interest Entities*. The Company had no VIEs at March 31, 2008 or December 31, 2007.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The accompanying interim financial statements have been prepared by the Company's management in accordance with accounting principles generally accepted in the United States of America ( GAAP ) and in conjunction with the rules and regulations of the Securities and Exchange Commission ( SEC ). Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, the interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying interim financial statements reflect all adjustments of a normal and recurring nature that are considered necessary for a fair presentation of the results for the interim periods presented. However, the results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2007.

*Accounting Pronouncements Adopted January 1, 2008*

Effective January 1, 2008, the Company adopted, on a prospective basis, Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( SFAS 157 ) as amended by FASB Staff Position SFAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* ( FSP FAS 157-1 ) and FASB Staff Position SFAS 157-2, *Effective Date of FASB Statement No. 157* ( FSP FAS 157-2 ). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP and provides for expanded disclosure about fair value measurements. SFAS 157 applies prospectively to all other accounting pronouncements that require or permit fair value measurements. FSP FAS 157-1 amends SFAS 157 to exclude from the scope of SFAS 157 certain leasing transactions accounted for under Statement of Financial Accounting Standards No. 13, *Accounting for Leases*. FSP FAS 157-2 amends SFAS 157 to defer the effective date of SFAS 157 for all non-financial assets and non-financial liabilities except those that are recognized or disclosed at fair value in the financial statements on a recurring basis to fiscal years beginning after November 15, 2008.

The adoption of SFAS 157 did not have a material impact on the Company's consolidated financial statements. Management is evaluating the impact that SFAS 157 will have on its non-financial assets and non-financial liabilities since the application of SFAS 157 for such items was deferred to January 1, 2009. The Company believes that the impact of these items will not be material to its consolidated financial statements. Assets and liabilities typically recorded at fair value on a non-recurring basis to which the Company has not yet applied SFAS 157 due to the deferral of SFAS 157 for such items include:

Non-financial assets and liabilities initially measured at fair value in an acquisition or business combination

Long-lived assets measured at fair value due to an impairment assessment under Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*

Asset retirement obligations initially measured under Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*

Effective January 1, 2008, the Company adopted, on a prospective basis, Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS 159 ). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The adoption of SFAS 159 did not have a material impact on the Company's consolidated financial statements since the Company did not elect to apply the fair value option for any of its eligible financial instruments or other items on the January 1, 2008 effective date.

*Recent Accounting Pronouncements*

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 *Disclosures about Derivative Instruments and Hedging Activities* ( SFAS 161 ). This new standard enhances disclosure requirements for derivative instruments in order to provide users of financial statements with an enhanced understanding of (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under Financial Accounting Standards No. 133 *Accounting for Derivative Instruments and Hedging Activities* and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is to be applied prospectively for the first annual reporting period beginning on or after November 15, 2008. The Company believes that the adoption of SFAS 161 will not have a material impact on the Company's financial statement disclosures since the Company does not currently have any derivative instruments.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R) *Business Combinations* ( SFAS 141(R) ) and Statement of Financial Accounting Standards No. 160 *Noncontrolling Interests in Consolidated Financial Statements: An Amendment of ARB No. 51* ( SFAS 160 ). These two new standards will significantly change the accounting for, and reporting of, business combination transactions and noncontrolling (minority) interests in consolidated financial statements. SFAS 141(R) requires an acquiring entity to recognize acquired assets and assumed liabilities in a transaction at fair value as of the acquisition date, changes the disclosure requirements for business combination transactions and changes the accounting treatment for certain items, including contingent consideration agreements which will be required to be recorded at acquisition date fair value and acquisition costs which will be required to be expensed as incurred. SFAS 160 requires that noncontrolling interests be presented as a component of consolidated stockholders' equity, eliminates minority interest accounting such that the amount of net income attributable to the noncontrolling interests will be presented as part of consolidated net income on the consolidated statement of operations and not as a separate component of income and expense, and requires that upon any changes in ownership that result in the loss of control of the subsidiary, the noncontrolling interest be re-measured at fair value with the resultant gain or loss recorded in net income. SFAS 141(R) and SFAS 160 require concurrent adoption and are to be applied prospectively for the first annual reporting period beginning on or after December 15, 2008. Early adoption of either standard is prohibited. Management is currently evaluating the impact of these statements on the Company's consolidated financial statements.

In August 2007, the FASB proposed FASB Staff Position APB 14-a *Accounting for Convertible Debt Instruments That May Be Settled Upon Conversion (Including Partial Cash Settlement)* ( Proposed FSP APB 14-a ). Proposed FSP APB 14-a, if approved, would require the initial proceeds from convertible debt that may be settled in cash to be bifurcated between a liability component and an equity component. The objective of the guidance is to require the liability and equity components of convertible debt to be separately accounted for in a manner such that the interest expense recorded on the convertible debt would not equal the contractual rate of interest on the convertible debt, but instead would be recorded at a rate that would reflect the issuer's conventional debt borrowing rate. This is accomplished through the creation of a discount on the debt that would be accreted using the effective interest method as additional non-cash interest expense over the period the debt is expected to remain outstanding. In March 2008, the FASB directed its staff to proceed to draft Proposed FSP APB 14-a for vote by written ballot. The Company believes that Proposed FSP APB 14-a, if approved, would

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

impact the accounting for the Company's 3.25% Exchangeable Senior Notes (the Notes) and would have a material impact on the Company's consolidated financial statements and results of operations. The provisions of Proposed FSP APB 14-a, if approved, would be applied retrospectively to all periods presented.

**2. Unsecured and Secured Debt**

*Secured Debt*

In February 2008, the City of Carlsbad issued public facility bonds (the Bonds), the proceeds from which were used to finance infrastructure improvements on one of the Company's undeveloped land parcels. Of the Company's \$3.5 million maximum obligation under the Bonds, \$2.8 million was assessed to the Company and included in secured debt on the consolidated balance sheet at March 31, 2008 since the Company's obligation was fixed and determinable. Principal and interest payments for the Bonds will be charged to the Company through the assessment of special property taxes.

*Exchangeable Senior Notes*

In March 2008, the exchange rate for the Notes was adjusted by 0.05% for the 4.5% increase in the Company's dividend per common share approved by the Company's Board of Directors in February 2008. This adjustment was made pursuant to the original terms of the Notes since the exchange rate for the Notes is subject to adjustment under certain circumstances, including increases in the Company's common dividends. The Notes had an initial exchange rate of 11.3580 common shares per \$1,000 principal amount of the Notes, which was equivalent to an exchange price of \$88.04 per common share and a conversion premium of approximately 20.0% based on a price of \$73.37 per share of the Company's common stock on March 27, 2007. The exchange rate was adjusted to 11.3636 common shares per \$1,000 principal amount of the Notes, which is equivalent to an exchange price of \$88.00 per common share and a conversion premium of approximately 19.94% based on a price of \$73.37 per share of the Company's common stock on March 27, 2007.

*Unsecured Line of Credit*

The Company has a \$550 million unsecured line of credit (the Credit Facility), under which the Company may elect to borrow up to an additional \$100 million under an increase option. As of March 31, 2008, the Company had borrowings of \$137 million outstanding under the Credit Facility and availability of approximately \$413 million. The Credit Facility bears interest at an annual rate between LIBOR plus 0.85% and LIBOR plus 1.35% depending upon the Company's leverage ratio at the time of borrowing (3.7% at March 31, 2008). The Credit Facility matures in April 2010 with an option to extend the maturity for one year. The fee for unused funds under the Credit Facility ranges from an annual rate of 0.15% to 0.20% depending on the Company's leverage ratio. The Company expects to use the Credit Facility to finance development and redevelopment expenditures, to fund potential acquisitions and for other general corporate uses.

*Debt Covenants and Restrictions*

The Credit Facility, the unsecured senior notes and certain other secured debt arrangements contain covenants and restrictions requiring the Company to meet certain financial ratios and reporting requirements. Some of the more restrictive financial covenants include a maximum ratio of total debt to total assets, a maximum ratio of total secured debt to total assets, a fixed charge coverage ratio, a minimum consolidated tangible net worth and a limit of the ratio of development activities to total assets. In addition, one of the Company's loan covenants prohibits the Company from paying dividends in excess of 95% of funds from operations (FFO). Noncompliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the associated debt becoming immediately due and payable. The Company was in compliance with all of its debt covenants at March 31, 2008.

Table of Contents**KILROY REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Capitalized Interest and Loan Fees*

The following table sets forth the Company's gross interest expense and loan cost amortization from continuing operations net of capitalized interest and loan cost amortization for the three months ended March 31, 2008 and 2007. The interest and loan cost amortization are capitalized as a cost of development and increase the carrying value of undeveloped land and construction in progress.

	<b>Three Months Ended March 31, 2008                  2007 (in thousands)</b>	
Gross interest expense and loan cost amortization	\$ 14,211	\$ 14,413
Less: capitalized interest and loan cost amortization	(4,498)	(4,757)
<b>Interest expense</b>	<b>\$ 9,713</b>	<b>\$ 9,656</b>

**3. Deferred Revenue and Acquisition-Related Liabilities**

Deferred revenue and acquisition-related liabilities consisted of the following at March 31, 2008 and December 31, 2007:

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	<b>(in thousands)</b>	
Deferred revenue related to tenant-funded tenant improvements	\$ 69,592	\$ 55,779
Acquisition-related liabilities - below-market leases	1,622	1,801
Other deferred revenue	1,359	1,607
<b>Total</b>	<b>\$ 72,573</b>	<b>\$ 59,187</b>

*Deferred revenue related to tenant-funded tenant improvements*

During the three months ended March 31, 2008, the Company recorded an additional \$15.6 million of deferred revenue related to tenant-funded tenant improvements. This amount primarily represents the cost of the tenant improvements paid for or reimbursed by the tenant in connection with three significant leases. The deferred revenue related to these tenant-funded tenant improvements will be amortized as additional rental income over the term of the related lease beginning upon the substantial completion of the respective properties.

During the three months ended March 31, 2008 and 2007, \$1.8 million and \$0.6 million, respectively, of deferred revenue related to tenant-funded tenant improvements was amortized and recognized as rental income. The following is the estimated amortization of deferred revenue related to tenant-funded tenant improvements at March 31, 2008 for the remainder of 2008, the next five years and thereafter:

<b>Year</b>	<b>(in thousands)</b>
Remaining 2008	\$ 6,329
2009	9,264

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2010	8,950
2011	8,503
2012	7,846
2013	7,405
Thereafter	21,295
Total	\$ 69,592

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**KILROY REALTY CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**4. Minority Interests**

*Common Limited Partnership Unitholders*

The Company owned a 93.7%, 93.7% and 93.5% common general partnership interest in the Operating Partnership as of March 31, 2008, December 31, 2007 and March 31, 2007, respectively. The remaining 6.3%, 6.3% and 6.5% common limited partnership interest as of March 31, 2008, December 31, 2007 and March 31, 2007, respectively, was owned by certain of the Company's executive officers and directors, certain of their affiliates, and other outside investors in the form of common limited partnership units. The common limited partnership units may be redeemed by unitholders for cash. The Company may, at its option, satisfy the cash redemption obligation with shares of the Company's common stock. The redemption value for each common limited partnership unit of the Operating Partnership as of any balance sheet date is the amount equal to the average of the closing quoted price per share of the Company's common stock, par value \$.01 per share, as reported on the New York Stock Exchange ( NYSE ) for the ten trading days immediately preceding the respective balance sheet date. Accordingly, as of March 31, 2008 and December 31, 2007, the aggregate redemption value of the then-outstanding common limited partnership units of the Operating Partnership was \$107.3 million and \$119.3 million, respectively.

**5. Stockholders Equity**

*Share Repurchases*

During the three months ended March 31, 2008, the Company repurchased 159,657 shares of its common stock in open market transactions for an aggregate price of approximately \$7.6 million, or \$47.54 per share. These repurchases were made pursuant to a share repurchase program approved by the Company's Board of Directors and were funded through borrowings on the Company's Credit Facility. As of March 31, 2008, an aggregate of 1,067,843 shares remained eligible for repurchase under this share repurchase program.

During the three months ended March 31, 2008, the Company accepted the return, at the current quoted market price, of 56,779 shares of its common stock from certain key employees in accordance with the provisions of its incentive stock plan to satisfy minimum statutory tax-withholding requirements related to shares that vested during this period.

**6. Share-Based Compensation**

*Share-Based Incentive Plan*

At March 31, 2008, the Company had one share-based incentive compensation plan under which awards were available to be granted, the Kilroy Realty 2006 Incentive Award Plan (the 2006 Plan ). At March 31, 2008, there were 1,127,541 shares and share-based awards available to be granted under the 2006 Plan. The following summarizes the share-based compensation programs approved and the share-based awards granted during the three months ended March 31, 2008 as well as a summary of the 2007 program for the Executive Officers that was still in the performance period as of March 31, 2008.

*Executive Officer Share-Based Compensation Programs*

In January 2008, the Executive Compensation Committee approved the 2008 Annual Long-Term Incentive Program, which allows the executive officers to receive bonus compensation in the event certain specified corporate performance measures are achieved for the fiscal year ending December 31, 2008. It is anticipated that such awards will be paid in nonvested shares or, if available and at the applicable employee's option, in other equity-based instruments that, subject to vesting and other conditions, may become exchangeable on a

**Table of Contents****KILROY REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

one-for-one basis for shares of the Company's common stock or cash, at the election of the Company. The Company anticipates that any nonvested shares or other equity-based instruments earned under this program would be issued during the first quarter of 2009. Individual awards earned under the 2008 Annual Long-Term Incentive Program would vest in two equal installments on December 31, 2009 and December 31, 2010. Vesting will be based on continued employment through the applicable vesting dates.

As of March 31, 2008, the Company was still in the performance period for the Development Performance Program (DPP), which was approved by the Company's Executive Compensation Committee in 2007. The incentive award that may be earned under the DPP will be based on whether certain future specified development completion and leasing targets are achieved for development and redevelopment properties on which the Company commenced construction during 2007. During the DPP performance period, the Company records compensation expense at the end of each reporting period by evaluating the likelihood of achieving the specified targets and estimating the timeframe in which the targets could potentially be achieved and then recording compensation cost on the applicable portion of the estimated performance period that has elapsed before the end of the period. Performance is measured independently for the development completion and development leasing components of the DPP. If the development completion and development leasing targets are individually not achieved, no award would be earned under that component of the DPP. The Company currently estimates that any nonvested shares or other equity-based instruments that could potentially be earned under the development completion component of the DPP would be granted in the second half of 2008, and any nonvested shares or other equity-based instruments that could potentially be earned under the development leasing component of the DPP would be granted in the first half of 2009.

*Key Employee Share-Based Compensation Program*

In February 2008, the Executive Compensation Committee granted an aggregate of 82,303 nonvested shares of common stock to certain key employees. The total compensation cost for the nonvested stock grants was calculated based on the quoted closing share price of the Company's common stock on the NYSE of \$49.21 on the grant date of February 5, 2008. These shares vest in equal annual installments on December 31<sup>st</sup> of each year over a five-year period.

*Summary of nonvested shares of common stock*

A summary of the status of the Company's nonvested shares as of January 1, 2008 and changes during the three months ended March 31, 2008, is presented below:

<b>Nonvested Shares</b>	<b>Shares</b>	<b>Weighted-Average Grant-Date Fair Value</b>
Nonvested at January 1, 2008	237,833	\$ 80.35
Granted <sup>(1)</sup>	182,378	52.37
Vested	(46,736)	59.84
Nonvested at March 31, 2008	373,475	\$ 69.03

(1) Includes 100,075 nonvested shares awarded to the executive officers on December 31, 2007 under the 2007 Annual Long-Term Incentive Program, which were issued and outstanding on January 1, 2008.

The total compensation cost for all share-based compensation programs was \$3.8 million and \$3.6 million for the three months ended March 31, 2008 and 2007, respectively. Of the total share-based compensation cost, \$0.3 million and \$0.2 million were capitalized as part of real estate assets for the three months ended March 31,



**Table of Contents****KILROY REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

2008 and 2007, respectively. As of March 31, 2008, there was approximately \$16.2 million of total unrecognized compensation cost related to nonvested shares granted under share-based compensation arrangements that is expected to be recognized over a weighted-average period of 1.8 years. The remaining compensation cost related to these nonvested shares had been recognized in periods prior to March 31, 2008. The \$16.2 million of unrecognized compensation cost does not reflect the potential future compensation cost for the 2008 Annual Long-Term Incentive Program or the DPP discussed above since share-based awards have not been granted under these programs as of March 31, 2008. The compensation cost that will be recorded in future periods related to these programs will be based on the amounts ultimately earned under these programs.

The total fair value of shares that vested during the three months ended March 31, 2008 was \$2.3 million, which was calculated based on the quoted closing share price of the Company's common stock on the NYSE on the applicable date of vesting.

**7. Commitments and Contingencies**

In March 2008, a tenant at one of the Company's Office Properties ceased paying rent and attempted to surrender the leased premises back to the Company prior to the end of the lease term. The Company refused to accept a surrender of the premises and has initiated legal action against this tenant for past due rent and future rent as it becomes due and owing. In the event there is ultimately an unfavorable result to the Company, the Company believes that there could potentially be a significant negative non-cash impact to the Company's results of operations ranging between \$0 and approximately \$3.5 million, primarily related to the deferred rent receivable balance for this tenant at March 31, 2008.

**8. Financial Instruments Recorded at Fair Value**

The assets held in connection with the Company's 2007 Deferred Compensation Plan (the Plan) and the corresponding liability to the participants are measured at fair value on a recurring basis on the Company's consolidated balance sheet. The assets are treated as trading securities for accounting purposes and reported as marketable securities on the Company's consolidated balance sheet. The liability is adjusted to fair value at the end of each accounting period based on the performance of the benchmark funds selected by each participant in the Plan and reported in accounts payable, accrued expenses and other liabilities in the Company's consolidated balance sheet.

Description	Fair Value Measurement at March 31, 2008 (Level I Inputs) <sup>(1)</sup> (in thousands)
<b>Assets:</b>	
Marketable Securities	\$ 2,238
<b>Liabilities:</b>	
Deferred Compensation Plan Liability	(\$2,236)

(1) Based on quoted prices in active markets for identical securities.

**Table of Contents****KILROY REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. Segment Disclosure**

The Company's reportable segments consist of the two types of commercial real estate properties for which the Company's chief operating decision-makers internally evaluate operating performance and financial results: Office Properties and Industrial Properties. The Company also has certain corporate level activities including legal administration, accounting, finance and management information systems, which are not considered separate operating segments.

The Company evaluates the performance of its segments based upon net operating income. Net operating income is defined as operating revenues (rental income, tenant reimbursements and other property income) less property and related expenses (property expenses, real estate taxes, ground leases and provisions for bad debts) and excludes other non-property income and expenses, interest expense, depreciation and amortization and corporate general and administrative expenses. There is no intersegment activity.

	<b>Three Months Ended March 31, 2008      2007 (in thousands)</b>	
<b>Office Properties:</b>		
Operating revenues <sup>(1)</sup>	\$ 62,475	\$ 53,778
Property and related expenses	16,203	13,462
Net operating income	46,272	40,316
<b>Industrial Properties:</b>		
Operating revenues <sup>(1)</sup>	8,327	7,655
Property and related expenses	1,614	1,288
Net operating income	6,713	6,367
<b>Total Reportable Segments:</b>		
Operating revenues <sup>(1)</sup>	70,802	61,433
Property and related expenses	17,817	14,750
Net operating income	52,985	46,683
<b>Reconciliation to Consolidated Net Income Available for Common Stockholders:</b>		
Total net operating income for reportable segments	\$ 52,985	\$ 46,683
Other unallocated expenses:		
General and administrative expenses	9,236	9,048
Interest expense	9,713	9,656
Depreciation and amortization	19,866	16,845
Other income	157	619
Income from continuing operations before minority interests	14,327	11,753
Minority interests attributable to continuing operations	(2,061)	(1,910)
Income from discontinued operations		9,037
Net income	12,266	18,880

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Preferred dividends	(2,402)	(2,402)
Net income available for common stockholders	\$ 9,864	\$ 16,478

- (1) All operating revenues are comprised of amounts received from third-party tenants.

**Table of Contents****KILROY REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Discontinued Operations**

The following table summarizes the components that comprise income from discontinued operations for the three months ended March 31, 2007. There were no revenues or expenses from discontinued operations for the three months ended March 31, 2008.

	<b>Three Months Ended March 31, 2007 (in thousands)</b>
<b>REVENUES:</b>	
Rental income	\$ 1,977
Tenant reimbursements	665
Other property income	2
<b>Total revenues</b>	<b>2,644</b>
<b>EXPENSES:</b>	
Property expenses	907
Real estate taxes	191
Provision for bad debts	
Ground leases	113
Depreciation and amortization	392
<b>Total expenses</b>	<b>1,603</b>
Net gain on dispositions of discontinued operations	8,626
Minority interest in earnings of Operating Partnership attributable to discontinued operations	(630)
<b>Total income from discontinued operations</b>	<b>\$ 9,037</b>

Table of Contents**KILROY REALTY CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****11. Earnings Per Share**

The following table reconciles the numerator and denominator of the basic and diluted per-share computations for net income available for common stockholders for the three months ended March 31, 2008 and 2007:

	Three Months Ended March 31,	
	2008	2007
	(in thousands except share and per share amounts)	
<b>Numerator:</b>		
Income from continuing operations	\$ 12,266	\$ 9,843
Preferred dividends	(2,402)	(2,402)
Income from continuing operations available for common stockholders	9,864	7,441
Discontinued operations		9,037
Net income available for common stockholders numerator for basic and diluted earnings per share	\$ 9,864	\$ 16,478
<b>Denominator:</b>		
Basic weighted average shares outstanding	32,456,614	32,348,690
Effect of dilutive securities nonvested shares and stock options	98,313	136,264
Diluted weighted average shares and common share equivalents outstanding	32,554,927	32,484,954
<b>Basic earnings per share:</b>		
Income from continuing operations available for common stockholders	\$ 0.30	\$ 0.23
Discontinued operations		0.28
Net income available for common stockholders	\$ 0.30	\$ 0.51
<b>Diluted earnings per share:</b>		
Income from continuing operations available for common stockholders	\$ 0.30	\$ 0.23
Discontinued operations		0.28
Net income available for common stockholders	\$ 0.30	\$ 0.51

At March 31, 2008 and 2007, the effect of 61,541 and 56,074 nonvested shares of common stock, respectively, were not included in the earnings per share calculation as their effect was antidilutive to income from continuing operations available for common stockholders. At March 31, 2008, the effect of the assumed exchange of the Notes was not included in the earnings per share calculation as its effect was antidilutive to income from continuing operations available for common stockholders. At March 31, 2008 and 2007, the Company's employees and directors held no options to purchase shares of the Company's common stock that were antidilutive to income from continuing operations available for common stockholders.

**12. Subsequent Events**

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On April 18, 2008, aggregate dividends and distributions of \$20.3 million were made to common stockholders and common unitholders of record on March 31, 2008.

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**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion relates to our consolidated financial statements and should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. Statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations that are not historical facts may be forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Some of the information presented is forward-looking in nature, including information concerning projected future occupancy rates, rental rate increases, property development timing and investment amounts. Although the information is based on our current expectations, actual results could vary from expectations stated in this report. Numerous factors will affect our actual results, some of which are beyond our control. These include the timing and strength of regional economic growth, the strength of commercial and industrial real estate markets, market conditions affecting tenants, competitive market conditions, fluctuations in availability and cost of construction materials resulting from the effects of increased worldwide demand, increased labor costs, future interest rate levels, volatility in our stock price, and capital market conditions. You are cautioned not to place undue reliance on this information, which speaks only as of the date of this report. We assume no obligation to update publicly any forward-looking information, whether as a result of new information, future events or otherwise, except to the extent we are required to do so in connection with our ongoing requirements under federal securities laws to disclose material information. For a discussion of important risks related to our business, and related to investing in our securities, including risks that could cause actual results and events to differ materially from results and events referred to in the forward-looking information, see Item 1A Risk Factors in our annual report on Form 10-K for the fiscal year ended December 31, 2007 and the discussion under the captions Factors That May Influence Future Results of Operations and Liquidity and Capital Resources Factors That May Influence Future Sources of Capital and Liquidity below. In light of these risks, uncertainties and assumptions, the potential circumstances or events expressed or implied by the forward-looking statements in this report might not occur.

**Overview and Background**

We own, operate and develop office and industrial real estate in Southern California. We operate as a self-administered REIT. We own our interests in all of our properties through the Operating Partnership and the Finance Partnership, and we conduct substantially all of our operations through the Operating Partnership. We owned a 93.7%, 93.7% and 93.5% general partnership interest in the Operating Partnership as of March 31, 2008, December 31, 2007 and March 31, 2007, respectively.

**Factors That May Influence Future Results of Operations**

*Rental rates.* For leases that commenced during the three months ended March 31, 2008, the change in rental rate was an increase of 49.3% on a GAAP basis and an increase of 28.6% on a cash basis. The change in rental rate on a cash basis is calculated as the change between the initial stated rent for a new or renewed lease and the ending stated rent for the expiring lease for the same space, whereas the change in rental rate on a GAAP basis compares the average rents over the term of the lease for each lease. Both calculations exclude leases for which the space was vacant longer than one year. We believe that at March 31, 2008 the average rental rates for our properties were approximately 15% below the current average quoted market rates, although individual properties within any particular submarket presently may be leased either above, below or at the current quoted market rates within that region. We cannot give any assurance that leases will be renewed or that available space will be re-leased at rental rates equal to or above the current quoted market rates. Our occupancy and rental rates are impacted by general economic conditions, including the pace of regional economic growth and access to capital. An extended economic slowdown and tightening of the credit markets could have an adverse affect on our tenants and, as a result, on our future occupancy and rental rates.

*Scheduled lease expirations.* In addition to the 619,300 rentable square feet, or 5.2%, of currently available space in our stabilized portfolio, leases representing approximately 7.5% and 17.6% of the leased

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square footage of our stabilized portfolio are scheduled to expire during the remainder of 2008 and in 2009, respectively. The leases scheduled to expire during the remainder of 2008 and the leases scheduled to expire in 2009 represent approximately 1.7 million rentable square feet of office space, or 16.5% of our total annualized base rental revenue, and 1.2 million rentable square feet of industrial space, or 3.5% of our total annualized base rental revenue, respectively. We believe that the average rental rates for leases scheduled to expire during the remainder of 2008 and in 2009 are approximately 10% to 15% below the current average quoted market rates, although individual properties within any particular submarket presently may be leased either above, below or at the current quoted market rates within that submarket. Our ability to re-lease available space depends upon the market conditions in the specific regions in which our properties are located.

*Sublease space.* Of our leased space as of March 31, 2008, approximately 504,000 rentable square feet, or 4.2%, of the rentable square footage in our stabilized portfolio, was available for sublease, compared to approximately 608,100 rentable square feet, or 5.1%, as of December 31, 2007. Of the 4.2% of available sublease space in our stabilized portfolio as of March 31, 2008, approximately 1.7% was vacant space, and the remaining 2.5% was occupied. Approximately 39%, 38% and 23% of the available sublease space as of March 31, 2008 is located in the Orange County, San Diego and Los Angeles regions, respectively. Of the approximately 504,000 rentable square feet available for sublease as of March 31, 2008, approximately 82,000 rentable square feet representing five leases are scheduled to expire during the remainder of 2008, and approximately 7,401 rentable square feet representing two leases are scheduled to expire in 2009.

Negative trends or other unforeseeable events that impair our ability to renew or re-lease space and our ability to maintain or increase rental rates in our regions could have an adverse effect on our future financial condition, results of operations and cash flows.

*Rising Construction Costs.* As a result of increased worldwide demand, the availability of construction materials has become more limited, and the cost of such materials has increased significantly. However, the cost of skilled labor is moderating. A continued increase in the cost of construction materials, driven primarily by the volatility of the prices of underlying raw materials such as oil, cement and steel, and labor costs could adversely affect our expenditures for development and redevelopment costs and, consequently, our financial condition, results of operations and cash flows.

*City of San Diego.* Given the geographic concentration of our development program in San Diego County, our operating results may be affected by (i) the city of San Diego's current financial difficulties and ongoing investigations with respect to the city's finances, (ii) the city of San Diego's General Plan and Land Use update, (iii) the city of San Diego's zoning ordinance updates and (iv) recent storm water runoff regulations and other pending ordinances currently under consideration by the city, county and state water agencies and other agencies. Any of these factors may affect the city of San Diego's ability to finance capital projects and may impact real estate development, entitlements, costs of development and market conditions in this important submarket. As of the date of this report, we have not experienced any material adverse effects arising from these factors.

*Incentive Compensation.* Our Executive Compensation Committee, which is currently comprised of three independent directors, determines compensation, including equity and cash incentive programs, for our executive officers. The programs approved by the Executive Compensation Committee have historically provided for equity and cash compensation to be earned by our executive officers based on certain performance measures, including financial, operating and development targets.

In the first quarter of 2008, our Executive Compensation Committee approved the 2008 Annual Bonus Program and the 2008 Annual Long-Term Incentive Program for executive management that will allow for executive management to receive bonus compensation for achieving certain specified corporate performance measures. The provisions of the 2008 programs were reported on Form 8-K filed with the SEC on January 31, 2008. As a result of the structure of these programs and other such programs that the Executive Compensation Committee may adopt in the future, accrued incentive compensation and compensation expense will be affected

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by our operating and development performance, financial results, the performance of our common stock and market conditions. Consequently, we cannot predict with certainty the amounts that will be recorded in future periods related to compensation programs.

*Share-Based Compensation.* As of March 31, 2008, there was \$16.2 million of total unrecognized compensation cost related to outstanding nonvested shares issued under share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 1.8 years. The \$16.2 million of unrecognized compensation cost does not reflect the potential future compensation cost for the 2007 Development Performance Program or the 2008 Annual Long-Term Incentive Program since any share-based awards have not been granted under these programs as of March 31, 2008. The compensation cost that will be recorded in future periods related to these programs will be based on the amounts ultimately earned under these programs. (See Note 6 to our consolidated financial statements included with this report for additional information).

**Significant Tenants**

The following table sets forth information about our fifteen largest tenants as of March 31, 2008, based upon annualized rental revenues at March 31, 2008.

Tenant Name	Annualized Base Rental Revenues <sup>(1)</sup> (in thousands)	Percentage of Total Annualized Base Rental Revenues <sup>(1)</sup>	Initial Lease Date <sup>(2)</sup>	Lease Expiration Date
Intuit Inc.	\$ 17,421	7.3%	November 1997	Various <sup>(3)</sup>
Cardinal Health, Inc.	9,256	3.9	July 2007	August 2017
AMN Healthcare	8,341	3.5	July 2003	July 2018
DIRECTV Group, Inc.	8,037	3.4	November 1996	July 2014
The Boeing Company	6,593	2.8	August 1984	Various <sup>(4)</sup>
Fish & Richardson	6,071	2.5	October 2003	October 2018
Favrille, Inc.	5,588	2.3	November 2005	June 2025
Scripps Health <sup>(5)</sup>	5,199	2.2	July 2004	June 2021
Accredited Home Lenders, Inc.	5,164	2.2	December 2005	May 2016
Verenium Corporation	5,158	2.2	November 2000	Various <sup>(6)</sup>
Hewlett-Packard Company	4,348	1.8	October 1999	April 2012
Epson America, Inc.	4,161	1.7	October 1999	October 2009
Fair Isaac Corporation	4,006	1.7	August 2003	July 2010
Avnet, Inc.	3,768	1.6	March 2003	February 2013
TeleTech Holdings, Inc.	3,518	1.5	April 2001	March 2016
Total	\$ 96,629	40.6%		

(1) Based upon annualized contractual base rental revenue calculated on a straight-line basis as of March 31, 2008, in accordance with GAAP.

(2) Represents the date of the first relationship between the tenant and us or our predecessor.

(3) The Intuit leases of 71,000, 90,238 and 465,812 rentable square feet expire in August 2009, July 2014 and August 2017, respectively.

(4) The Boeing Company leases of 113,242, 286,151 and 65,447 rentable square feet expire in March 2009, July 2010 and October 2010, respectively.

(5) In addition, Scripps Health has pre-leased an office building encompassing 146,156 rentable square feet at one of our development properties. The lease is expected to commence in the third quarter of 2008, at which time Scripps Health is currently projected to become our second largest tenant based on its percentage of our projected total annualized base rental revenues.

(6) The Verenium Corporation leases of 76,246 and 60,662 rentable square feet expire in November 2015 and March 2017, respectively.

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**Stabilized Portfolio Information**

**Building and Occupancy Information**

The following table sets forth certain information regarding our stabilized portfolio at March 31, 2008, which was comprised of the Office Properties and the Industrial Properties. Our stabilized portfolio of operating properties consists of all our properties, except for properties we recently developed or redeveloped that have not yet reached 95.0% occupancy and are within one year following cessation of major construction activity ( lease-up properties), properties classified as held for sale and properties currently under construction.

**Occupancy by Segment Type**

Region	Number of Buildings	Square Feet Total	Occupancy
<b>Office Properties:</b>			
Los Angeles County	24	2,899,075	96.3%
Orange County	5	277,340	92.4
San Diego County	52	4,565,824	93.7
Other	5	346,530	99.6
	86	8,088,769	94.8
<b>Industrial Properties:</b>			
Los Angeles County	1	192,053	100.0
Orange County	42	3,677,916	94.6
	43	3,869,969	94.8
Total portfolio	129	11,958,738	94.8%

As of March 31, 2008, Office Properties and Industrial Properties represented approximately 88.1% and 11.9%, respectively, of our annualized base rental revenue. For the three months ended March 31, 2008, average occupancy in our stabilized portfolio was 94.5% compared to 94.2% for the three months ended March 31, 2007. As of March 31, 2008, we had approximately 619,300 rentable square feet of vacant space in our stabilized portfolio compared to approximately 699,100 rentable square feet as of March 31, 2007.

The following table reconciles the changes in the rentable square feet in our stabilized portfolio of operating properties from March 31, 2007 to March 31, 2008. Rentable square footage in our portfolio of stabilized properties increased by an aggregate of approximately 0.3 million rentable square feet, or 2.2%, to 12.0 million rentable square feet at March 31, 2008, as a result of the activity noted below.

	Office Properties		Industrial Properties		Total	
	Number of Buildings	Rentable Square Feet	Number of Buildings	Rentable Square Feet	Number of Buildings	Rentable Square Feet
Total at March 31, 2007	84	7,835,040	43	3,869,969	127	11,705,009
Properties added from the Development Portfolio	5	783,812			5	783,812
Dispositions <sup>(1)</sup>	(3)	(532,430)			(3)	(532,430)
Remeasurement		2,347				2,347
Total at March 31, 2008	86	8,088,769	43	3,869,969	129	11,958,738

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- (1) In accordance with Financial Accounting Standards No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* ( SFAS 144 ) the operating results and gains (losses) on property sales of real estate assets sold are included in discontinued operations in the consolidated statement of operations.

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***Current Regional Information***

*Los Angeles County.* Our Los Angeles stabilized office portfolio of 2.9 million rentable square feet was 96.3% occupied with approximately 108,500 vacant rentable square feet as of March 31, 2008, compared to 96.1% occupied with approximately 112,100 vacant rentable square feet as of December 31, 2007. As of March 31, 2008, leases representing an aggregate of approximately 104,800 and 604,800 rentable square feet are scheduled to expire during the remainder of 2008 and in 2009, respectively, in this region. The aggregate rentable square feet scheduled to expire during the remainder of 2008 and in 2009 represents approximately 24.3% of the total occupied rentable square feet in this region at March 31, 2008 and 7.9% of our annualized base rental revenues for our total stabilized portfolio.

*San Diego County.* Our San Diego stabilized office portfolio was 93.7% occupied with approximately 287,700 vacant rentable square feet as of March 31, 2008, compared to 91.4% occupied with approximately 393,400 vacant rentable square feet as of December 31, 2007. The increase in occupancy primarily relates to a lease representing approximately 90,000 rentable square feet which commenced during the first quarter of 2008. Despite increased occupancy in our portfolio, we are beginning to see modest increases in vacancy in certain San Diego submarkets. As of March 31, 2008, leases representing an aggregate of approximately 216,000 and 508,600 rentable square feet are scheduled to expire during the remainder of 2008 and in 2009, respectively, in this region. The aggregate rentable square feet scheduled to expire during the remainder of 2008 and in 2009 represents approximately 17.0% of the total occupied rentable square feet in this region at March 31, 2008 and 6.7% of our annualized base rental revenues for our total stabilized portfolio. We continue development and redevelopment of office properties in San Diego County and we will continue to seek economically attractive development opportunities in this region depending upon market conditions. See additional information regarding our development and redevelopment properties under the caption Development and Redevelopment programs.

*Orange County.* As of March 31, 2008, our Orange County stabilized industrial portfolio was 94.6% occupied with approximately 200,400 vacant rentable square feet, compared to 94.4% occupied with approximately 207,000 vacant rentable square feet as of December 31, 2007. Our Orange County stabilized office portfolio of approximately 277,300 rentable square feet was 92.4% occupied with approximately 21,100 vacant rentable square feet as of March 31, 2008, compared to 99.1% occupied with approximately 2,600 vacant rentable square feet as of December 31, 2007. As of March 31, 2008, leases representing an aggregate of approximately 499,600 and 843,700 rentable square feet were scheduled to expire during the remainder of 2008 and in 2009, respectively, in this region. The aggregate rentable square feet scheduled to expire during the remainder of 2008 and in 2009 represents approximately 36.6% of the total occupied rentable square feet in this region at March 31, 2008 and 5.2% of the annualized base rental revenues for our total stabilized portfolio.

**Table of Contents****Results of Operations**

Management internally evaluates the operating performance and financial results of our portfolio based on net operating income for the following segments of commercial real estate property: Office Properties and Industrial Properties. We define net operating income as operating revenues from continuing operations (rental income, tenant reimbursements and other property income) less operating expenses from continuing operations (property expenses, real estate taxes, provision for bad debts and ground leases). The net operating income segment information presented within this Management's Discussion and Analysis consists of the same net operating income segment information disclosed in Note 9 to our consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 131 Disclosures about Segments of an Enterprise and Related Information.

**Comparison of the Three Months Ended March 31, 2008 Compared to the Three Months Ended March 31, 2007**

The following table reconciles our net operating income by segment to our net income available for common stockholders for the three months ended March 31, 2008 and 2007.

	Three Months Ended March 31,		Dollar	Percentage
	2008	2007	Change	Change
	(in thousands)			
<b>Net operating income, as defined:</b>				
Office Properties	\$ 46,272	\$ 40,316	\$ 5,956	14.8%
Industrial Properties	6,713	6,367	346	5.4
Total portfolio	52,985	46,683	6,302	13.5
<b>Reconciliation to Net Income Available for Common Stockholders:</b>				
Net operating income, as defined for reportable segments	52,985	46,683	6,302	13.5
<b>Other expenses:</b>				
General and administrative expenses	9,236	9,048	188	2.1
Interest expense	9,713	9,656	57	0.6
Depreciation and amortization	19,866	16,845	3,021	17.9
Total other income	157	619	(462)	(74.6)
Income from continuing operations before minority interests	14,327	11,753	2,574	21.9
Minority interests attributable to continuing operations	(2,061)	(1,910)	(151)	7.9
Income from discontinued operations		9,037	(9,037)	(100.0)
Net income	12,266	18,880	(6,614)	(35.0)
Preferred dividends	(2,402)	(2,402)		0.0
Net income available for common stockholders	\$ 9,864	\$ 16,478	\$ (6,614)	(40.1)%

**Table of Contents****Rental Operations**

We evaluate the operations of our portfolio based on operating property type. The following tables compare the net operating income for the Office Properties and for the Industrial Properties for the three months ended March 31, 2008 and 2007.

**Office Properties**

	Total Office Portfolio				Core Office Portfolio <sup>(1)</sup>			
	2008	2007	Dollar Change	Percentage Change	2008	2007	Dollar Change	Percentage Change
(in thousands, except percentage data)								
<b>Operating revenues:</b>								
Rental income	\$ 54,990	\$ 47,667	\$ 7,323	15.4%	\$ 48,364	\$ 47,557	\$ 807	1.7%
Tenant reimbursements	7,186	5,013	2,173	43.3	5,691	5,001	690	13.8
Other property income	299	1,098	(799)	(72.8)	298	1,098	(800)	(72.9)
<b>Total</b>	<b>62,475</b>	<b>53,778</b>	<b>8,697</b>	<b>16.2</b>	<b>54,353</b>	<b>53,656</b>	<b>697</b>	<b>1.3</b>
<b>Property and related expenses:</b>								
Property expenses	10,606	9,300	1,306	14.0	10,220	9,294	926	10.0
Real estate taxes	4,787	3,886	901	23.2	3,984	3,878	106	2.7
Provision for bad debts	415	(127)	542	426.8	415	(127)	542	426.8
Ground leases	395	403	(8)	(2.0)	394	402	(8)	(2.0)
<b>Total</b>	<b>16,203</b>	<b>13,462</b>	<b>2,741</b>	<b>20.4</b>	<b>15,013</b>	<b>13,447</b>	<b>1,566</b>	<b>11.6</b>
<b>Net operating income</b>	<b>\$ 46,272</b>	<b>\$ 40,316</b>	<b>\$ 5,956</b>	<b>14.8%</b>	<b>\$ 39,340</b>	<b>\$ 40,209</b>	<b>\$ (869)</b>	<b>(2.2)%</b>

(1) Office Properties owned and stabilized at January 1, 2007 and still owned and stabilized at March 31, 2008.

**Operating Revenues**

Total revenues from Office Properties increased \$8.7 million, or 16.2%, to \$62.5 million for the three months ended March 31, 2008, compared to \$53.8 million for the three months ended March 31, 2007.

**Rental Income**

Rental income from Office Properties increased \$7.3 million, or 15.4%, to \$55.0 million for the three months ended March 31, 2008, compared to \$47.7 million for the three months ended March 31, 2007.

Of this increase, \$6.5 million was due to the following:

An increase of \$5.9 million in rental income generated by the five office development properties that were added to the stabilized portfolio in the third quarter of 2007 (the 2007 Office Development Properties); and

An increase of \$0.6 million in rental income generated by one property that was taken out of service in June 2006 and placed into lease-up in the third quarter of 2007 and a project consisting of two buildings that was acquired in the first quarter of

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2007 and placed into lease-up in the fourth quarter of 2007 (the 2007 Office Redevelopment Properties ).

An increase of \$0.8 million, or 1.7%, was generated by Office Properties owned and stabilized at January 1, 2007 and still owned and stabilized at March 31, 2008 (the Core Office Portfolio ) for the three months ended March 31, 2008, compared to the three months ended March 31, 2007, due to the following:

An increase of \$0.3 million generated in rental income primarily from our Los Angeles Core Office Portfolio partially offset by a decrease in rental income from our San Diego Core Office Portfolio.

Average occupancy increased 3.5% in the Los Angeles Core Office Portfolio to 96.2% for the three months ended March 31, 2008, from 92.7% for the three months ended March 31, 2007; and

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Average occupancy decreased 6.7% in the San Diego Core Office Portfolio to 91.2% for the three months ended March 31, 2008, from 97.9% for the three months ended March 31, 2007.

An increase of \$0.5 million was generated from the amortization of deferred revenue related to tenant-funded tenant improvements.

### **Tenant Reimbursements**

Tenant reimbursements from Office Properties increased \$2.2 million, or 43.3%, to \$7.2 million for the three months ended March 31, 2008, compared to \$5.0 million for the three months ended March 31, 2007, due to the following:

An increase of \$1.5 million was due to \$1.1 million generated by the 2007 Office Development Properties, which were added to the stabilized portfolio and \$0.4 million generated by the 2007 Office Redevelopment Properties, which were placed into lease-up; and

An increase of \$0.7 million, or 13.8%, was generated by the Core Office Portfolio due to an increase in reimbursable property expenses as discussed below.

### **Other Property Income**

Other property income from Office Properties decreased \$0.8 million, or 72.8%, to \$0.3 million for the three months ended March 31, 2008, compared to \$1.1 million for the three months ended March 31, 2007. Other property income for both periods consisted primarily of lease termination fees and other miscellaneous income within the Core Office Portfolio. A \$1.1 million net lease termination fee from an early lease termination at one of our Office Properties in San Diego was included in Other property income for the three months ended March 31, 2007.

### **Property and Related Expenses**

Total expenses from Office Properties increased \$2.7 million, or 20.4%, to \$16.2 million for the three months ended March 31, 2008, compared to \$13.5 million for the three months ended March 31, 2007.

### **Property Expenses**

Property expenses from Office Properties increased \$1.3 million, or 14.0%, to \$10.6 million for the three months ended March 31, 2008, compared to \$9.3 million for the three months ended March 31, 2007, due to the following:

An increase of \$0.9 million, or 10.0%, was generated by the Core Office Portfolio. This increase was primarily attributable to general increases in certain operating costs such as property management costs of \$0.5 million, repairs and maintenance costs of \$0.2 million, and janitorial and other service-related costs of \$0.2 million.

An increase of \$0.4 million was attributable to \$0.2 million generated by the 2007 Office Development Properties, which were added to the stabilized portfolio and \$0.2 million generated by the 2007 Office Redevelopment Properties, which were placed into lease-up.

### **Real Estate Taxes**

Real estate taxes from Office Properties increased \$0.9 million, or 23.2%, to \$4.8 million for the three months ended March 31, 2008, compared to \$3.9 million for the three months ended March 31, 2007, due to the following:

An increase of \$0.7 million was attributable to the 2007 Office Development Properties, which were added to the stabilized portfolio.

An increase of \$0.2 million was attributable to the Core Office Portfolio and 2007 Office Redevelopment Properties, which were placed into lease-up.

**Provision for Bad Debts**

The provision for bad debts from Office Properties increased \$0.5 million, or 426.8%, for the three months ended March 31, 2008, compared to the three months ended March 31, 2007, primarily due to changes in our estimates of collectibility of receivables from certain watchlist tenants. We evaluate our reserve levels on a quarterly basis.

**Table of Contents****Net Operating Income**

As a result of the items discussed above, net operating income from Office Properties increased \$6.0 million, or 14.8%, to \$46.3 million for the three months ended March 31, 2008, compared to \$40.3 million for the three months ended March 31, 2007, due to the following:

An increase of \$6.1 million was generated 2007 Office Development Properties; and

An increase of \$0.8 million was generated by 2007 Office Redevelopment Properties. These increases were partially offset by a \$0.9 million decrease attributable to the Core Office Portfolio.

**Industrial Properties**

	Total Industrial Portfolio				Core Industrial Portfolio <sup>(1)</sup>			
	2008	2007	Dollar Change	Percentage Change	2008	2007	Dollar Change	Percentage Change
	(in thousands, except percentage data)							
Operating revenues:								
Rental income	\$ 7,315	\$ 6,766	\$ 549	8.1%	\$ 7,315	\$ 6,766	\$ 549	8.1%
Tenant reimbursements	1,007	883	124	14.0	1,007	855	152	17.8
Other property income	5	6	(1)	(16.7)	5	6	(1)	(16.7)
<b>Total</b>	<b>8,327</b>	<b>7,655</b>	<b>672</b>	<b>8.8</b>	<b>8,327</b>	<b>7,627</b>	<b>700</b>	<b>9.2</b>
Property and related expenses:								
Property expenses	882	666	216	32.4	875	687	188	27.4
Real estate taxes	692	667	25	3.7	692	667	25	3.7
Provision for bad debts	40	(45)	85	188.9	40	(45)	85	188.9
<b>Total</b>	<b>1,614</b>	<b>1,288</b>	<b>326</b>	<b>25.3</b>	<b>1,607</b>	<b>1,309</b>	<b>298</b>	<b>22.8</b>
<b>Net operating income</b>	<b>\$ 6,713</b>	<b>\$ 6,367</b>	<b>\$ 346</b>	<b>5.4%</b>	<b>\$ 6,720</b>	<b>\$ 6,318</b>	<b>\$ 402</b>	<b>6.4%</b>

(1) Industrial Properties owned and stabilized at January 1, 2007 and still owned and stabilized at March 31, 2008.

**Operating Revenues**

Total revenues from Industrial Properties increased \$0.7 million, or 8.8%, to \$8.3 million for the three months ended March 31, 2008, compared to \$7.6 million for the three months ended March 31, 2007.

**Rental Income**

Rental income from Industrial Properties increased \$0.5 million, or 8.1%, to \$7.3 million for the three months ended March 31, 2008, compared to \$6.8 million for the three months ended March 31, 2007 due to the Core Industrial Portfolio. Average occupancy in the Core Industrial Portfolio increased 2.9% to 94.7% for the three months ended March 31, 2008, compared to 91.8% for the three months ended March 31, 2007.

**Tenant Reimbursements**

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Tenant reimbursements from Industrial Properties increased \$0.1 million, or 14.0%, to \$1.0 million for the three months ended March 31, 2008, compared to \$0.9 million for the three months ended March 31, 2007. The increase in tenant reimbursements was primarily attributable to an increase in reimbursable property expenses due to the increase in occupancy in the Core Industrial Portfolio.

### **Property and Related Expenses**

Total expenses from Industrial Properties increased \$0.3 million, or 25.3%, to \$1.6 million for the three months ended March 31, 2008, compared to \$1.3 million for the three months ended March 31, 2007.

**Table of Contents****Property Expenses**

Property expenses from Industrial Properties increased \$0.2 million, or 32.4%, to \$0.9 million for the three months ended March 31, 2008, compared to \$0.7 million for the three months ended March 31, 2007, primarily due to an increase in repairs and maintenance expenditures and an increase in other property expenses due to an increase in occupancy in the Core Industrial Portfolio.

**Provision for Bad Debts**

The provision for bad debts for Industrial Properties increased by \$0.1 million, or 188.9%, for the three months ended March 31, 2008, compared to the three months ended March 31, 2007, primarily due to changes in our estimates of the collectibility of receivables from certain watchlist tenants. We evaluate our reserve levels on a quarterly basis.

**Net Operating Income**

Net operating income from Industrial Properties increased \$0.3 million, or 5.4%, to \$6.7 million for the three months ended March 31, 2008, compared to \$6.4 million for the three months ended March 31, 2007, primarily due to an increase in occupancy in the Core Industrial Portfolio as discussed above.

**Other Income and Expenses***Interest Expense*

The following table sets forth our gross interest expense and loan cost amortization from continuing operations net of capitalized interest and loan cost amortization for the three months ended March 31, 2008 and 2007.

	Three Months Ended		Dollar Change	Percentage Change
	2008	March 31, 2007		
	(\$ in thousands)			
Gross interest expense and loan cost amortization	\$ 14,211	\$ 14,413	\$ (202)	1.4%
Less: capitalized interest and loan cost amortization	(4,498)	(4,757)	259	5.4%
Interest expense	\$ 9,713	\$ 9,656	\$ 57	0.6%

The \$0.2 million decrease in gross interest and loan fee expense before the effect of capitalized interest and loan for the three months ended March 31, 2008 compared to the three months ended March 31, 2007 was primarily attributable to:

A decrease in our weighted-average interest rate from 6.33% for the three months ended March 31, 2007 to 4.98% for the three months ended March 31, 2008;

This decrease was largely offset by an increase in our average debt balance associated with our development activities and the repurchase of shares of our common stock during the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

The \$0.2 million decrease in total capitalized interest and loan fees for the three months ended March 31, 2008 compared to the three months ended March 31, 2007 was primarily attributable to:

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A decrease in our weighted-average interest rate from 6.33% for the three months ended March 31, 2007 to 4.98% for the three months ended March 31, 2008;

This decrease was largely offset by higher average balances eligible for capitalization during the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

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*Depreciation and Amortization Expense*

Depreciation and amortization expense increased \$3.0 million, or 17.9%, to \$19.9 million for the three months ended March 31, 2008 compared to \$16.9 million for the three months ended March 31, 2007. This increase was primarily attributable to:

A \$2.2 million increase from the 2007 Office Development Properties, which were added to the stabilized portfolio;

A \$0.5 million increase from the Core Office Portfolio; and

A \$0.3 million increase from the 2007 Office Redevelopment Properties, which were placed into lease-up.

*Other Income*

Total other income decreased approximately \$0.5 million, or 74.6%, for the three months ended March 31, 2008 compared to the three months ended March 31, 2007. This decrease was primarily attributable to:

A \$0.2 million decrease due to interest earned in January 2007 on the funds held at a qualified intermediary for an exchange of real property pursuant to Section 1031 of the Internal Revenue Code (a Section 1031 Exchange ). In January 2007, we used these funds to partially fund two acquisitions to complete a Section 1031 Exchange.

A \$0.3 million decrease largely due to lower cash balances and interest rates during the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

**Table of Contents****Lease Information****Lease Expirations by Segment Type**

Year of Lease Expiration	Number of Expiring Leases <sup>(1)</sup>	Net Rentable Area Subject to Expiring Leases (Sq. Ft.) <sup>(2)</sup>	Percentage of Leased Square Feet Represented by Expiring Leases <sup>(3)</sup>	Annualized Base Rental Revenue Under Expiring Leases (000s) <sup>(4)</sup>
<b>Office Properties:</b>				
Remaining 2008 <sup>(3)</sup>	41	420,235	5.5%	\$ 9,029
2009	76	1,235,276	16.3	29,304
2010	71	1,193,026	15.7	31,218
2011	53	521,727	6.9	10,650
2012	39	530,065	7.0	14,719
2013	23	456,837	6.0	10,227
Total Office	303	4,357,166	57.4	105,147
<b>Industrial Properties:</b>				
Remaining 2008 <sup>(3)</sup>	6	425,049	11.8	3,596
2009	14	731,502	20.3	4,609
2010	15	413,485	11.5	3,250
2011	11	414,402	11.5	3,218
2012	10	591,672	16.4	4,112
2013	2	117,144	3.2	1,064
Total Industrial	58	2,693,254	74.7	19,849
Total	361	7,050,420	62.9%	\$ 124,996

(1) Includes tenants only. Excludes leases for parking and month-to-month tenants. Some tenants have multiple leases.

(2) Excludes space leased under month-to-month leases and vacant space at March 31, 2008.

(3) Based on total leased square footage for the respective stabilized portfolios as of March 31, 2008.

(4) Determined based upon aggregate base rental revenue to be received over the lease term divided by the lease term in months multiplied by 12, including all leases executed on or before March 31, 2008.

**Leasing Activity by Segment Type****For the Three Months Ended March 31, 2008**

	Number of Leases <sup>(1)</sup>		Rentable Square Feet <sup>(1)</sup>		Changes in Rents <sup>(2)</sup>	Changes in Cash Rents <sup>(3)</sup>	Retention Rates <sup>(4)</sup>	Weighted Average Lease Term (in months)
	New	Renewal	New	Renewal				
Office Properties	7	10	106,842	41,890	65.7%	47.0%	76.8%	66
Industrial Properties	3	3	164,727	62,410	27.0	5.4	28.0	56
Total portfolio	10	13	271,569	104,300	49.3%	28.6%	37.3%	60

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- (1) Represents leasing activity for leases commencing during the period shown, including first and second generation space, net of month-to-month leases. Excludes leasing on new construction.
- (2) Calculated as the change between GAAP rents for new/renewed leases and the expiring GAAP rents for the same space. Excludes leases for which the space was vacant longer than one year.
- (3) Calculated as the change between stated rents for new/renewed leases and the expiring stated rents for the same space. Excludes leases for which the space was vacant longer than one year.
- (4) Calculated as the percentage of space either renewed or expanded into by existing tenants at lease expiration.

**Table of Contents****Development and Redevelopment Programs**

We believe that a significant portion of our potential growth over the next several years will continue to come from our development pipeline. We continue to seek and obtain development opportunities throughout Southern California and specifically in our core markets. We have made significant progress in expanding our development program through targeted acquisitions of redevelopment opportunities and undeveloped land.

In February 2008, we signed two lease agreements with Bridgepoint Education, Inc. ( Bridgepoint ) totaling approximately 289,700 rentable square feet. Commencing in stages in the third quarter of 2008, Bridgepoint will lease 100% of the approximately 147,500 rentable square feet at Kilroy Sabre Springs Phase III, which is currently under construction. In the third quarter of 2009, Bridgepoint will expand its occupancy at 13500 Evening Creek Drive from approximately 119,800 rentable square feet at March 31, 2008 to approximately 142,200 rentable square feet. Both leases are scheduled to expire in June 2018. Bridgepoint is currently projected to become our second largest tenant in the third quarter of 2009, based on its percentage of our projected total annualized base rental revenues.

The following table sets forth certain information regarding our office development properties in-process as of March 31, 2008.

**Development Properties**

Property Name / Submarket / City	Actual/ Estimated Completion Date	Estimated Stabilization Date <sup>(1)</sup>	Rentable Square Feet Upon Completion	Total Estimated Investment <sup>(2)(3)</sup> (\$ in millions)	Total Costs as of March 31, 2008 <sup>(3)(4)</sup> (\$ in millions)	Percentage Leased
<b>Property In Lease-up</b>						
Sorrento Gateway-Lot 3						
Sorrento Mesa						
San Diego, CA	4th Qtr 2007	4th Qtr 2008	55,500	\$ 21.8	\$ 15.4	0%
<b>Properties Under Construction</b>						
Kilroy Sabre Springs Phase III						
I-15 Corridor						
San Diego, CA ICC 15004 Innovation Drive	3rd Qtr 2008	3rd Qtr 2008	147,533	64.5	47.7	100% <sup>(5)</sup>
I-15 Corridor						
San Diego, CA Sorrento Gateway-Lot 1 <sup>(7)</sup>	3rd Qtr 2008	3rd Qtr 2008	146,156	50.6	45.0	100% <sup>(6)</sup>
Sorrento Mesa						
San Diego, CA	4th Qtr 2008	4th Qtr 2009	50,925	22.5	9.3	0%
<b>Total</b>			<b>400,114</b>	<b>\$ 159.4</b>	<b>\$ 117.4</b>	<b>73%</b>

(1) Based on management's estimation of the earlier of stabilized occupancy (95.0%) or one year from the date of substantial completion.

(2) Represents total projected development costs at March 31, 2008.

(3) Amounts exclude tenant-funded tenant improvements.

(4) Represents cash paid and costs incurred as of March 31, 2008.

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- (5) This building was leased to Bridgepoint in February 2008. See additional information regarding Bridgepoint above.
- (6) This building was leased to Scripps Health in July 2006.
- (7) We are developing this property for medical office use.

We believe that another possible source of potential growth over the next several years is redevelopment opportunities within our existing portfolio or targeted acquisitions. Redevelopment efforts can achieve similar returns to new development with reduced entitlement risk and shorter construction periods. Depending on market conditions, we will continue to pursue future redevelopment opportunities in our strategic submarkets where there is limited land for development.

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The following table sets forth certain information regarding our office redevelopment properties in lease-up as of March 31, 2008.

**Redevelopment Properties**

Property Name / Submarket / City	Actual Completion Date	Estimated Stabilization Date <sup>(1)</sup>	Rentable Square Feet Upon Completion	Existing Invest- ment <sup>(2)</sup>	Estimated Redevelop- ment Costs	Total Estimated Investment <sup>(3)</sup>	Total Costs as of March 31, 2008 <sup>(3)(4)</sup>	Percent Leased
(\$ in millions)								
<b>Properties In Lease-up</b>								
2240 E. Imperial Highway								
Kilroy Airport Center								
El Segundo, CA	3rd Qtr 2007	3rd Qtr 2008	107,041	\$ 5.0	\$ 16.4	\$ 21.4	\$ 18.1	77%
Sabre Springs Corporate								
Center I-15 Corridor								
San Diego, CA	4th Qtr 2007	4th Qtr 2008	103,900	24.7	10.4	35.1	30.2	19%
<b>Total</b>			210,941	\$ 29.7	\$ 26.8	\$ 56.5	\$ 48.3	49%

(1) Based on management's estimation of the earlier of stabilized occupancy (95.0%) or one year from the date of substantial completion.

(2) Represents the depreciated carrying value at the commencement of redevelopment for the space being redeveloped.

(3) Amounts exclude tenant-funded tenant improvements.

(4) Represents cash paid and costs incurred as of March 31, 2008, including the existing investment at commencement of redevelopment. See footnote (2) above.

We have a proactive planning process by which we continually evaluate the size, timing, costs and scope of our development and redevelopment programs and, as necessary, scale activity to reflect the economic conditions and the real estate fundamentals that exist in our strategic submarkets. However, we may be unable to lease committed development or redevelopment properties at expected rental rates or within projected timeframes or complete development or redevelopment properties on schedule or within budgeted amounts, which could adversely affect our financial condition, results of operations and cash flows.

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### **Liquidity and Capital Resources**

#### *Current Sources of Capital and Liquidity*

We seek to create and maintain a capital structure that allows for financial flexibility and diversification of capital resources. Our primary source of liquidity to fund distributions, debt service, leasing costs and maintenance-related capital expenditures is net cash from operations. We believe that we will have sufficient capital resources to satisfy our liquidity needs over the next twelve-month period. Our primary sources of liquidity to fund development and redevelopment costs, potential undeveloped land and property acquisitions, temporary working capital and unanticipated cash needs are the Credit Facility, proceeds received from our property disposition program, construction loans and the public or private issuance of debt or equity securities. As of March 31, 2008, our total debt as a percentage of total market capitalization was 37.2%, and our total debt and liquidation value of our preferred equity as a percentage of total market capitalization was 43.8%.

As of March 31, 2008, we had borrowings of \$137 million outstanding under the Credit Facility and availability of approximately \$413 million. The Credit Facility bears interest at an annual rate between LIBOR plus 0.85% and LIBOR plus 1.35%, depending upon our leverage ratio at the time of borrowing (3.70% at March 31, 2008). We expect to use the Credit Facility to finance development and redevelopment expenditures, to fund potential acquisitions and for other general corporate uses.

#### *Factors That May Influence Future Sources of Capital and Liquidity*

One of our fixed-rate mortgage notes payable has a principal balance of \$73.0 million and is scheduled to mature in August 2008. We are currently evaluating potential sources of refinancing, including the borrowing of up to \$73.0 million from the Credit Facility to repay this loan.

During the three months ended March 31, 2008, we repurchased 159,657 shares of our common stock in open market transactions for an aggregate price of approximately \$7.6 million, or \$47.54 per share. These repurchases were made pursuant to a share repurchase program approved by our Board of Directors and were funded through borrowings on our Credit Facility. As of March 31, 2008, an aggregate of 1,067,843 shares remained eligible for repurchase under this share repurchase program. We may opt to repurchase additional shares of our common stock in the future depending upon market conditions.

Our Credit Facility, unsecured senior notes and certain other secured debt agreements contain covenants and restrictions requiring us to meet certain financial ratios and reporting requirements. Some of the more restrictive covenants include a maximum ratio of total debt to total assets, a maximum ratio of total secured debt to total assets, a fixed charge coverage ratio, a minimum consolidated tangible net worth, a limit of the ratio of development activities to total assets and a maximum ratio of dividend payments to FFO. Non-compliance with one or more of the covenants or restrictions could result in the full or partial principal balance of the associated debt becoming immediately due and payable. We were in compliance with all our debt covenants at March 31, 2008.

**Table of Contents***Debt Composition*

The composition of our aggregate debt balances at March 31, 2008 and December 31, 2007 was as follows:

	Percentage of Total Debt		Weighted Average Interest Rate	
	March 31, 2008	December 31, 2007	March 31, 2008	December 31, 2007
Secured vs. unsecured:				
Secured	34.8%	35.6%	5.7%	5.9%
Unsecured	65.2	64.4	3.9	4.2
Fixed rate vs. variable rate:				
Fixed rate	84.8	86.8	4.7	4.7
Variable rate	15.2	13.2	3.6	5.9
Total debt/interest rate			4.5	4.8
Total debt/interest rate including loan costs			4.9	5.2

The following is our total capitalization at March 31, 2008:

	Shares/Units at March 31, 2008	Aggregate Principal Amount or \$ Value Equivalent (\$ in thousands)	% of Total Capitalization
<b>Debt:</b>			
Secured debt		\$ 394,983	12.9%
Exchangeable senior notes <sup>(1)</sup>		460,000	15.1
Unsecured senior notes		144,000	4.7
Credit Facility		137,000	4.5
Total debt		\$ 1,135,983	37.2
<b>Equity:</b>			
7.450% Series A cumulative redeemable preferred units <sup>(2)</sup>	1,500,000	\$ 75,000	2.5
7.800% Series E cumulative redeemable preferred stock <sup>(3)</sup>	1,610,000	40,250	1.3
7.500% Series F cumulative redeemable preferred stock <sup>(3)</sup>	3,450,000	86,250	2.8
Common limited partnership units outstanding <sup>(4)</sup>	2,189,325	107,518	3.5
Common shares outstanding <sup>(4)</sup>	32,731,835	1,607,460	52.7
Total equity		\$ 1,916,478	62.8
<b>Total Capitalization</b>		\$ 3,052,461	100.0%

(1) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately \$3.7 million at March 31, 2008.

(2) Value based on \$50.00 per share liquidation preference.

(3) Value based on \$25.00 per share liquidation preference.

(4) Value based on the closing price per share of our common stock of \$49.11 at March 31, 2008.

**Off-Balance Sheet Arrangements**

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As of March 31, 2008 and as of the date this report was filed, we do not have any off-balance sheet transactions, arrangements or obligations, including contingent obligations.

**Table of Contents****Historical Cash Flows**

The principal sources of funding for our future development, redevelopment, acquisitions, share repurchases and capital expenditures are cash flow from operating activities, the Credit Facility, secured and unsecured debt financing and proceeds from our dispositions. The following is a summary of the sources and uses of cash for the three months ended March 31, 2008, compared to the three months ended March 31, 2007.

	Three Months Ended March 31,			Percentage Change
	2008	2007	Dollar Change (\$ in thousands)	
Net cash provided by operating activities	\$ 31,510	\$ 34,662	\$ (3,152)	(9.1)%
Net cash used in investing activities	(26,518)	(67,535)	41,017	(60.7)
Net cash (used in) provided by financing activities	(11,843)	26,092	(37,935)	(145.4)

*Operating Activities*

Our net cash provided by operating activities decreased by \$3.2 million, or 9.1%, to \$31.5 million for the three months ended March 31, 2008 compared to \$34.7 million for the three months ended March 31, 2007.

A \$9.0 million decrease in cash provided by operating activities was primarily attributable to the following:

An approximate \$5.3 million decrease in cash received from tenants for reimbursement of tenant-funded tenant improvements during the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

An approximate \$3.6 million increase in cash incentive compensation paid during the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

This \$9.0 million decrease was partially offset by increases in cash provided by operating activities primarily attributable to the following:

An approximate \$3.8 million decrease in cash paid for interest (net of capitalized interest, which is included in investing activities) during the three months ended March 31, 2008 compared to the three months ended March 31, 2007. This decrease is due primarily to a change in the composition of the Company's debt structure as a result of the issuance of the Notes in April 2007 and the corresponding impact of the timing of interest payments.

An approximate \$2.0 million increase in cash flow from property operations for the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

*Investing Activities*

Net cash used in investing activities decreased by \$41.0 million, or 60.7%, to \$26.5 million for the three months ended March 31, 2008, compared to \$67.5 million for the three months ended March 31, 2007. The change was primarily attributable to the following:

A decrease in development expenditures of \$28.0 million for the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

A decrease in expenditures for operating properties of \$5.3 million for the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

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A decrease of \$7.7 million in net expenditures for acquisitions for the three months ended March 31, 2008 compared to the three months ended March 31, 2007. During the three months ended March 31, 2007, we had three acquisitions for an aggregate purchase price of \$69.0 million and net proceeds received from property dispositions of \$61.3 million, resulting in \$7.7 million of net acquisition expenditures. We did not acquire or dispose of any properties or undeveloped land during the three months ended March 31, 2008.

*Financing Activities*

Net cash used in financing activities fluctuated by \$37.9 million, or 145.4%, to \$11.8 million for the three months ended March 31, 2008, compared to \$26.1 million provided by financing activities for the three months ended March 31, 2007. The change was primarily attributable to the following:

We used approximately \$7.6 million to repurchase 159,657 shares of our common stock pursuant to a share repurchase program approved by our Board of Directors during the three months ended March 31, 2008. We did not repurchase any shares under this program during the three months ended March 31, 2007. (See Note 5 to our consolidated financial statements included with this report for additional information).

We borrowed \$29.0 million less under our Credit Facility during the three months ended March 31, 2008 compared to the three months ended March 31, 2007, primarily due to a decrease in development expenditures and other investing activities as noted above.

Dividends and distributions paid to common stockholders and common unitholders increased by \$1.0 million for the three months ended March 31, 2008 compared to the three months ended March 31, 2007 due primarily to an increase in the dividend rate.

**Table of Contents****Non-GAAP Supplemental Financial Measure: Funds From Operations**

We calculate FFO in accordance with the White Paper on FFO approved by the Board of Governors of NAREIT. The White Paper defines FFO as net income or loss calculated in accordance with GAAP, excluding extraordinary items, as defined by GAAP, and gains and losses from sales of depreciable operating property, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustment for unconsolidated partnerships and joint ventures.

We believe that FFO is a useful supplemental measure of our operating performance. The exclusion from FFO of gains and losses from the sale of operating real estate assets allows investors and analysts to readily identify the operating results of the assets that form the core of our activity and assists in comparing those operating results between periods. Also, because FFO is generally recognized as the industry standard for reporting the operations of REITs, it facilitates comparisons of operating performance to other REITs. However, other REITs may use different methodologies to calculate FFO, and accordingly, our FFO may not be comparable to all other REITs.

Implicit in historical cost accounting for real estate assets in accordance with GAAP is the assumption that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies using historical cost accounting to be insufficient by themselves. Because FFO excludes depreciation and amortization of real estate assets, we believe that FFO along with the required GAAP presentations provides a more complete measurement of our performance relative to our competitors and a more appropriate basis on which to make decisions involving operating, financing and investing activities than the required GAAP presentations alone would provide.

However, FFO should not be viewed as an alternative measure of our operating performance since it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, which are significant economic costs and could materially impact our results from operations.

The following table presents our FFO for the three months ended March 31, 2008 and 2007:

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(\$ in thousands)</b>	
Net income available for common stockholders	\$ 9,864	\$ 16,478
Adjustments:		
Minority interest in earnings of Operating Partnership	664	1,143
Depreciation and amortization of real estate assets	19,671	17,026
Net gain on dispositions of operating properties		(8,626)
Funds From Operations <sup>(1)</sup>	\$ 30,199	\$ 26,021

(1) Reported amounts are attributable to our common stockholders and common unitholders of the Operating Partnership.

**Table of Contents****ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The primary market risk we face is interest rate risk. We mitigate this risk by maintaining prudent amounts of leverage, minimizing interest expense while continuously evaluating all available debt and equity resources and following established risk management policies and procedures that may include the periodic use of derivative instruments. As of March 31, 2008 and 2007, we did not have any derivative instruments.

Information about our changes in interest rate risk exposures from December 31, 2007 to March 31, 2008 is incorporated herein by reference from Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

**Tabular Presentation of Market Risk**

The tabular presentation below provides information about our interest rate sensitive financial instruments at March 31, 2008 and December 31, 2007. All of our interest rate sensitive financial instruments are held for purposes other than trading purposes. The table below presents principal cash flows and related weighted average interest rates, excluding loan cost amortization, by contractual maturity dates at March 31, 2008. The table also presents comparative summarized information for financial instruments held at December 31, 2007. The interest rates on our variable-rate debt are indexed to LIBOR plus spreads of 0.75% to 0.95% at both March 31, 2008 and December 31, 2007.

**Interest Rate Risk Analysis Tabular Presentation**

(dollars in millions)

	Maturity Date						March 31, 2008	December 31, 2007		
	Remaining 2008	2009	2010	2011	2012	Thereafter	Total	Fair Value	Total	Fair Value
<b>Liabilities:</b>										
Unsecured debt:										
Credit Facility			\$ 137.0				\$ 137.0	\$ 136.0	\$ 111.0	\$ 110.2
Variable-rate index			LIBOR				LIBOR		LIBOR	
Notes					\$ 460.0		\$ 460.0	\$ 386.8	\$ 460.0	\$ 399.4
Fixed interest rate					3.25%		3.25%		3.25%	
Other fixed-rate			\$ 61.0			\$ 83.0	\$ 144.0	\$ 139.8	\$ 144.0	\$ 145.3
Weighted average fixed interest rate			5.72%			6.45%	6.14%		6.14%	
Secured debt:										
Variable-rate			\$ 35.5				\$ 35.5	\$ 34.9	\$ 35.5	\$ 35.6
Variable-rate index			LIBOR				LIBOR		LIBOR	
Fixed-rate	\$ 79.2	\$ 81.6	\$ 6.5	\$ 75.0	\$ 103.4	\$ 13.8	\$ 359.5	\$ 374.7	\$ 360.4	\$ 369.0
Weighted average fixed interest rate	4.04%	7.16%	6.63%	6.69%	5.42%	6.91%	5.85%		5.86%	

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**ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of March 31, 2008, the end of the period covered by this report.

Based on the foregoing, the Chief Executive Officer and Chief Financial Officer concluded, as of that time, that our disclosure controls and procedures were effective at the reasonable assurance level.

There have been no significant changes that occurred during the quarter covered by this report in our internal control over financial reporting identified in connection with the evaluation referenced above that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****PART II OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

We are not a defendant in, and our properties are not subject to, any legal proceedings that, if determined adversely to us, would have a material adverse effect upon our financial condition, results of operations or cash flows.

**ITEM 1A. RISK FACTORS** No changes to the risk factors included in our annual report on Form 10-K for the fiscal year ended December 31, 2007

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Period		(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
January 1	January 31, 2008	51,030 <sup>(1)</sup>	\$ 54.18		
February 1	February 29, 2008	5,749 <sup>(2)</sup>	47.56		
March 1	March 31, 2008	159,657 <sup>(3)</sup>	47.54	159,657	1,067,843
Total		216,436	\$ 49.10	159,657	1,067,843

(1) In January 2008, a total of 51,030 shares were tendered to satisfy minimum statutory tax withholding obligations related to the vesting of restricted shares.

(2) In February 2008, a total of 5,749 shares were tendered to satisfy minimum statutory tax withholding obligations related to the vesting of restricted shares.

(3) In March 2008, we repurchased 159,657 shares of our common stock in open market transactions for an aggregate price of approximately \$7.6 million, or \$47.54 per share. (See Note 5 to our consolidated financial statements included with this report for additional information).

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES** None

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS** None

**ITEM 5. OTHER INFORMATION**

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**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
3(i).1	Articles of Amendment and Restatement of the Registrant <sup>(1)</sup>
3(i).2	Articles Supplementary of the Registrant designating its 7.45% Series A Cumulative Redeemable Preferred Stock <sup>(2)</sup>
3(i).3	Articles Supplementary of the Registrant designating its Series B Junior Participating Preferred Stock <sup>(3)</sup>
3(i).4	Articles Supplementary of the Registrant designating 780,000 shares of its 9.250% Series D Cumulative Redeemable Preferred Stock <sup>(4)</sup>
3(i).5	Articles Supplementary of the Registrant designating an additional 120,000 shares of its 9.250% Series D Cumulative Redeemable Preferred Stock <sup>(5)</sup>
3(i).6	Articles Supplementary of the Registrant designating its 7.80% Series E Cumulative Redeemable Preferred Stock <sup>(6)</sup>
3(i).7	Articles Supplementary of the Registrant designating its 7.50% Series F Redeemable Preferred Stock <sup>(7)</sup>
3(ii).1	Amended and Restated Bylaws of the Registrant <sup>(1)</sup>
3(ii).2	Amendment No. 1 to Amended and Restated Bylaws of the Registrant <sup>(8)</sup>
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1*	Section 1350 Certification of Chief Executive Officer
32.2*	Section 1350 Certification of Chief Financial Officer

\* Filed herewith

(1) Previously filed as an exhibit to the Registration Statement on Amendment No. 3 to Form S-11 (No. 333-15553).

(2) Previously filed as an exhibit on Form 10-K for the year ended December 31, 2003.

(3) Previously filed as an exhibit to the Registration Statement on Amendment No. 1 to Form S-3 (No. 333-72229).

(4) Previously filed as an exhibit on Form 10-K for the year ended December 31, 1999.

(5) Previously filed as an exhibit to the Registration Statement on Form S-3 (No. 333-34638).

(6) Previously filed as an exhibit on Form 8-A as filed with the Securities and Exchange Commission on October 24, 2003.

(7) Previously filed as an exhibit on Form 8-A as filed with the Securities and Exchange Commission on December 6, 2004.

(8) Previously filed as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on May 18, 2007.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on April 22, 2008.

KILROY REALTY CORPORATION

By: /s/ JOHN B. KILROY, JR.  
**John B. Kilroy, Jr.**

*President and Chief Executive Officer*

*(Principal Executive Officer)*

By: /s/ RICHARD E. MORAN JR.  
**Richard E. Moran Jr.**

*Executive Vice President and Chief Financial Officer*

*(Principal Financial Officer)*

By: /s/ HEIDI R. ROTH  
**Heidi R. Roth**

*Senior Vice President and Controller*

*(Principal Accounting Officer)*

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#cccccc">\$285,097 1.25%\* 1.25%\* 1.23%\* 1.23%\* 7.42%\* \$68,724 10% 8.69 9.75 9.85 276,525 1.32 1.32 1.21 1.21 7.48 67,411 12 8.61

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**Financial Highlights (Cont.)**

	Investment Operations						Less Distributions to Common Shareholders				
	Net Asset Value Beginning of Year or Period	Net Investment Income (a)	Net Realized/Unrealized Gain (Loss)	Distributions on Preferred Shares		Total	From Net Investment Income (b)	From Net Realized Capital Gain (Loss) (b)	Tax Basis Return of Capital (b)	Total	
				Preferred Shares from Net Investment Income (b)	Distributions on Preferred Shares from Realized Gains (Loss) (b)						
<b>PIMCO New York Municipal Income Fund</b>											
05/01/2015 - 12/31/2015 <sup>(f)</sup>	\$ 11.92	\$ 0.47	\$ 0.18	\$ (0.01)	\$ 0.00	\$ 0.64	\$ (0.46)	\$ 0.00	\$ 0.00	\$ (0.46) <sup>(i)</sup>	
04/30/2015	11.20	0.68	0.73	(0.01)	0.00	1.40	(0.68)	0.00	0.00	(0.68)	
04/30/2014	12.04	0.67	(0.82)	(0.01)	0.00	(0.16)	(0.68)	0.00	0.00	(0.68)	
04/30/2013	11.38	0.70	0.66	(0.02)	0.00	1.34	(0.68)	0.00	0.00	(0.68)	
04/30/2012	9.92	0.74	1.41	(0.01)	0.00	2.14	(0.68)	0.00	0.00	(0.68)	
04/30/2011	10.67	0.80	(0.84)	(0.03)	0.00	(0.07)	(0.68)	0.00	0.00	(0.68)	
<b>PIMCO New York Municipal Income Fund II</b>											
06/01/2015 - 12/31/2015 <sup>(g)</sup>	\$ 11.28	\$ 0.43	\$ 0.17	\$ (0.01)	\$ 0.00	\$ 0.59	\$ (0.46)	\$ 0.00	\$ 0.00	\$ (0.46) <sup>(i)</sup>	
05/31/2015	10.98	0.75	0.36	(0.01)	0.00	1.10	(0.80)	0.00	0.00	(0.80)	
05/31/2014	11.32	0.75	(0.28)	(0.01)	0.00	0.46	(0.80)	0.00	0.00	(0.80)	
05/31/2013	11.37	0.79	(0.02)	(0.02)	0.00	0.75	(0.80)	0.00	0.00	(0.80)	
05/31/2012	10.10	0.85	1.24	(0.02)	0.00	2.07	(0.80)	0.00	0.00	(0.80)	
05/31/2011	10.90	0.88	(0.85)	(0.03)	0.00	0.00	(0.80)	0.00	0.00	(0.80)	
<b>PIMCO New York Municipal Income Fund III</b>											
10/01/2015 - 12/31/2015 <sup>(h)</sup>	\$ 9.42	\$ 0.14	\$ 0.15	\$ (0.00) <sup>^</sup>	\$ 0.00	\$ 0.29	\$ (0.16)	\$ 0.00	\$ 0.00	\$ (0.16) <sup>(i)</sup>	
09/30/2015	9.43	0.57	0.06	(0.01)	0.00	0.62	(0.63)	0.00	0.00	(0.63)	
09/30/2014	8.51	0.56	1.00	(0.01)	0.00	1.55	(0.63)	0.00	0.00	(0.63)	
09/30/2013	9.65	0.62	(1.12)	(0.01)	0.00	(0.51)	(0.63)	0.00	0.00	(0.63)	
09/30/2012	8.82	0.77	0.70	(0.01)	0.00	1.46	(0.63)	0.00	0.00	(0.63)	
09/30/2011	9.38	0.69	(0.60)	(0.02)	0.00	0.07	(0.63)	0.00	0.00	(0.63)	

\* Annualized

<sup>^</sup> Reflects an amount rounding to less than one cent.

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

(b) Determined in accordance with federal income tax regulations, see Note 2(b) in the Notes to Financial Statements for more information.

(c) 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 or period reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Funds' dividend reinvestment plan. Total investment return does not reflect brokerage commissions in connection with the purchase or sale of Fund shares.

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

(e) Interest expense primarily relates to participation in borrowing and financing transactions. See Note 5 in the Notes to Financial Statements for more information.

(f) Fiscal year end changed from April 30<sup>th</sup> to December 31<sup>st</sup>.

(g) Fiscal year end changed from May 31<sup>st</sup> to December 31<sup>st</sup>.

(h) Fiscal year end changed from September 30<sup>th</sup> to December 31<sup>st</sup>.

(i) Total distributions for the period ended December 31, 2015 may be lower than prior fiscal years due to fiscal year end changes resulting in a reduction of the amount of days in the period ended December 31, 2015.

**20 PIMCO CLOSED-END FUNDS**

See Accompanying Notes

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Common Share			Ratios/Supplemental Data Ratios to Average Net Assets							
Net Asset Value	Market Price	Total Investment Return	Net Assets Applicable to Common Shareholders	Expenses Excluding Waivers	Expenses Excluding Interest	Expenses Excluding Interest Expense and Waivers	Net Investment Income	Preferred Shares Asset Coverage Per Share	Portfolio Turnover Rate	
Year or Period	End of Year or Period	(c)	(000s)	(d)(e)	(d)(e)	(d)	(d)			
\$ 12.10	\$ 11.90	7.23%	\$ 93,205	1.27%*	1.27%*	1.26%*	1.26%*	5.82%*	\$ 74,574	5%
11.92	11.54	7.72	91,832	1.39	1.39	1.31	1.31	5.78	73,847	1
11.20	11.36	(3.21)	86,211	1.46	1.46	1.40	1.40	6.28	70,857	10
12.04	12.52	12.96	92,509	1.36	1.37	1.30	1.31	5.89	74,203	16
11.38	11.73	26.36	87,126	1.37	1.44	1.31	1.38	7.00	71,341	21
9.92	9.89	(5.57)	75,728	1.51	1.51	1.42	1.42	7.70	65,279	29
\$ 11.41	\$ 12.35	4.36%	\$ 126,085	1.35%*	1.35%*	1.33%*	1.33%*	6.48%*	\$ 64,898	7%
11.28	12.32	9.89	124,424	1.40	1.40	1.33	1.33	6.65	64,373	7
10.98	12.01	7.83	120,520	1.51	1.51	1.45	1.45	7.30	63,139	5
11.32	12.01	4.14	123,685	1.42	1.43	1.33	1.34	6.78	64,140	25
11.37	12.29	20.97	123,667	1.45	1.53	1.36	1.44	7.86	64,135	18
10.10	10.92	3.03	109,256	1.55	1.55	1.44	1.44	8.46	59,574	7
\$ 9.55	\$ 10.27	5.75%	\$ 54,247	1.55%*	1.55%*	1.53%*	1.53%*	5.87%*	\$ 67,378	0%
9.42	9.87	11.09	53,548	1.55	1.55	1.49	1.49	6.04	66,764	13
9.43	9.49	9.47	53,369	1.66	1.66	1.60	1.60	6.31	66,695	24
8.51	9.30	(6.83)	48,007	1.65	1.65	1.56	1.56	6.72	62,505	17
9.65	10.66	26.56	54,327	1.64	1.70	1.50	1.56	8.42	67,441	16
8.82	9.00	(1.27)	49,490	1.73	1.75	1.58	1.60	8.07	63,663	9

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

	<b>PIMCO Municipal Income Fund</b>	<b>PIMCO Municipal Income Fund II</b>	<b>PIMCO Municipal Income Fund III</b>	<b>PIMCO California Municipal Income Fund</b>
(Amounts in thousands, except per share amounts)				
<b>Assets:</b>				
<i>Investments, at value</i>				
Investments in securities*	\$ 535,812	\$ 1,171,372	\$ 583,271	\$ 445,977
Cash	379	388	549	431
Receivable for investments sold	115	9,614	0	0
Interest receivable	7,585	13,897	6,872	6,323
Other assets	108	39	17	34
<b>Total Assets</b>	<b>543,999</b>	<b>1,195,310</b>	<b>590,709</b>	<b>452,765</b>
<b>Liabilities:</b>				
<i>Borrowings &amp; Other Financing Transactions</i>				
Payable for tender option bond floating rate certificates	\$ 13,081	\$ 38,737	\$ 26,133	\$ 28,493
Payable for investments purchased	0	24,354	9,157	0
Distributions payable to common shareholders	2,073	3,987	2,036	1,435
Distributions payable to preferred shareholders	13	25	13	10
Accrued management fees	346	715	362	276
Other liabilities	144	280	176	206
<b>Total Liabilities</b>	<b>15,657</b>	<b>68,098</b>	<b>37,877</b>	<b>30,420</b>
<b>Preferred Shares (\$0.00001 par value and \$25,000 liquidation preference per share applicable to an aggregate of 7,600, 14,680, 7,560, 6,000, 6,520, 5,000, 1,880, 3,160, and 1,280 shares issued and outstanding, respectively)</b>	<b>190,000</b>	<b>367,000</b>	<b>189,000</b>	<b>150,000</b>
<b>Net Assets Applicable to Common Shareholders</b>	<b>\$ 338,342</b>	<b>\$ 760,212</b>	<b>\$ 363,832</b>	<b>\$ 272,345</b>
<b>Composition of Net Assets Applicable to Common Shareholders:</b>				
Common Shares:				
Par value (\$0.00001 per share)	\$ 0	\$ 1	\$ 0	\$ 0
Paid in capital in excess of par	330,050	803,270	433,992	244,135
Undistributed (overdistributed) net investment income	1,820	26,143	204	13,406
Accumulated undistributed net realized (loss)	(55,047)	(184,622)	(138,351)	(33,773)
Net unrealized appreciation	61,519	115,420	67,987	48,577
	\$ 338,342	\$ 760,212	\$ 363,832	\$ 272,345
<b>Common Shares Issued and Outstanding</b>	<b>25,518</b>	<b>61,338</b>	<b>32,679</b>	<b>18,646</b>
<b>Net Asset Value Per Common Share</b>	<b>\$ 13.26</b>	<b>\$ 12.39</b>	<b>\$ 11.13</b>	<b>\$ 14.61</b>
Cost of Investments in securities	\$ 474,305	\$ 1,055,940	\$ 515,285	\$ 397,402
* Includes repurchase agreements of:	\$ 0	\$ 0	\$ 7,800	\$ 0

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

**22 PIMCO CLOSED-END FUNDS**

See Accompanying Notes

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December 31, 2015

<b>PIMCO California Municipal Income Fund II</b>	<b>PIMCO California Municipal Income Fund III</b>	<b>PIMCO New York Municipal Income Fund</b>	<b>PIMCO New York Municipal Income Fund II</b>	<b>PIMCO New York Municipal Income Fund III</b>
\$ 471,413	\$ 377,855	\$ 146,812	\$ 211,304	\$ 90,014
593	201	507	325	527
0	0	0	0	0
6,362	5,190	2,073	2,817	1,048
45	3	1,937	30	0
478,413	383,249	151,329	214,476	91,589
\$ 28,155	\$ 28,290	\$ 10,494	\$ 8,195	\$ 4,932
0	0	0	0	0
1,712	1,328	439	732	298
11	9	3	5	2
293	234	100	140	69
145	167	88	319	41
30,316	30,028	11,124	9,391	5,342
163,000	125,000	47,000	79,000	32,000
\$ 285,097	\$ 228,221	\$ 93,205	\$ 126,085	\$ 54,247
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
403,321	289,745	97,463	148,022	75,507
(1,269)	4,863	2,241	112	912
(176,331)	(105,929)	(20,397)	(42,205)	(30,408)
59,376	39,542	13,898	20,156	8,236
\$ 285,097	\$ 228,221	\$ 93,205	\$ 126,085	\$ 54,247
31,853	22,144	7,705	11,052	5,682
\$ 8.95	\$ 10.31	\$ 12.10	\$ 11.41	\$ 9.55
\$ 412,037	\$ 338,315	\$ 133,136	\$ 191,117	\$ 81,778
\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0

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

	PIMCO Municipal Income Fund		PIMCO Municipal Income Fund II		PIMCO Municipal Income Fund III	
	Period from May 1, 2015 to December 31, 2015	Year Ended April 30, 2015	Period from June 1, 2015 to December 31, 2015	Year Ended May 31, 2015	Period from October 1, 2015 to December 31, 2015 <sup>(c)</sup>	Year Ended September 30, 2015
	(a)		(b)			
(Amounts in thousands)						
<b>Investment Income:</b>						
Interest	\$ 19,416	\$ 27,881	\$ 33,969	\$ 58,095	\$ 7,742	\$ 29,850
Total Income	19,416	27,881	33,969	58,095	7,742	29,850
<b>Expenses:</b>						
Management fees	2,486	3,589	4,507	7,518	1,003	3,843
Auction agent fees and commissions	204	322	329	567	73	285
Trustee fees and related expenses	24	33	57	68	10	42
Interest expense	28	101	61	380	21	200
Auction rate preferred shares related expenses	9	20	7	13	8	11
Operating expenses pre-transition <sup>(d)</sup>						
Custodian and accounting agent	0	42	0	39	0	0
Audit and tax services	0	22	0	13	0	0
Shareholder communications	0	12	0	13	0	0
New York Stock Exchange listing	0	13	0	16	0	0
Transfer agent	0	10	0	7	0	0
Legal	0	4	0	5	0	0
Insurance	0	3	0	6	0	0
Other expenses	0	1	0	0	0	0
Total Expenses	2,751	4,172	4,961	8,645	1,115	4,381
<b>Net Investment Income</b>	16,665	23,709	29,008	49,450	6,627	25,469
<b>Net Realized Gain (Loss):</b>						
Investments in securities	161	(1,080)	410	1,136	612	1,031
<b>Net Realized Gain (Loss)</b>	161	(1,080)	410	1,136	612	1,031
<b>Net Change in Unrealized Appreciation (Depreciation):</b>						
Investments in securities	2,788	17,051	16,059	8,054	7,195	1,472
<b>Net Change in Unrealized Appreciation (Depreciation)</b>	2,788	17,051	16,059	8,054	7,195	1,472
<b>Net Increase in Net Assets Resulting from Operations</b>	\$ 19,614	\$ 39,680	\$ 45,477	\$ 58,640	\$ 14,434	\$ 27,972
<b>Distributions on Preferred Shares from Net Investment Income</b>	(222)	(211)	(368)	(420)	(98)	(242)
<b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	\$ 19,392	\$ 39,469	\$ 45,109	\$ 58,220	\$ 14,336	\$ 27,730

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

(a) Fiscal year end changed from April 30<sup>th</sup> to December 31<sup>st</sup>.

(b) Fiscal year end changed from May 31<sup>st</sup> to December 31<sup>st</sup>.

(c) Fiscal year end changed from September 30<sup>th</sup> to December 31<sup>st</sup>.

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



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PIMCO California Municipal Income Fund		PIMCO California Municipal Income Fund II		PIMCO California Municipal Income Fund III	
Period from May 1, 2015 to	Year Ended April 30, 2015	Period from June 1, 2015 to December 31, 2015 (b)	Year Ended May 31, 2015	Period from October 1, 2015 to December 31, 2015 (c)	Year Ended September 30, 2015
December 31, 2015 (a)					
\$ 14,380	\$ 21,169	\$ 14,275	\$ 24,531	\$ 4,497	\$ 17,854
14,380	21,169	14,275	24,531	4,497	17,854
1,981	2,846	1,840	3,053	649	2,492
159	250	146	261	49	190
23	26	22	27	7	24
51	259	32	305	22	203
9	20	9	13	8	11
0	32	0	21	0	0
0	21	0	11	0	0
0	7	0	6	0	0
0	13	0	8	0	0
0	10	0	6	0	0
0	5	0	1	0	0
0	2	0	3	0	0
0	0	0	0	0	0
2,223	3,491	2,049	3,715	735	2,920
12,157	17,678	12,226	20,816	3,762	14,934
593	455	122	6,746	(107)	4,105
593	455	122	6,746	(107)	4,105
3,978	9,666	7,982	(4,455)	5,478	(1,806)
3,978	9,666	7,982	(4,455)	5,478	(1,806)
\$ 16,728	\$ 27,799	\$ 20,330	\$ 23,107	\$ 9,133	\$ 17,233
(174)	(165)	(164)	(188)	(66)	(160)
\$ 16,554	\$ 27,634	\$ 20,166	\$ 22,919	\$ 9,067	\$ 17,073

**Table of Contents****Statements of Operations (Cont.)**

	PIMCO New York Municipal Income Fund		PIMCO New York Municipal Income Fund II		PIMCO New York Municipal Income Fund III	
	Period from	Year Ended	Period from	Year Ended	Period from	Year Ended
	May 1, 2015 to December 31, 2015 <sup>(a)</sup>	April 30, 2015	June 1, 2015 to December 31, 2015 <sup>(b)</sup>	May 31, 2015	October 1, 2015 to December 31, 2015 <sup>(c)</sup>	September 30, 2015
(Amounts in thousands)						
<b>Investment Income:</b>						
Interest	\$ 4,414	\$ 6,507	\$ 5,776	\$ 9,972	\$ 1,035	\$ 4,082
Total Income	4,414	6,507	5,776	9,972	1,035	4,082
<b>Expenses:</b>						
Management fees	723	1,005	886	1,449	191	737
Auction agent fees and commissions	50	83	71	129	12	48
Trustee fees and related expenses	8	9	11	13	2	8
Interest expense	5	70	18	83	3	32
Auction rate preferred shares related expenses	9	20	7	13	8	11
Operating expenses pre-transition <sup>(d)</sup>						
Custodian and accounting agent	0	20	0	16	0	0
Audit and tax services	0	21	0	10	0	0
Shareholder communications	0	6	0	4	0	0
New York Stock Exchange listing	0	13	0	7	0	0
Transfer agent	0	10	0	7	0	0
Legal	0	2	0	1	0	0
Insurance	0	1	0	2	0	0
Other expenses	0	0	0	0	0	0
Total Expenses	795	1,260	993	1,734	216	836
<b>Net Investment Income</b>	<b>3,619</b>	<b>5,247</b>	<b>4,783</b>	<b>8,238</b>	<b>819</b>	<b>3,246</b>
<b>Net Realized Gain (Loss):</b>						
Investments in securities	296	0	244	(515)	0	106
<b>Net Realized Gain (Loss)</b>	<b>296</b>	<b>0</b>	<b>244</b>	<b>(515)</b>	<b>0</b>	<b>106</b>
<b>Net Change in Unrealized Appreciation:</b>						
Investments in securities	1,026	5,582	1,538	4,505	837	158
<b>Net Change in Unrealized Appreciation:</b>	<b>1,026</b>	<b>5,582</b>	<b>1,538</b>	<b>4,505</b>	<b>837</b>	<b>158</b>
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>\$ 4,941</b>	<b>\$ 10,829</b>	<b>\$ 6,565</b>	<b>\$ 12,228</b>	<b>\$ 1,656</b>	<b>\$ 3,510</b>
<b>Distributions on Preferred Shares from Net Investment Income</b>	<b>(54)</b>	<b>(54)</b>	<b>(79)</b>	<b>(90)</b>	<b>(16)</b>	<b>(41)</b>
<b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	<b>\$ 4,887</b>	<b>\$ 10,775</b>	<b>\$ 6,486</b>	<b>\$ 12,138</b>	<b>\$ 1,640</b>	<b>\$ 3,469</b>

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

(a) Fiscal year end changed from April 30<sup>th</sup> to December 31<sup>st</sup>.

(b) Fiscal year end changed from May 31<sup>st</sup> to December 31<sup>st</sup>.

(c) Fiscal year end changed from September 30<sup>th</sup> to December 31<sup>st</sup>.

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



**Table of Contents****Statements of Changes in Net Assets**

	PIMCO Municipal Income Fund			PIMCO Municipal Income Fund II		
	Period from May 1, 2015 to December 31, 2015 <sup>(a)</sup>	Year Ended April 30, 2015	Year Ended April 30, 2014	Period from June 1, 2015 to December 31, 2015 <sup>(b)</sup>	Year Ended May 31, 2015	Year Ended May 31, 2014
(Amounts in thousands)						
<b>Increase (Decrease) in Net Assets from:</b>						
<b>Operations:</b>						
Net investment income	\$ 16,665	\$ 23,709	\$ 23,714	\$ 29,008	\$ 49,450	\$ 49,179
Net realized gain (loss)	161	(1,080)	(1,950)	410	1,136	(3,169)
Net change in unrealized appreciation (depreciation)	2,788	17,051	(26,690)	16,059	8,054	(11,994)
Net increase (decrease) in net assets resulting from operations	19,614	39,680	(4,926)	45,477	58,640	34,016
Distributions on preferred shares from net investment income <sup>(c)</sup>	(222)	(211)	(246)	(368)	(420)	(426)
<b>Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	19,392	39,469	(5,172)	45,109	58,220	33,590
<b>Distributions to Common Shareholders:</b>						
From net investment income <sup>(c)</sup>	(16,571) <sup>(d)</sup>	(24,797)	(24,727)	(27,892) <sup>(d)</sup>	(47,740)	(47,596)
<b>Total Distributions to Common Shareholders</b>	(16,571)	(24,797)	(24,727)	(27,892)	(47,740)	(47,596)
<b>Common Share Transactions**:</b>						
Issued as reinvestment of distributions	746	948	892	862	1,565	2,726
<b>Total Increase (Decrease) in Net Assets</b>	3,567	15,620	(29,007)	18,079	12,045	(11,280)
<b>Net Assets Applicable to Common Shareholders:</b>						
Beginning of year	334,775	319,155	348,162	742,133	730,088	741,368
End of year*	\$ 338,342	\$ 334,775	\$ 319,155	\$ 760,212	\$ 742,133	\$ 730,088
* Including undistributed net investment income of:	\$ 1,820	\$ 1,979	\$ 3,318	\$ 26,143	\$ 25,414	\$ 24,160
<b>** Common Share Transactions:</b>						
Shares issued as reinvestment of distributions	54	68	72	70	128	243

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

(a) Fiscal year end changed from April 30<sup>th</sup> to December 31<sup>st</sup>.

(b) Fiscal year end changed from May 31<sup>st</sup> to December 31<sup>st</sup>.

(c) Determined in accordance with federal income tax regulations, see Note 2(b) in the Notes to Financial Statements for more information.

(d) Total distributions for the period ended December 31, 2015 may be lower than prior fiscal years due to fiscal year end changes resulting in a reduction of the amount of days in the period ended December 31, 2015.

**Table of Contents****Statements of Changes in Net Assets (Cont.)**

	PIMCO Municipal Income Fund III			PIMCO California Municipal Income Fund		
	Period from October 1, 2015 to December 31, 2015 <sup>(a)</sup>	Year Ended September 30, 2015	Year Ended September 30, 2014	Period from May 1, 2015 to December 31, 2015 <sup>(b)</sup>	Year Ended April 30, 2015	Year Ended April 30, 2014
(Amounts in thousands)						
<b>Increase (Decrease) in Net Assets from:</b>						
<b>Operations:</b>						
Net investment income	\$ 6,627	\$ 25,469	\$ 24,526	\$ 12,157	\$ 17,678	\$ 18,445
Net realized gain (loss)	612	1,031	(2,929)	593	455	2,328
Net change in unrealized appreciation (depreciation)	7,195	1,472	43,465	3,978	9,666	(20,810)
Net increase (decrease) in net assets resulting from operations	14,434	27,972	65,062	16,728	27,799	(37)
Distributions on preferred shares from net investment income <sup>(d)</sup>	(98)	(242)	(212)	(174)	(165)	(196)
<b>Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	<b>14,336</b>	<b>27,730</b>	<b>64,850</b>	<b>16,554</b>	<b>27,634</b>	<b>(233)</b>
<b>Distributions to Common Shareholders:</b>						
From net investment income <sup>(d)</sup>	(6,106) <sup>(e)</sup>	(24,386)	(25,829)	(11,478) <sup>(e)</sup>	(17,183)	(17,139)
Tax basis return of capital <sup>(d)</sup>	0	0	0	0	0	0
<b>Total Distributions to Common Shareholders</b>	<b>(6,106)</b>	<b>(24,386)</b>	<b>(25,829)</b>	<b>(11,478)</b>	<b>(17,183)</b>	<b>(17,139)</b>
<b>Common Share Transactions**:</b>						
Issued as reinvestment of distributions	234	885	887	431	636	725
<b>Total Increase (Decrease) in Net Assets</b>	<b>8,464</b>	<b>4,229</b>	<b>39,908</b>	<b>5,507</b>	<b>11,087</b>	<b>(16,647)</b>
<b>Net Assets Applicable to Common Shareholders:</b>						
Beginning of year	355,368	351,139	311,231	266,838	255,751	272,398
End of year*	\$ 363,832	\$ 355,368	\$ 351,139	\$ 272,345	\$ 266,838	\$ 255,751
* Including undistributed (overdistributed) net investment income of:	\$ 204	\$ (201)	\$ (945)	\$ 13,406	\$ 12,917	\$ 12,610
<b>** Common Share Transactions:</b>						
Shares issued as reinvestment of distributions	21	81	87	29	45	55

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

(a) Fiscal year end changed from September 30<sup>th</sup> to December 31<sup>st</sup>.

(b) Fiscal year end changed from April 30<sup>th</sup> to December 31<sup>st</sup>.

(c) Fiscal year end changed from May 31<sup>st</sup> to December 31<sup>st</sup>.

(d) Determined in accordance with federal income tax regulations, see Note 2(b) in the Notes to Financial Statements for more information.

(e) Total distributions for the period ended December 31, 2015 may be lower than prior fiscal years due to fiscal year end changes resulting in a reduction of the amount of days in the period ended December 31, 2015.

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PIMCO California Municipal Income Fund II			PIMCO California Municipal Income Fund III			PIMCO New York Municipal Income Fund		
Period from June 1, 2015 to December 31, 2015 <sup>(c)</sup>	Year Ended May 31, 2015	Year Ended May 31, 2014	Period from October 1, 2015 to September 30, 2014	Year Ended September 30, 2015	Year Ended September 30, 2014	Period from May 1, 2015 to April 30, 2015	Year Ended April 30, 2015	Year Ended April 30, 2014
December 31, 2015 <sup>(a)</sup>			December 31, 2015 <sup>(b)</sup>					
\$ 12,226	\$ 20,816	\$ 21,384	\$ 3,762	\$ 14,934	\$ 15,281	\$ 3,619	\$ 5,247	\$ 5,170
122	6,746	(3,108)	(107)	4,105	(1,900)	296	0	21
7,982	(4,455)	(4,794)	5,478	(1,806)	23,299	1,026	5,582	(6,288)
20,330	23,107	13,482	9,133	17,233	36,680	4,941	10,829	(1,097)
(164)	(188)	(190)	(66)	(160)	(144)	(54)	(54)	(60)
20,166	22,919	13,292	9,067	17,073	36,536	4,887	10,775	(1,157)
(11,978) <sup>(e)</sup>	(20,493)	(20,949)	(3,985) <sup>(e)</sup>	(15,922)	(15,888)	(3,514) <sup>(e)</sup>	(5,269)	(5,260)
0	0	(2,253)	0	0	0	0	0	0
(11,978)	(20,493)	(23,202)	(3,985)	(15,922)	(15,888)	(3,514)	(5,269)	(5,260)
384	810	1,018	109	464	522	0	115	119
8,572	3,236	(8,892)	5,191	1,615	21,170	1,373	5,621	(6,298)
276,525	273,289	282,181	223,030	221,415	200,245	91,832	86,211	92,509
\$ 285,097	\$ 276,525	\$ 273,289	\$ 228,221	\$ 223,030	\$ 221,415	\$ 93,205	\$ 91,832	\$ 86,211
\$ (1,269)	\$ (1,482)	\$ (1,707)	\$ 4,863	\$ 5,160	\$ 6,342	\$ 2,241	\$ 2,137	\$ 2,137
41	89	113	10	45	55	0	10	11

**Table of Contents**
**Statements of Changes in Net Assets (Cont.)**

	PIMCO New York Municipal Income Fund II			PIMCO New York Municipal Income Fund III		
	Period from June 1, 2015 to December 31, 2015 <sup>(a)</sup>	Year Ended May 31, 2015	Year Ended May 31, 2014	Period from October 1, 2015 to December 31, 2015 <sup>(b)</sup>	Year Ended September 30, 2015	Year Ended September 30, 2014
(Amounts in thousands)						
<b>Increase (Decrease) in Net Assets from:</b>						
<b>Operations:</b>						
Net investment income	\$ 4,783	\$ 8,238	\$ 8,148	\$ 819	\$ 3,246	\$ 3,160
Net realized gain (loss)	244	(515)	(309)	0	106	192
Net change in unrealized appreciation (depreciation)	1,538	4,505	(2,765)	837	158	5,481
Net increase in net assets resulting from operations	6,565	12,228	5,074	1,656	3,510	8,833
Distributions on preferred shares from net investment income <sup>(c)</sup>	(79)	(90)	(91)	(16)	(41)	(37)
<b>Net Increase in Net Assets Applicable to Common Shareholders Resulting from Operations</b>	6,486	12,138	4,983	1,640	3,469	8,796
<b>Distributions to Common Shareholders:</b>						
From net investment income <sup>(c)</sup>	(5,120) <sup>(d)</sup>	(8,750)	(8,711)	(895) <sup>(d)</sup>	(3,571)	(3,560)
<b>Total Distributions to Common Shareholders</b>	(5,120)	(8,750)	(8,711)	(895)	(3,571)	(3,560)
<b>Common Share Transactions**:</b>						
Issued as reinvestment of distributions	295	516	563	44	191	126
<b>Total Increase (Decrease) in Net Assets</b>	1,661	3,904	(3,165)	789	89	5,362
<b>Net Assets Applicable to Common Shareholders:</b>						
Beginning of year	124,424	120,520	123,685	53,458	53,369	48,007
End of year*	\$ 126,085	\$ 124,424	\$ 120,520	\$ 54,247	\$ 53,458	\$ 53,369
* Including undistributed net investment income of:	\$ 112	\$ 531	\$ 1,140	\$ 912	\$ 1,007	\$ 1,386
<b>** Common Share Transactions:</b>						
Shares issued as reinvestment of distributions	26	45	54	5	20	14

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

(a) Fiscal year end changed from May 31<sup>st</sup> to December 31<sup>st</sup>.

(b) Fiscal year end changed from September 30<sup>th</sup> to December 31<sup>st</sup>.

(c) Determined in accordance with federal income tax regulations, see Note 2(b) in the Notes to Financial Statements for more information.

(d) Total distributions for the period ended December 31, 2015 may be lower than prior fiscal years due to fiscal year end changes resulting in a reduction of the amount of days in the period ended December 31, 2015.

**30 PIMCO CLOSED-END FUNDS**

See Accompanying Notes

**Table of Contents****Schedule of Investments PIMCO Municipal Income Fund**

December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 158.4%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 157.8%</b>		
<b>ALABAMA 4.5%</b>		
<b>Huntsville-Redstone Village Special Care Facilities Financing Authority, Alabama Revenue Bonds, Series 2007</b>		
5.500% due 01/01/2028	\$ 235	\$ 236
5.500% due 01/01/2043	885	879
<b>Jefferson County, Alabama Sewer Revenue Bonds, Series 2013</b>		
0.000% due 10/01/2050 (b)	15,000	10,558
6.500% due 10/01/2053	3,000	3,512
		15,185
<b>ALASKA 1.2%</b>		
<b>Alaska Industrial Development &amp; Export Authority Revenue Bonds, Series 2007</b>		
6.000% due 12/01/2036 ^	900	252
<b>Matanuska-Susitna Borough, Alaska Revenue Bonds, (AGC Insured), Series 2009</b>		
6.000% due 09/01/2032	3,280	3,851
		4,103
<b>ARIZONA 3.8%</b>		
<b>Arizona Health Facilities Authority Revenue Bonds, Series 2007</b>		
5.200% due 10/01/2037	2,750	2,741
<b>Arizona Health Facilities Authority Revenue Bonds, Series 2008</b>		
5.500% due 01/01/2038	2,050	2,197
<b>Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2010</b>		
5.250% due 10/01/2040	750	823
<b>Maricopa County, Arizona Pollution Control Corp. Revenue Bonds, Series 2000</b>		
5.000% due 06/01/2035	1,500	1,652
<b>Salt River Project Agricultural Improvement &amp; Power District, Arizona Revenue Bonds, Series 2009</b>		
5.000% due 01/01/2039 (c)	5,000	5,477
		12,890
<b>ARKANSAS 0.7%</b>		
<b>Arkansas Development Finance Authority Revenue Bonds, (AMBAC Insured), Series 2006</b>		
0.000% due 07/01/2036 (a)	5,500	2,320
<b>CALIFORNIA 25.9%</b>		
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2010</b>		
5.000% due 10/01/2034	2,875	3,242
5.000% due 10/01/2042	3,255	3,598
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2013</b>		
5.250% due 04/01/2053	10,000	11,321
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2014</b>		
5.000% due 10/01/2054	7,000	7,896
<b>California County Tobacco Securitization Agency Revenue Bonds, Series 2002</b>		
6.000% due 06/01/2035	2,000	2,000
6.125% due 06/01/2038	1,000	987
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2009</b>		

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6.000% due 07/01/2039	2,000	2,293
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2011</b>		
6.000% due 08/15/2042	1,500	1,792
	<b>PRINCIPAL AMOUNT (000S)</b>	<b>MARKET VALUE (000S)</b>
<b>California Municipal Finance Authority Revenue Bonds, Series 2011</b>		
7.750% due 04/01/2031	\$ 1,335	\$ 1,678
<b>California State General Obligation Bonds, Series 2007</b>		
5.000% due 11/01/2032	700	752
5.000% due 06/01/2037	1,200	1,265
<b>California State General Obligation Bonds, Series 2008</b>		
5.125% due 08/01/2036	2,300	2,524
5.250% due 03/01/2038	1,250	1,357
<b>California State General Obligation Bonds, Series 2009</b>		
6.000% due 04/01/2038	3,200	3,699
<b>California State General Obligation Bonds, Series 2010</b>		
5.250% due 11/01/2040	1,900	2,220
5.500% due 03/01/2040	500	579
<b>California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009</b>		
6.625% due 08/01/2029	2,310	2,758
6.750% due 02/01/2038	8,485	10,168
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2008</b>		
5.500% due 07/01/2031	845	898
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2041	1,000	1,106
6.500% due 11/01/2021	515	567
<b>Chula Vista, California Revenue Bonds, Series 2004</b>		
5.875% due 02/15/2034	3,000	3,446
<b>Los Angeles Community College District, California General Obligation Bonds, (NPFGC Insured), Series 2007</b>		
5.000% due 08/01/2032	5,300	5,656
<b>M-S-R Energy Authority, California Revenue Bonds, Series 2009</b>		
6.125% due 11/01/2029	2,000	2,600
<b>Montebello Unified School District, California General Obligation Bonds, (AGM Insured), Series 2008</b>		
5.000% due 08/01/2033	4,175	4,608
<b>Orange County, California Airport Revenue Bonds, Series 2009</b>		
5.250% due 07/01/2039	5,000	5,557
<b>San Marcos Unified School District, California General Obligation Bonds, Series 2011</b>		
5.000% due 08/01/2038	1,600	1,774
<b>Whittier Union High School District, California General Obligation Bonds, Series 2009</b>		
0.000% due 08/01/2025 (a)	2,000	1,342
		87,683
<b>COLORADO 1.0%</b>		
<b>Denver Health &amp; Hospital Authority, Colorado Revenue Bonds, Series 2010</b>		
5.625% due 12/01/2040	450	492
<b>Public Authority for Colorado Energy Revenue Bonds, Series 2008</b>		
6.500% due 11/15/2038	500	674
<b>Regional Transportation District, Colorado Certificates of Participation Bonds, Series 2010</b>		
5.375% due 06/01/2031	400	451
<b>University of Colorado Revenue Bonds, Series 2009</b>		
5.375% due 06/01/2038	1,500	1,712
		3,329
<b>CONNECTICUT 2.4%</b>		
<b>Connecticut State Health &amp; Educational Facility Authority Revenue Bonds, Series 2011</b>		
5.000% due 07/01/2041	5,000	5,455
	<b>PRINCIPAL AMOUNT (000S)</b>	<b>MARKET VALUE (000S)</b>
<b>Connecticut State Health &amp; Educational Facility Authority Revenue Bonds, Series 2012</b>		
5.000% due 07/01/2042	\$ 2,500	\$ 2,681
		8,136

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**DISTRICT OF COLUMBIA 1.0%**

<b>District of Columbia Revenue Bonds, Series 2009</b>		
5.750% due 10/01/2039	2,500	2,862
<b>District of Columbia Tobacco Settlement Financing Corp. Revenue Bonds, Series 2001</b>		
6.250% due 05/15/2024	695	700
		3,562

**FLORIDA 3.2%**

<b>Broward County, Florida Water &amp; Sewer Utility Revenue Bonds, Series 2009</b>		
5.250% due 10/01/2034 (c)	4,000	4,462
<b>Florida Development Finance Corp. Revenue Notes, Series 2011</b>		
6.500% due 06/15/2021	240	263
<b>Florida State General Obligation Bonds, Series 2009</b>		
5.000% due 06/01/2038 (c)	3,900	4,231
<b>Lee County Industrial Development Authority, Florida Revenue Bonds, Series 2007</b>		
5.375% due 06/15/2037	500	506
<b>Miami-Dade County, Florida School Board Foundation, Inc. Certificates of Participation Bonds, (AGC Insured), Series 2009</b>		
5.375% due 02/01/2034	1,250	1,410
		10,872

**GEORGIA 3.5%**

<b>Medical Center Hospital Authority, Georgia Revenue Bonds, Series 2007</b>		
5.250% due 07/01/2037	2,300	2,315
<b>Municipal Electric Authority of Georgia Revenue Bonds, Series 2015</b>		
5.000% due 07/01/2060	9,000	9,646
		11,961

**ILLINOIS 9.8%**

<b>Chicago, Illinois General Obligation Bonds, Series 2003</b>		
5.500% due 01/01/2034	1,750	1,853
<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2042	2,400	2,498
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.375% due 01/01/2029	6,700	7,145
5.500% due 01/01/2034	2,300	2,435
<b>Chicago, Illinois Revenue Bonds, Series 2002</b>		
5.000% due 01/01/2028	2,000	2,162
<b>Illinois Finance Authority Revenue Bonds, Series 2009</b>		
5.500% due 07/01/2037 (c)	5,000	5,543
7.125% due 11/15/2037	400	480
<b>Illinois State Toll Highway Authority Revenue Bonds, Series 2015</b>		
5.000% due 01/01/2040	7,000	7,981
<b>Metropolitan Pier &amp; Exposition Authority, Illinois Revenue Bonds, Series 2015</b>		
5.000% due 06/15/2052	1,000	1,048
<b>Springfield, Illinois Electric Revenue Bonds, Series 2008</b>		
5.000% due 03/01/2036	1,900	2,063
		33,208

**INDIANA 2.4%**

<b>Indiana Finance Authority Revenue Bonds, Series 2009</b>		
6.000% due 08/01/2039	1,500	1,703

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO Municipal Income Fund (Cont.)**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Indiana Finance Authority Revenue Bonds, Series 2012</b>		
5.000% due 06/01/2032	\$ 3,000	\$ 3,178
<b>Indiana Municipal Power Agency Revenue Bonds, Series 2009</b>		
6.000% due 01/01/2039	1,000	1,115
<b>Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2011</b>		
7.500% due 09/01/2022	1,720	2,016
		8,012
<b>IOWA 2.7%</b>		
<b>Iowa Finance Authority Revenue Bonds, Series 2007</b>		
6.750% due 11/15/2037	3,500	3,885
6.750% due 11/15/2042	1,500	1,665
<b>Iowa Finance Authority Revenue Bonds, Series 2013</b>		
5.250% due 12/01/2025	1,000	1,089
<b>Iowa Finance Authority Revenue Bonds, Series 2014</b>		
2.000% due 05/15/2056 ^	532	2
2.700% due 11/15/2046 ^	2,836	2,363
		9,004
<b>KANSAS 0.6%</b>		
<b>Kansas Development Finance Authority Revenue Bonds, Series 2009</b>		
5.750% due 11/15/2038	1,000	1,144
<b>Lenexa, Kansas Tax Allocation Bonds, Series 2007</b>		
6.000% due 04/01/2027 ^	849	170
<b>Manhattan, Kansas Revenue Bonds, Series 2007</b>		
5.125% due 05/15/2042	650	651
		1,965
<b>KENTUCKY 0.3%</b>		
<b>Kentucky Economic Development Finance Authority Revenue Bonds, Series 2010</b>		
6.375% due 06/01/2040	1,000	1,144
<b>LOUISIANA 1.7%</b>		
<b>Louisiana Local Government Environmental Facilities &amp; Community Development Authority Revenue Bonds, (ACA Insured), Series 2000</b>		
6.550% due 09/01/2025	1,680	1,887
<b>Louisiana Local Government Environmental Facilities &amp; Community Development Authority Revenue Bonds, Series 2010</b>		
5.875% due 10/01/2040	750	872
6.500% due 11/01/2035	400	474
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2011</b>		
6.500% due 05/15/2037	2,000	2,386
		5,619
<b>MARYLAND 0.7%</b>		
<b>Maryland Economic Development Corp. Revenue Bonds, Series 2010</b>		
5.750% due 06/01/2035	1,500	1,643
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2010</b>		
6.250% due 01/01/2041	650	720
		2,363

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**MASSACHUSETTS 0.9%**

**Massachusetts Development Finance Agency Revenue Bonds, Series 2010**

7.000% due 07/01/2042		750		830
		<b>PRINCIPAL</b>		<b>MARKET</b>
		<b>AMOUNT</b>		<b>VALUE</b>
		<b>(000S)</b>		<b>(000S)</b>

**Massachusetts Development Finance Agency Revenue Bonds, Series 2011**

0.000% due 11/15/2056 (a)	\$	103	\$	1
6.250% due 11/15/2039		388		372

**Massachusetts State College Building Authority Revenue Bonds, Series 2009**

5.500% due 05/01/2039		1,500		1,704
				2,907

**MICHIGAN 0.9%**

**Michigan Tobacco Settlement Finance Authority Revenue Bonds, Series 2007**

6.000% due 06/01/2048		1,500		1,338
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**Royal Oak Hospital Finance Authority, Michigan Revenue Bonds, Series 2009**

8.250% due 09/01/2039		1,500		1,784
				3,122

**MINNESOTA 0.7%**

**St Louis Park, Minnesota Revenue Bonds, Series 2009**

5.750% due 07/01/2039		1,500		1,734
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**Washington County, Minnesota Housing & Redevelopment Authority Revenue Bonds, Series 2007**

5.625% due 06/01/2037		500		515
				2,249

**MISSOURI 0.4%**

**Joplin Industrial Development Authority, Missouri Revenue Bonds, Series 2007**

5.750% due 05/15/2026		1,000		1,031
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**Lee s Summit, Missouri Tax Allocation Bonds, Series 2011**

5.625% due 10/01/2023		265		266
				1,297

**NEVADA 6.0%**

**Clark County, Nevada General Obligation Bonds, (AGM Insured), Series 2006**

4.750% due 06/01/2030		5,000		5,086
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**Clark County, Nevada General Obligation Bonds, Series 2006**

4.750% due 11/01/2035 33 (c)		5,230		5,305
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**Washoe County, Nevada General Obligation Bonds, (NPFGC Insured), Series 2005**

5.000% due 01/01/2035		9,755		9,755
				20,146

**NEW JERSEY 11.9%**

**New Jersey Economic Development Authority Revenue Bonds, (AGC Insured), Series 2009**

5.500% due 12/15/2034		2,000		2,234
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**New Jersey Economic Development Authority Special Assessment Bonds, Series 2002**

5.750% due 04/01/2031		16,550		19,009
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**New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2011**

6.000% due 07/01/2037		500		594
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**New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2013**

5.500% due 07/01/2043		2,000		2,301
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**New Jersey State Turnpike Authority Revenue Bonds, Series 2009**

5.250% due 01/01/2040		2,000		2,221
		<b>PRINCIPAL</b>		<b>MARKET</b>
		<b>AMOUNT</b>		<b>VALUE</b>
		<b>(000S)</b>		<b>(000S)</b>

**Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007**

4.750% due 06/01/2034	\$	12,100	\$	9,924
5.000% due 06/01/2041		5,000		4,154

**NEW MEXICO 2.4%**

<b>Farmington, New Mexico Revenue Bonds, Series 2010</b>		
5.900% due 06/01/2040	1,000	1,104
<b>New Mexico Hospital Equipment Loan Council Revenue Bonds, Series 2009</b>		
5.000% due 08/01/2039	6,400	6,998
		8,102

**NEW YORK 20.6%**

<b>Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011</b>		
5.250% due 02/15/2047	15,500	17,405
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2011</b>		
5.000% due 11/15/2036	3,000	3,403
<b>Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014</b>		
2.000% due 01/01/2049 ^	1,137	136
6.700% due 01/01/2049	3,150	3,124
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2009</b>		
5.000% due 06/15/2039	3,000	3,364
<b>New York Liberty Development Corp. Revenue Bonds, Series 2005</b>		
5.250% due 10/01/2035	10,000	12,000
<b>New York Liberty Development Corp. Revenue Bonds, Series 2007</b>		
5.500% due 10/01/2037	3,000	3,775
<b>New York Liberty Development Corp. Revenue Bonds, Series 2011</b>		
5.000% due 12/15/2041	10,000	11,278
5.000% due 11/15/2044	10,000	11,175
<b>New York State Dormitory Authority Revenue Bonds, Series 2010</b>		
5.500% due 07/01/2040	3,500	4,017
		69,677

**OHIO 8.0%**

<b>Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2024	1,000	900
5.875% due 06/01/2047	9,000	7,790
6.500% due 06/01/2047	10,000	9,284
<b>Hamilton County, Ohio Revenue Bonds, Series 2012</b>		
5.000% due 06/01/2042	1,000	1,087
<b>Ohio State Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 02/15/2048	5,000	5,544
<b>Ohio State Water Development Authority Revenue Bonds, Series 2005</b>		
4.000% due 01/01/2034	2,500	2,617
		27,222

**OREGON 0.9%**

<b>Oregon Department of Administrative Services State Certificates of Participation Bonds, Series 2009</b>		
5.250% due 05/01/2039	600	662
<b>Oregon Health &amp; Science University Revenue Bonds, Series 2009</b>		
5.750% due 07/01/2039	2,000	2,277
		2,939

**32 PIMCO CLOSED-END FUNDS**

See Accompanying Notes

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December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>PENNSYLVANIA 7.9%</b>		
<b>Capital Region Water, Pennsylvania Revenue Bonds, Series 2007</b>		
6.000% due 09/01/2036 ^	\$ 1,960	\$ 1,484
<b>Geisinger Authority, Pennsylvania Revenue Bonds, Series 2009</b>		
5.250% due 06/01/2039	5,000	5,513
<b>Lancaster County Hospital Authority, Pennsylvania Revenue Bonds, Series 2008</b>		
6.250% due 07/01/2026	750	775
6.375% due 07/01/2030	85	87
<b>Luzerne County, Pennsylvania Industrial Development Authority Revenue Bonds, Series 2009</b>		
5.500% due 12/01/2039	1,100	1,241
<b>Pennsylvania Higher Educational Facilities Authority Revenue Bonds, Series 2010</b>		
5.000% due 03/01/2040	350	380
6.000% due 07/01/2043	500	524
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2009</b>		
5.125% due 12/01/2040	2,000	2,177
<b>Philadelphia Hospitals &amp; Higher Education Facilities Authority, Pennsylvania Revenue Bonds, Series 2012</b>		
5.625% due 07/01/2036	5,000	5,430
5.625% due 07/01/2042	1,000	1,077
<b>Philadelphia, Pennsylvania General Obligation Bonds, (AGM Insured), Series 2008</b>		
5.250% due 12/15/2032	7,000	7,649
<b>Philadelphia, Pennsylvania Water &amp; Wastewater Revenue Bonds, Series 2009</b>		
5.250% due 01/01/2036	500	544
		26,881
<b>RHODE ISLAND 0.3%</b>		
<b>Tobacco Settlement Financing Corp., Rhode Island Revenue Bonds, Series 2015</b>		
5.000% due 06/01/2050	1,000	1,017
<b>SOUTH CAROLINA 4.2%</b>		
<b>South Carolina Jobs-Economic Development Authority Revenue Bonds, Series 2007</b>		
5.500% due 05/01/2028	450	458
<b>South Carolina State Ports Authority Revenue Bonds, Series 2010</b>		
5.250% due 07/01/2040	2,200	2,439
<b>South Carolina State Public Service Authority Revenue Bonds, Series 2013</b>		
5.125% due 12/01/2043	5,000	5,608
5.500% due 12/01/2053	5,000	5,652
		14,157
<b>TENNESSEE 3.5%</b>		
<b>Tennessee Energy Acquisition Corp. Revenue Bonds, Series 2006</b>		
5.000% due 02/01/2027	5,000	5,813
5.250% due 09/01/2024	5,000	5,923
		11,736
<b>TEXAS 15.3%</b>		
<b>Dallas, Texas Revenue Bonds, (AGC Insured), Series 2009</b>		
5.250% due 08/15/2038	1,200	1,330
<b>Grand Parkway Transportation Corp., Texas Revenue Bonds, Series 2013</b>		
5.000% due 04/01/2053	5,500	6,074

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	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>JPMorgan Chase Putters/Drivers Trust, Texas General Obligation Notes, Series 2009</b>		
9.530% due 02/01/2017 (d)	\$ 1,000	\$ 1,221
<b>JPMorgan Chase Putters/Drivers Trust, Texas Revenue Bonds, Series 2008</b>		
10.140% due 10/01/2031 (d)	600	794
<b>North Harris County, Texas Regional Water Authority Revenue Bonds, Series 2008</b>		
5.250% due 12/15/2033	4,200	4,629
5.500% due 12/15/2038	4,200	4,651
<b>North Texas Tollway Authority Revenue Bonds, Series 2008</b>		
5.625% due 01/01/2033	6,050	6,554
5.750% due 01/01/2033	600	656
<b>North Texas Tollway Authority Revenue Bonds, Series 2009</b>		
5.250% due 01/01/2044	3,000	3,240
<b>North Texas Tollway Authority Revenue Bonds, Series 2011</b>		
5.000% due 01/01/2038	2,750	2,969
5.500% due 09/01/2041	600	702
<b>San Juan Higher Education Finance Authority, Texas Revenue Bonds, Series 2010</b>		
6.700% due 08/15/2040	250	290
<b>Tarrant County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2009</b>		
6.250% due 11/15/2029	4,000	4,570
<b>Texas Municipal Gas Acquisition &amp; Supply Corp. Revenue Bonds, Series 2006</b>		
5.250% due 12/15/2023	3,500	4,134
<b>Texas Municipal Gas Acquisition &amp; Supply Corp. Revenue Bonds, Series 2008</b>		
6.250% due 12/15/2026	6,500	8,020
<b>Texas State Public Finance Authority Charter School Finance Corp. Revenue Bonds, Series 2007</b>		
5.875% due 12/01/2036	400	426
<b>Uptown Development Authority, Texas Tax Allocation Bonds, Series 2009</b>		
5.500% due 09/01/2029	1,000	1,082
<b>Wise County, Texas Revenue Bonds, Series 2011</b>		
8.000% due 08/15/2034	500	581
		51,923
<b>UTAH 2.4%</b>		
<b>Salt Lake County, Utah Revenue Bonds, (AMBAC Insured), Series 2001</b>		
5.125% due 02/15/2033	7,000	8,102
<b>VIRGINIA 1.0%</b>		
<b>Fairfax County, Virginia Industrial Development Authority Revenue Bonds, Series 2009</b>		
5.500% due 05/15/2035	1,000	1,131
<b>Peninsula Town Center Community Development Authority, Virginia Revenue Bonds, Series 2007</b>		
6.450% due 09/01/2037	1,985	2,100
		3,231
<b>WASHINGTON 4.6%</b>		
<b>JPMorgan Chase Putters/Drivers Trust, Washington General Obligation Bonds, Series 2009</b>		
14.005% due 08/01/2028 (d)	6,670	8,719
<b>Washington Health Care Facilities Authority Revenue Bonds, (AGC Insured), Series 2008</b>		
6.000% due 08/15/2039	700	819
<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2007</b>		
6.125% due 08/15/2037	2,000	2,129
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2009</b>		
7.375% due 03/01/2038	\$ 250	\$ 298
<b>Washington State Housing Finance Commission Revenue Bonds, Series 2007</b>		
5.625% due 01/01/2038	3,600	3,608
<b>Washington State Housing Finance Commission Revenue Notes, Series 2007</b>		
5.250% due 01/01/2017	130	131
		15,704
<b>WEST VIRGINIA 0.3%</b>		

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<b>West Virginia Hospital Finance Authority Revenue Bonds, Series 2011</b>		
9.125% due 10/01/2041	955	1,024
<b>WISCONSIN 0.2%</b>		
<b>Wisconsin Health &amp; Educational Facilities Authority Revenue Bonds, Series 2009</b>		
6.625% due 02/15/2039	500	583
<b>Total Municipal Bonds &amp; Notes</b>		<b>533,812</b>
<b>(Cost \$472,305)</b>		
<b>SHORT-TERM INSTRUMENTS 0.6%</b>		
<b>SHORT-TERM NOTES 0.4%</b>		
<b>Federal Home Loan Bank</b>		
0.157% due 01/26/2016	100	100
0.188% due 01/20/2016	200	200
0.233% due 01/25/2016	100	100
0.314% due 01/28/2016	700	700
<b>Freddie Mac</b>		
0.172% due 02/04/2016	100	100
		1,200
<b>U.S. TREASURY BILLS 0.2%</b>		
0.203% due 01/14/2016	800	800
<b>Total Short-Term Instruments</b>		<b>2,000</b>
<b>(Cost \$2,000)</b>		
<b>Total Investments in Securities</b>		<b>535,812</b>
<b>(Cost \$474,305)</b>		
<b>Total Investments 158.4%</b>		<b>\$ 535,812</b>
<b>(Cost \$474,305)</b>		<b>(190,000)</b>
<b>Preferred Shares (56.2%)</b>		<b>(7,470)</b>
<b>Other Assets and Liabilities, net (2.2%)</b>		
<b>Net Assets Applicable to Common Shareholders 100.0%</b>		<b>\$ 338,342</b>

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO Municipal Income Fund (Cont.)**

December 31, 2015

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

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

^ Security is in default.

(a) Zero coupon bond.

(b) Security becomes interest bearing at a future date.

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

(d) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on December 31, 2015.

**FAIR VALUE MEASUREMENTS**

The following is a summary of the fair valuations according to the inputs used as of December 31, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2015
<b>Investments in Securities, at Value</b>				
<b>Municipal Bonds &amp; Notes</b>				
Alabama	\$ 0	\$ 15,185	\$ 0	\$ 15,185
Alaska	0	4,103	0	4,103
Arizona	0	12,890	0	12,890
Arkansas	0	2,320	0	2,320
California	0	87,683	0	87,683
Colorado	0	3,329	0	3,329
Connecticut	0	8,136	0	8,136
District of Columbia	0	3,562	0	3,562
Florida	0	10,872	0	10,872
Georgia	0	11,961	0	11,961
Illinois	0	33,208	0	33,208
Indiana	0	8,012	0	8,012
Iowa	0	9,004	0	9,004
Kansas	0	1,965	0	1,965
Kentucky	0	1,144	0	1,144
Louisiana	0	5,619	0	5,619
Maryland	0	2,363	0	2,363
Massachusetts	0	2,907	0	2,907
Michigan	0	3,122	0	3,122
Minnesota	0	2,249	0	2,249
<b>Category and Subcategory</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value at</b>

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	<b>12/31/2015</b>			
Missouri	\$ 0	\$ 1,297	\$ 0	\$ 1,297
Nevada	0	20,146	0	20,146
New Jersey	0	40,437	0	40,437
New Mexico	0	8,102	0	8,102
New York	0	69,677	0	69,677
Ohio	0	27,222	0	27,222
Oregon	0	2,939	0	2,939
Pennsylvania	0	26,881	0	26,881
Rhode Island	0	1,017	0	1,017
South Carolina	0	14,157	0	14,157
Tennessee	0	11,736	0	11,736
Texas	0	51,923	0	51,923
Utah	0	8,102	0	8,102
Virginia	0	3,231	0	3,231
Washington	0	15,704	0	15,704
West Virginia	0	1,024	0	1,024
Wisconsin	0	583	0	583
Short-Term Instruments				
Short-Term Notes	0	1,200	0	1,200
U.S. Treasury Bills	0	800	0	800
<b>Total Investments</b>	<b>\$ 0</b>	<b>\$ 535,812</b>	<b>\$ 0</b>	<b>\$ 535,812</b>

There were no significant transfers between Levels 1, 2, or 3 during the period ended December 31, 2015.

34 PIMCO CLOSED-END FUNDS

See Accompanying Notes

**Table of Contents****Schedule of Investments PIMCO Municipal Income Fund II**

December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 154.1%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 151.4%</b>		
<b>ALABAMA 5.5%</b>		
Alabama Docks Department State Revenue Bonds, Series 2010		
6.000% due 10/01/2040	\$ 2,000	\$ 2,325
Jefferson County, Alabama Sewer Revenue Bonds, Series 2013		
0.000% due 10/01/2050 (b)	21,000	14,782
6.500% due 10/01/2053	21,000	24,583
		41,690
<b>ARIZONA 12.8%</b>		
Arizona Health Facilities Authority Revenue Bonds, Series 2008		
5.000% due 01/01/2035	3,500	3,707
5.500% due 01/01/2038	2,860	3,066
Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2008		
5.000% due 09/01/2039	29,700	31,529
Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2010		
5.250% due 10/01/2040	1,500	1,646
Pinal County, Arizona Electric District No. 3 Revenue Bonds, Series 2011		
5.250% due 07/01/2036	1,750	1,975
5.250% due 07/01/2041	3,700	4,122
Salt River Project Agricultural Improvement & Power District, Arizona Revenue Bonds, Series 2009		
5.000% due 01/01/2039 (c)	10,000	10,954
Salt Verde Financial Corp., Arizona Revenue Bonds, Series 2007		
5.000% due 12/01/2032	12,430	14,498
5.000% due 12/01/2037	22,400	25,576
		97,073
<b>CALIFORNIA 19.4%</b>		
Bay Area Toll Authority, California Revenue Bonds, Series 2008		
5.000% due 04/01/2034	1,430	1,561
Bay Area Toll Authority, California Revenue Bonds, Series 2010		
5.000% due 10/01/2029	6,000	6,868
Bay Area Toll Authority, California Revenue Bonds, Series 2013		
5.250% due 04/01/2048	5,000	5,675
Bay Area Toll Authority, California Revenue Bonds, Series 2014		
5.000% due 10/01/2054	4,000	4,512
California Health Facilities Financing Authority Revenue Bonds, (IBC/NPFGC Insured), Series 2007		
5.000% due 11/15/2042	6,300	6,499
California Health Facilities Financing Authority Revenue Bonds, Series 2010		
5.000% due 11/15/2036	1,500	1,682
9.539% due 11/15/2036 (d)	5,000	6,227
California Health Facilities Financing Authority Revenue Bonds, Series 2011		
6.000% due 08/15/2042	3,000	3,584
California Municipal Finance Authority Revenue Bonds, Series 2011		
7.750% due 04/01/2031	2,760	3,469
California State General Obligation Bonds, Series 2007		
5.000% due 11/01/2032	2,925	3,141
5.000% due 06/01/2037	1,590	1,676

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<b>California State General Obligation Bonds, Series 2008</b>		
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
5.125% due 08/01/2036	5,200	5,705
5.250% due 03/01/2038	2,500	2,713
<b>California State General Obligation Bonds, Series 2009</b>		
6.000% due 04/01/2038	\$ 9,500	\$ 10,982
<b>California State General Obligation Bonds, Series 2010</b>		
5.250% due 11/01/2040	5,945	6,948
5.500% due 03/01/2040	5,750	6,660
<b>California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009</b>		
6.625% due 08/01/2029	4,890	5,839
6.750% due 02/01/2038	17,415	20,870
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2007</b>		
5.750% due 11/01/2017	1,345	1,412
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2010</b>		
5.000% due 11/01/2040	1,000	1,095
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2041	1,000	1,106
6.000% due 08/15/2042	5,690	6,798
6.500% due 11/01/2021	580	638
<b>Hayward Unified School District, California General Obligation Bonds, Series 2008</b>		
5.000% due 08/01/2033	2,000	2,053
<b>Indian Wells Redevelopment Agency, California Tax Allocation Bonds, (AMBAC Insured), Series 2006</b>		
4.750% due 09/01/2034	1,500	1,533
<b>Los Angeles Community College District, California General Obligation Bonds, (NPFGC Insured), Series 2007</b>		
5.000% due 08/01/2032	2,000	2,134
<b>Los Angeles Department of Water &amp; Power, California Revenue Bonds, (AMBAC Insured), Series 2007</b>		
5.000% due 07/01/2039	4,000	4,224
<b>M-S-R Energy Authority, California Revenue Bonds, Series 2009</b>		
6.500% due 11/01/2039	1,750	2,459
<b>Montebello Unified School District, California General Obligation Bonds, (AGM Insured), Series 2008</b>		
5.000% due 08/01/2033	2,000	2,207
<b>Newport Beach, California Revenue Bonds, Series 2011</b>		
5.875% due 12/01/2030	3,000	3,746
<b>Peralta Community College District, California General Obligation Bonds, Series 2009</b>		
5.000% due 08/01/2039	500	552
<b>San Diego County, California Water Authority Certificates of Participation Bonds, (AGM Insured), Series 2008</b>		
5.000% due 05/01/2038	2,000	2,144
<b>San Marcos Unified School District, California General Obligation Bonds, Series 2011</b>		
5.000% due 08/01/2038	3,300	3,659
<b>Santa Clara County, California Financing Authority Revenue Bonds, (AMBAC Insured), Series 2007</b>		
5.750% due 02/01/2041	2,000	2,158
<b>Torrance, California Revenue Bonds, Series 2010</b>		
5.000% due 09/01/2040	4,725	5,158
		147,687
<b>COLORADO 2.2%</b>		
<b>Aurora, Colorado Revenue Bonds, Series 2010</b>		
5.000% due 12/01/2040	5,800	6,270
<b>Colorado Health Facilities Authority Revenue Bonds, Series 2007</b>		
5.900% due 08/01/2037	980	1,010
<b>Colorado Health Facilities Authority Revenue Bonds, Series 2010</b>		
5.000% due 01/01/2040	6,045	6,574
<b>Denver Health &amp; Hospital Authority, Colorado Revenue Bonds, Series 2010</b>		
5.625% due 12/01/2040	1,000	1,093
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Public Authority for Colorado Energy Revenue Bonds, Series 2008</b>		
6.500% due 11/15/2038	\$ 1,430	\$ 1,928
		16,875
<b>CONNECTICUT 0.3%</b>		
<b>Connecticut State Health &amp; Educational Facility Authority Revenue Bonds, Series 2011</b>		

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5.000% due 07/01/2041	1,000	1,091
<b>Harbor Point Infrastructure Improvement District, Connecticut Tax Allocation Bonds, Series 2010</b>		
7.875% due 04/01/2039	1,250	1,451
		2,542

**FLORIDA 5.9%**

<b>Brevard County, Florida Health Facilities Authority Revenue Bonds, Series 2009</b>		
7.000% due 04/01/2039	1,000	1,185
<b>Broward County, Florida Airport System Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2029	600	681
<b>Broward County, Florida Airport System Revenue Bonds, Series 2012</b>		
5.000% due 10/01/2042	8,000	8,892
<b>Broward County, Florida Water &amp; Sewer Utility Revenue Bonds, Series 2009</b>		
5.250% due 10/01/2034 (c)	8,500	9,482
<b>Clearwater, Florida Water &amp; Sewer Revenue Bonds, Series 2009</b>		
5.250% due 12/01/2039	1,000	1,131
<b>Florida Development Finance Corp. Revenue Notes, Series 2011</b>		
6.500% due 06/15/2021	280	307
<b>Florida State General Obligation Bonds, Series 2009</b>		
5.000% due 06/01/2038 (c)	7,900	8,569
<b>Highlands County, Florida Health Facilities Authority Revenue Bonds, Series 2008</b>		
5.625% due 11/15/2037	3,000	3,411
<b>Orlando-Orange County, Florida Expressway Authority Revenue Bonds, Series 2010</b>		
5.000% due 07/01/2040	10,000	10,983
<b>Sarasota County, Florida Health Facilities Authority Revenue Bonds, Series 2007</b>		
5.750% due 07/01/2037	500	504
		45,145

**GEORGIA 4.0%**

<b>Atlanta Department of Aviation, Georgia Revenue Bonds, Series 2010</b>		
5.000% due 01/01/2040	1,500	1,644
<b>Atlanta Development Authority, Georgia Revenue Bonds, Series 2015</b>		
5.000% due 07/01/2044	3,895	4,327
<b>Medical Center Hospital Authority, Georgia Revenue Bonds, Series 2007</b>		
5.250% due 07/01/2037	2,775	2,793
<b>Municipal Electric Authority of Georgia Revenue Bonds, Series 2015</b>		
5.000% due 07/01/2060	19,680	21,276
		30,040

**ILLINOIS 12.3%**

<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2035	10,000	10,551
5.500% due 01/01/2042	1,250	1,301
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.375% due 01/01/2029	15,100	16,102
5.500% due 01/01/2034	5,200	5,506

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO Municipal Income Fund II (Cont.)**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Chicago, Illinois Motor Fuel Tax Revenue Bonds, (AGC Insured), Series 2008</b>		
5.000% due 01/01/2038	\$ 1,250	\$ 1,279
<b>Chicago, Illinois Revenue Bonds, Series 2002</b>		
5.000% due 01/01/2029	2,000	2,158
<b>Chicago, Illinois Special Assessment Bonds, Series 2003</b>		
6.625% due 12/01/2022	2,108	2,112
6.750% due 12/01/2032	5,388	5,397
<b>Hillside Village, Illinois Tax Allocation Bonds, Series 2008</b>		
6.550% due 01/01/2020	2,570	2,734
7.000% due 01/01/2028	2,900	3,112
<b>Illinois Finance Authority Revenue Bonds, Series 2007</b>		
5.750% due 05/15/2031	2,500	2,634
6.000% due 03/01/2037 ^	250	63
<b>Illinois Finance Authority Revenue Bonds, Series 2009</b>		
5.500% due 07/01/2037 (c)	5,000	5,543
7.125% due 11/15/2037	700	839
<b>Illinois Finance Authority Revenue Bonds, Series 2010</b>		
6.000% due 05/01/2028	2,000	2,296
<b>Illinois Sports Facilities Authority Revenue Bonds, (AMBAC Insured), Series 2001</b>		
5.500% due 06/15/2030	26,225	26,554
<b>Illinois State Toll Highway Authority Revenue Bonds, Series 2015</b>		
5.000% due 01/01/2033	3,000	3,511
<b>Metropolitan Pier &amp; Exposition Authority, Illinois Revenue Bonds, Series 2015</b>		
5.000% due 06/15/2052	2,000	2,096
		93,788
<b>INDIANA 2.6%</b>		
<b>Indiana Finance Authority Revenue Bonds, Series 2009</b>		
6.000% due 08/01/2039	1,500	1,702
<b>Indiana Municipal Power Agency Revenue Bonds, Series 2016</b>		
5.000% due 01/01/2042 (a)	13,330	15,322
<b>Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2007</b>		
5.800% due 09/01/2047	990	1,020
<b>Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2011</b>		
7.500% due 09/01/2022	1,720	2,016
		20,060
<b>IOWA 3.7%</b>		
<b>Iowa Finance Authority Revenue Bonds, Series 2007</b>		
6.750% due 11/15/2042	4,500	4,995
<b>Iowa Finance Authority Revenue Bonds, Series 2013</b>		
5.250% due 12/01/2025	6,000	6,533
<b>Iowa Finance Authority Revenue Bonds, Series 2014</b>		
2.000% due 05/15/2056 ^	144	1
2.700% due 11/15/2046 ^	769	640
<b>Iowa Finance Authority Revenue Notes, Series 2013</b>		
5.500% due 12/01/2022	5,000	5,269
<b>Iowa Tobacco Settlement Authority Revenue Bonds, Series 2005</b>		
5.600% due 06/01/2034	10,350	10,351
		27,789
<b>KANSAS 0.2%</b>		

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<b>Kansas Development Finance Authority Revenue Bonds, Series 2009</b>		
5.750% due 11/15/2038	500	572
<b>Manhattan, Kansas Revenue Bonds, Series 2007</b>		
5.000% due 05/15/2036	850	852
		1,424

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>KENTUCKY 0.2%</b>		
<b>Kentucky Economic Development Finance Authority Revenue Bonds, Series 2010</b>		
6.375% due 06/01/2040	\$ 1,000	\$ 1,144

<b>LOUISIANA 1.1%</b>		
<b>Louisiana Local Government Environmental Facilities &amp; Community Development Authority Revenue Bonds, Series 2010</b>		
5.875% due 10/01/2040	750	872
6.000% due 10/01/2044	1,000	1,166
6.500% due 11/01/2035	450	533
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2007</b>		
5.500% due 05/15/2047	3,300	3,452
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2011</b>		
6.500% due 05/15/2037	2,000	2,386
		8,409

<b>MARYLAND 1.1%</b>		
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2008</b>		
6.000% due 01/01/2043	4,050	4,451
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2010</b>		
6.250% due 01/01/2041	1,400	1,551
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2011</b>		
5.000% due 08/15/2041	2,380	2,597
		8,599

<b>MASSACHUSETTS 1.3%</b>		
<b>Massachusetts Development Finance Agency Revenue Bonds, Series 2007</b>		
6.750% due 10/15/2037	4,610	4,740
<b>Massachusetts Development Finance Agency Revenue Bonds, Series 2010</b>		
7.000% due 07/01/2042	1,000	1,108
7.625% due 10/15/2037	555	608
<b>Massachusetts State College Building Authority Revenue Bonds, Series 2009</b>		
5.500% due 05/01/2039	2,900	3,294
		9,750

<b>MICHIGAN 0.7%</b>		
<b>Detroit, Michigan General Obligation Bonds, Series 2010</b>		
5.250% due 11/01/2035	1,000	1,056
<b>Michigan Public Educational Facilities Authority Revenue Bonds, Series 2007</b>		
6.500% due 09/01/2037 ^	800	480
<b>Royal Oak Hospital Finance Authority, Michigan Revenue Bonds, Series 2009</b>		
8.250% due 09/01/2039	3,000	3,567
		5,103

<b>MINNESOTA 0.4%</b>		
<b>North Oaks, Minnesota Revenue Bonds, Series 2007</b>		
6.000% due 10/01/2033	2,640	2,763
<b>St Louis Park, Minnesota Revenue Bonds, Series 2009</b>		
5.750% due 07/01/2039	400	462
		3,225

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	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>MISSISSIPPI 0.0%</b>		
<b>Mississippi Development Bank Revenue Bonds, (AMBAC Insured), Series 1999</b>		
5.000% due 07/01/2024	\$ 40	\$ 41
<b>MISSOURI 1.5%</b>		
<b>Lee s Summit, Missouri Tax Allocation Bonds, Series 2011</b>		
5.625% due 10/01/2023	405	406
<b>Missouri State Health &amp; Educational Facilities Authority Revenue Bonds, Series 2013</b>		
5.000% due 11/15/2044	10,000	11,030
		11,436
<b>NEVADA 1.3%</b>		
<b>Clark County, Nevada General Obligation Bonds, Series 2006</b>		
4.750% due 11/01/2035 (c)	10,000	10,143
		10,143
<b>NEW HAMPSHIRE 0.3%</b>		
<b>New Hampshire Business Finance Authority Revenue Bonds, Series 2009</b>		
6.125% due 10/01/2039	2,000	2,215
<b>NEW JERSEY 7.2%</b>		
<b>Burlington County, New Jersey Bridge Commission Revenue Bonds, Series 2007</b>		
5.625% due 01/01/2038	950	968
<b>New Jersey Economic Development Authority Revenue Bonds, Series 1998</b>		
6.000% due 05/15/2028	525	301
<b>New Jersey Economic Development Authority Revenue Bonds, Series 2010</b>		
5.875% due 06/01/2042	2,000	2,222
<b>New Jersey Economic Development Authority Special Assessment Bonds, Series 2002</b>		
5.750% due 10/01/2021	4,000	4,391
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2007</b>		
5.750% due 07/01/2037	1,500	1,553
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2011</b>		
6.000% due 07/01/2037	1,500	1,783
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2013</b>		
5.500% due 07/01/2043	4,000	4,602
<b>New Jersey State Turnpike Authority Revenue Bonds, Series 2009</b>		
5.250% due 01/01/2040	2,000	2,221
<b>New Jersey Transportation Trust Fund Authority Revenue Bonds, Series 2015</b>		
5.250% due 06/15/2041	750	807
<b>Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007</b>		
4.750% due 06/01/2034	14,255	11,692
5.000% due 06/01/2041	29,475	24,487
		55,027
<b>NEW MEXICO 0.3%</b>		
<b>Farmington, New Mexico Revenue Bonds, Series 2010</b>		
5.900% due 06/01/2040	2,000	2,209
<b>NEW YORK 20.2%</b>		
<b>Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011</b>		
5.250% due 02/15/2047	33,500	37,618

36 PIMCO CLOSED-END FUNDS

See Accompanying Notes

**Table of Contents**

December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2011</b>		
5.000% due 11/15/2036	\$ 3,880	\$ 4,401
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2015</b>		
5.250% due 11/15/2029	5,500	6,771
<b>Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014</b>		
2.000% due 01/01/2049 ^	298	36
6.700% due 01/01/2049	825	818
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2007</b>		
4.750% due 06/15/2035 (c)	4,000	4,190
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2009</b>		
5.000% due 06/15/2039	2,000	2,242
<b>New York Liberty Development Corp. Revenue Bonds, Series 2005</b>		
5.250% due 10/01/2035 (c)	11,505	13,806
<b>New York Liberty Development Corp. Revenue Bonds, Series 2010</b>		
5.125% due 01/15/2044	1,000	1,107
5.625% due 07/15/2047	2,500	2,822
6.375% due 07/15/2049	1,250	1,412
<b>New York Liberty Development Corp. Revenue Bonds, Series 2011</b>		
5.000% due 12/15/2041	10,000	11,278
5.750% due 11/15/2051	54,000	62,899
<b>New York Liberty Development Corp. Revenue Bonds, Series 2014</b>		
5.000% due 11/15/2044	2,000	2,066
<b>New York State Dormitory Authority Revenue Bonds, Series 2010</b>		
5.500% due 07/01/2040	1,750	2,008
		153,474
<b>NORTH CAROLINA 0.1%</b>		
<b>North Carolina Medical Care Commission Revenue Bonds, Series 2006</b>		
5.100% due 10/01/2030	550	560
<b>NORTH DAKOTA 0.5%</b>		
<b>Stark County, North Dakota Revenue Bonds, Series 2007</b>		
6.750% due 01/01/2033	3,710	3,837
<b>OHIO 8.5%</b>		
<b>Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2024	6,000	5,400
5.875% due 06/01/2047	23,100	19,996
6.500% due 06/01/2047	19,400	18,011
<b>Hamilton County, Ohio Sales Tax Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2030	3,900	4,337
<b>Ohio State Revenue Bonds, Series 2009</b>		
5.500% due 01/01/2039	3,000	3,380
<b>Ohio State Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 02/15/2048	10,000	11,089
<b>Ohio State Water Development Authority Revenue Bonds, Series 2005</b>		
4.000% due 01/01/2034	2,500	2,616
		64,829
<b>OREGON 0.3%</b>		
<b>Clackamas County, Oregon Hospital Facility Authority Revenue Bonds, Series 2009</b>		

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	1,000 PRINCIPAL AMOUNT (000S)	1,126 MARKET VALUE (000S)
5.500% due 07/15/2035		
<b>Oregon Department of Administrative Services State Certificates of Participation Bonds, Series 2009</b>		
5.250% due 05/01/2039	\$ 1,155	\$ 1,275
		2,401
<b>PENNSYLVANIA 9.9%</b>		
<b>Berks County, Pennsylvania Municipal Authority Revenue Bonds, Series 2012</b>		
5.000% due 11/01/2044	7,500	8,141
<b>Capital Region Water, Pennsylvania Revenue Bonds, Series 2007</b>		
6.000% due 09/01/2036 ^	3,190	2,416
<b>Cumberland County, Pennsylvania Municipal Authority Revenue Bonds, Series 2008</b>		
5.625% due 07/01/2028	1,000	1,067
6.000% due 07/01/2035	670	715
<b>Luzerne County, Pennsylvania Industrial Development Authority Revenue Bonds, Series 2009</b>		
5.500% due 12/01/2039	500	564
<b>Montgomery County Industrial Development Authority, Pennsylvania Revenue Bonds, (FHA Insured), Series 2010</b>		
5.375% due 08/01/2038	8,465	9,986
<b>Pennsylvania Higher Educational Facilities Authority Revenue Bonds, Series 2010</b>		
5.000% due 03/01/2040	400	435
6.000% due 07/01/2043	850	891
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 12/01/2043	10,000	11,196
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2015</b>		
5.000% due 12/01/2040	4,000	4,527
<b>Philadelphia Authority for Industrial Development, Pennsylvania Revenue Bonds, Series 2015</b>		
5.000% due 04/01/2045	5,500	6,174
<b>Philadelphia Hospitals &amp; Higher Education Facilities Authority, Pennsylvania Revenue Bonds, Series 2012</b>		
5.625% due 07/01/2036	1,000	1,086
5.625% due 07/01/2042	7,000	7,537
<b>Philadelphia, Pennsylvania General Obligation Bonds, (AGM Insured), Series 2008</b>		
5.250% due 12/15/2032	17,000	18,576
<b>Philadelphia, Pennsylvania Water &amp; Wastewater Revenue Bonds, Series 2009</b>		
5.250% due 01/01/2036	500	544
<b>Westmoreland County Industrial Development Authority, Pennsylvania Revenue Bonds, Series 2010</b>		
5.125% due 07/01/2030	1,000	1,123
		74,978
<b>RHODE ISLAND 2.9%</b>		
<b>Tobacco Settlement Financing Corp., Rhode Island Revenue Bonds, Series 2015</b>		
5.000% due 06/01/2050	21,450	21,819
<b>SOUTH CAROLINA 1.6%</b>		
<b>Greenwood County, South Carolina Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2039	1,000	1,113
<b>South Carolina State Public Service Authority Revenue Bonds, Series 2013</b>		
5.500% due 12/01/2053	10,000	11,303
		12,416
<b>TENNESSEE 1.8%</b>		
<b>Claiborne County, Tennessee Industrial Development Board Revenue Bonds, Series 2009</b>		
6.625% due 10/01/2039	1,750	1,951
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Johnson City Health &amp; Educational Facilities Board, Tennessee Revenue Bonds, Series 2010</b>		
6.000% due 07/01/2038	\$ 1,000	\$ 1,130
<b>Sullivan County, Tennessee Health Educational &amp; Housing Facilities Board Revenue Bonds, Series 2006</b>		
5.250% due 09/01/2036	500	512
<b>Tennessee Energy Acquisition Corp. Revenue Bonds, Series 2006</b>		
5.000% due 02/01/2023	3,000	3,487
5.000% due 02/01/2027	6,000	6,976

14,056

**TEXAS 18.0%**

<b>Austin Trust, Texas General Obligation Bonds, Series 2007</b>		
4.750% due 04/01/2036 (c)	17,500	17,685
<b>Dallas, Texas Revenue Bonds, (AGC Insured), Series 2009</b>		
5.250% due 08/15/2038	2,500	2,771
<b>Grand Parkway Transportation Corp., Texas Revenue Bonds, Series 2013</b>		
5.000% due 04/01/2053	21,000	23,192
<b>Harris County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2009</b>		
5.250% due 10/01/2029	3,750	4,293
5.500% due 10/01/2039	12,700	14,366
<b>HFDC of Central Texas, Inc. Revenue Bonds, Series 2006</b>		
5.500% due 02/15/2037	700	738
<b>North Harris County, Texas Regional Water Authority Revenue Bonds, Series 2008</b>		
5.250% due 12/15/2033	10,300	11,351
5.500% due 12/15/2038	10,300	11,406
<b>North Texas Tollway Authority Revenue Bonds, Series 2008</b>		
5.625% due 01/01/2033	5,000	5,431
5.750% due 01/01/2033	1,200	1,313
<b>North Texas Tollway Authority Revenue Bonds, Series 2011</b>		
5.000% due 01/01/2038	5,750	6,207
5.500% due 09/01/2041	1,300	1,522
<b>San Juan Higher Education Finance Authority, Texas Revenue Bonds, Series 2010</b>		
6.700% due 08/15/2040	250	290
<b>Tarrant County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2009</b>		
6.250% due 11/15/2029	3,000	3,428
<b>Texas Municipal Gas Acquisition &amp; Supply Corp. Revenue Bonds, Series 2008</b>		
6.250% due 12/15/2026	19,380	23,911
<b>Texas State General Obligation Bonds, Series 2008</b>		
4.750% due 04/01/2037	975	1,058
<b>Texas State General Obligation Bonds, Series 2010</b>		
9.023% due 04/01/2037 (d)	4,880	5,560
<b>Texas State Public Finance Authority Charter School Finance Corp. Revenue Bonds, Series 2007</b>		
5.875% due 12/01/2036	1,000	1,065
<b>Wise County, Texas Revenue Bonds, Series 2011</b>		
8.000% due 08/15/2034	1,000	1,161
		136,748

**VIRGINIA 0.3%**

<b>Fairfax County, Virginia Industrial Development Authority Revenue Bonds, Series 2009</b>		
5.500% due 05/15/2035	1,000	1,131

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO Municipal Income Fund II (Cont.)**

December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>James City County, Virginia Economic Development Authority Revenue Bonds, Series 2013</b>		
2.000% due 10/01/2048 ^	\$ 412	\$ 21
6.000% due 06/01/2043	1,273	1,201
		2,353
<b>WASHINGTON 2.2%</b>		
<b>Washington Health Care Facilities Authority Revenue Bonds, (AGC Insured), Series 2008</b>		
6.000% due 08/15/2039	1,300	1,521
<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2007</b>		
6.125% due 08/15/2037	13,000	13,840
<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2009</b>		
7.375% due 03/01/2038	1,000	1,193
		16,554
<b>WEST VIRGINIA 0.6%</b>		
<b>West Virginia Economic Development Authority Revenue Bonds, Series 2010</b>		
5.375% due 12/01/2038	2,000	2,223
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>West Virginia Hospital Finance Authority Revenue Bonds, Series 2011</b>		
9.125% due 10/01/2041	\$ 1,910	\$ 2,048
		4,271
<b>WISCONSIN 0.2%</b>		
<b>Wisconsin Health &amp; Educational Facilities Authority Revenue Bonds, Series 2009</b>		
6.625% due 02/15/2039	1,000	1,166
<b>Total Municipal Bonds &amp; Notes</b>		<b>1,150,876</b>
<b>(Cost \$1,035,446)</b>		
<b>SHORT-TERM INSTRUMENTS 2.7%</b>		
<b>SHORT-TERM NOTES 2.7%</b>		
<b>Federal Home Loan Bank</b>		
0.142% due 01/22/2016	100	100
0.157% due 01/26/2016	2,300	2,300
0.162% due 01/29/2016	3,100	3,099
0.167% due 01/14/2016	100	100
0.254% due 01/27/2016	1,500	1,500
0.314% due 01/28/2016	2,400	2,400
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
0.330% due 02/26/2016	\$ 9,100	\$ 9,097
0.385% due 02/01/2016	400	400
<b>Freddie Mac</b>		

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0.178% due 01/25/2016	1,500	1,500
		20,496
<b>Total Short-Term Instruments</b> (Cost \$20,494)		<b>20,496</b>
<b>Total Investments in Securities</b> (Cost \$1,055,940)		<b>1,171,372</b>
<b>Total Investments 154.1%</b> (Cost \$1,055,940)	\$	<b>1,171,372</b>
<b>Preferred Shares (48.3%)</b>		<b>(367,000)</b>
<b>Other Assets and Liabilities, net (5.8%)</b>		<b>(44,160)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>	\$	<b>760,212</b>

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

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

^ Security is in default.

(a) When-issued security.

(b) Security becomes interest bearing at a future date.

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

(d) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on December 31, 2015.

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of December 31, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2015
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
Alabama	\$ 0	\$ 41,690	\$ 0	\$ 41,690
Arizona	0	97,073	0	97,073
California	0	147,687	0	147,687
Colorado	0	16,875	0	16,875
Connecticut	0	2,542	0	2,542
Florida	0	45,145	0	45,145
Georgia	0	30,040	0	30,040
Illinois	0	93,788	0	93,788
Indiana	0	20,060	0	20,060
Iowa	0	27,789	0	27,789
Kansas	0	1,424	0	1,424
Kentucky	0	1,144	0	1,144
Louisiana	0	8,409	0	8,409
Maryland	0	8,599	0	8,599
Massachusetts	0	9,750	0	9,750
Michigan	0	5,103	0	5,103
Minnesota	0	3,225	0	3,225

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Mississippi	0	41	0	41
Missouri	0	11,436	0	11,436
Nevada	0	10,143	0	10,143
				<b>Fair</b>
				<b>Value at</b>
<b>Category and Subcategory</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>12/31/2015</b>
New Hampshire	\$ 0	\$ 2,215	\$ 0	\$ 2,215
New Jersey	0	55,027	0	55,027
New Mexico	0	2,209	0	2,209
New York	0	153,474	0	153,474
North Carolina	0	560	0	560
North Dakota	0	3,837	0	3,837
Ohio	0	64,829	0	64,829
Oregon	0	2,401	0	2,401
Pennsylvania	0	74,978	0	74,978
Rhode Island	0	21,819	0	21,819
South Carolina	0	12,416	0	12,416
Tennessee	0	14,056	0	14,056
Texas	0	136,748	0	136,748
Virginia	0	2,353	0	2,353
Washington	0	16,554	0	16,554
West Virginia	0	4,271	0	4,271
Wisconsin	0	1,166	0	1,166
Short-Term Instruments				
Short-Term Notes	0	20,496	0	20,496
Total Investments	\$ 0	\$ 1,171,372	\$ 0	\$ 1,171,372

There were no significant transfers between Levels 1, 2, or 3 during the period ended December 31, 2015.

38 PIMCO CLOSED-END FUNDS

See Accompanying Notes

**Table of Contents****Schedule of Investments PIMCO Municipal Income Fund III**

December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 160.3%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 157.0%</b>		
<b>ALABAMA 15.6%</b>		
Alabama Docks Department State Revenue Bonds, Series 2010		
6.000% due 10/01/2040	\$ 1,000	\$ 1,163
Birmingham, Alabama Special Care Facilities Financing Authority Revenue Bonds, (AGC Insured), Series 2009		
6.000% due 06/01/2039	500	577
Jefferson County, Alabama Sewer Revenue Bonds, Series 2013		
0.000% due 10/01/2050 (c)	53,000	37,306
6.500% due 10/01/2053	15,000	17,559
		56,605
<b>ARIZONA 10.4%</b>		
Arizona Health Facilities Authority Revenue Bonds, Series 2007		
5.200% due 10/01/2037	2,250	2,243
Arizona Health Facilities Authority Revenue Bonds, Series 2008		
5.000% due 01/01/2035	1,250	1,324
5.500% due 01/01/2038	900	965
Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2008		
5.000% due 09/01/2039 (d)	13,000	13,800
Industrial Development Authority of the County, Arizona of Pima Revenue Bonds, Series 2010		
5.250% due 10/01/2040	750	823
Salt River Project Agricultural Improvement & Power District, Arizona Revenue Bonds, Series 2009		
5.000% due 01/01/2039 (d)	5,000	5,477
Salt Verde Financial Corp., Arizona Revenue Bonds, Series 2007		
5.000% due 12/01/2037	11,600	13,245
		37,877
<b>CALIFORNIA 26.4%</b>		
Bay Area Toll Authority, California Revenue Bonds, Series 2008		
5.000% due 04/01/2034	500	546
Bay Area Toll Authority, California Revenue Bonds, Series 2010		
5.000% due 10/01/2029	1,500	1,717
5.000% due 10/01/2042	3,260	3,603
Bay Area Toll Authority, California Revenue Bonds, Series 2013		
5.250% due 04/01/2053	12,000	13,585
California Health Facilities Financing Authority Revenue Bonds, (IBC/NPFGC Insured), Series 2007		
5.000% due 11/15/2042	600	619
California Health Facilities Financing Authority Revenue Bonds, Series 2009		
6.000% due 07/01/2039	2,500	2,866
California Health Facilities Financing Authority Revenue Bonds, Series 2011		
6.000% due 08/15/2042	1,500	1,792
California Health Facilities Financing Authority Revenue Bonds, Series 2013		
5.000% due 08/15/2052	2,015	2,235
California Municipal Finance Authority Revenue Bonds, Series 2011		
7.750% due 04/01/2031	1,385	1,741
California State General Obligation Bonds, Series 2007		
5.000% due 06/01/2037	5,000	5,271
5.000% due 12/01/2037	5,300	5,688

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	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>California State General Obligation Bonds, Series 2008</b>		
5.250% due 03/01/2038	\$ 1,350	\$ 1,465
<b>California State General Obligation Bonds, Series 2009</b>		
5.750% due 04/01/2031	2,500	2,874
6.000% due 04/01/2038	5,000	5,780
<b>California State General Obligation Bonds, Series 2010</b>		
5.250% due 11/01/2040	1,300	1,519
5.500% due 03/01/2040	3,200	3,706
<b>California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009</b>		
6.625% due 08/01/2029	2,580	3,081
6.750% due 02/01/2038	9,200	11,025
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2007</b>		
5.750% due 11/01/2017	880	924
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2010</b>		
6.250% due 10/01/2039	1,000	1,125
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2041	3,000	3,317
<b>Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2047	3,600	3,125
5.750% due 06/01/2047	1,120	1,052
<b>Indian Wells Redevelopment Agency, California Tax Allocation Bonds, (AMBAC Insured), Series 2006</b>		
4.750% due 09/01/2034	3,350	3,423
<b>Los Angeles Community College District, California General Obligation Bonds, Series 2009</b>		
14.018% due 08/01/2033 (e)	1,675	2,177
<b>M-S-R Energy Authority, California Revenue Bonds, Series 2009</b>		
6.500% due 11/01/2039	2,000	2,810
<b>Palomar Health, California Certificates of Participation Bonds, Series 2009</b>		
6.750% due 11/01/2039	1,250	1,384
<b>San Marcos Unified School District, California General Obligation Bonds, Series 2011</b>		
5.000% due 08/01/2038	1,600	1,774
<b>Tobacco Securitization Authority of Southern California Revenue Bonds, Series 2006</b>		
5.000% due 06/01/2037	6,200	5,776
		96,000
<b>COLORADO 0.9%</b>		
<b>Colorado Health Facilities Authority Revenue Bonds, Series 2010</b>		
5.000% due 01/01/2040	2,000	2,175
<b>Public Authority for Colorado Energy Revenue Bonds, Series 2008</b>		
6.500% due 11/15/2038	500	674
<b>Regional Transportation District, Colorado Revenue Bonds, Series 2010</b>		
6.000% due 01/15/2034	500	563
		3,412
<b>CONNECTICUT 0.4%</b>		
<b>Harbor Point Infrastructure Improvement District, Connecticut Tax Allocation Bonds, Series 2010</b>		
7.875% due 04/01/2039	1,250	1,451
<b>DISTRICT OF COLUMBIA 3.0%</b>		
<b>District of Columbia Water &amp; Sewer Authority Revenue Bonds, Series 2009</b>		
5.500% due 10/01/2039 (d)	10,000	11,065
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>FLORIDA 6.5%</b>		
<b>Brevard County, Florida Health Facilities Authority Revenue Bonds, Series 2005</b>		
5.000% due 04/01/2034	\$ 3,480	\$ 3,519
<b>Broward County, Florida Airport System Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2029	500	567
<b>Broward County, Florida Water &amp; Sewer Utility Revenue Bonds, Series 2009</b>		
5.250% due 10/01/2034 (d)	4,500	5,020
<b>Cape Coral, Florida Water &amp; Sewer Revenue Bonds, (AGM Insured), Series 2011</b>		

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5.000% due 10/01/2041	3,000	3,346
<b>Florida Development Finance Corp. Revenue Notes, Series 2011</b>		
6.500% due 06/15/2021	285	313
<b>Florida State General Obligation Bonds, Series 2009</b>		
5.000% due 06/01/2038 (d)	4,200	4,556
<b>Greater Orlando Aviation Authority, Florida Revenue Bonds, Series 2010</b>		
9.539% due 10/01/2039 (e)	5,000	6,231
		23,552
<b>GEORGIA 3.5%</b>		
<b>Fulton County, Georgia Residential Care Facilities for the Elderly Authority Revenue Bonds, Series 2006</b>		
5.125% due 07/01/2042	1,750	1,754
<b>Medical Center Hospital Authority, Georgia Revenue Bonds, Series 2007</b>		
5.250% due 07/01/2037	400	403
<b>Municipal Electric Authority of Georgia Revenue Bonds, Series 2015</b>		
5.000% due 07/01/2060	10,000	10,735
		12,892
<b>HAWAII 0.5%</b>		
<b>Hawaii Pacific Health Revenue Bonds, Series 2010</b>		
5.500% due 07/01/2040	1,500	1,668
<b>ILLINOIS 8.2%</b>		
<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2035	2,400	2,532
5.500% due 01/01/2042	1,000	1,041
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.375% due 01/01/2029	7,200	7,678
5.500% due 01/01/2034	2,500	2,647
<b>Chicago, Illinois Revenue Bonds, Series 2002</b>		
5.000% due 01/01/2027	1,750	1,896
<b>Illinois Finance Authority Revenue Bonds, Series 2007</b>		
5.875% due 03/01/2027 ^	1,000	250
6.000% due 03/01/2037 ^	625	156
<b>Illinois Finance Authority Revenue Bonds, Series 2009</b>		
5.500% due 07/01/2037 (d)	5,000	5,543
7.125% due 11/15/2037	400	480
<b>Illinois Finance Authority Revenue Bonds, Series 2010</b>		
6.000% due 08/15/2038	1,000	1,097
<b>Illinois State Toll Highway Authority Revenue Bonds, Series 2008</b>		
5.500% due 01/01/2033	5,000	5,451
<b>Metropolitan Pier &amp; Exposition Authority, Illinois Revenue Bonds, Series 2015</b>		
5.000% due 06/15/2052	1,000	1,048
		29,819

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO Municipal Income Fund III (Cont.)**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INDIANA 3.8%</b>		
<b>Indiana Municipal Power Agency Revenue Bonds, Series 2016</b>		
5.000% due 01/01/2042 (a)	\$ 8,000	\$ 9,195
<b>Portage, Indiana Tax Allocation Bonds, Series 2006</b>		
5.000% due 07/15/2023	1,000	1,024
5.000% due 01/15/2027	775	794
<b>Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2011</b>		
7.500% due 09/01/2022	2,535	2,971
		13,984
<b>IOWA 1.0%</b>		
<b>Iowa Finance Authority Revenue Bonds, Series 2013</b>		
5.250% due 12/01/2025	3,000	3,267
<b>Iowa Finance Authority Revenue Bonds, Series 2014</b>		
2.000% due 05/15/2056 ^	76	0
2.700% due 11/15/2046 ^	403	336
		3,603
<b>KENTUCKY 0.6%</b>		
<b>Kentucky Economic Development Finance Authority Revenue Bonds, Series 2010</b>		
6.375% due 06/01/2040	2,000	2,288
<b>LOUISIANA 2.1%</b>		
<b>Louisiana Local Government Environmental Facilities &amp; Community Development Authority Revenue Bonds, Series 2010</b>		
5.875% due 10/01/2040	1,500	1,744
6.000% due 10/01/2044	1,000	1,166
6.500% due 11/01/2035	400	474
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2007</b>		
5.500% due 05/15/2047	1,700	1,778
<b>Louisiana Public Facilities Authority Revenue Bonds, Series 2011</b>		
6.500% due 05/15/2037	2,000	2,386
		7,548
<b>MARYLAND 0.8%</b>		
<b>Maryland Economic Development Corp. Revenue Bonds, Series 2010</b>		
5.750% due 06/01/2035	1,000	1,095
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2010</b>		
6.250% due 01/01/2041	700	776
<b>Maryland Health &amp; Higher Educational Facilities Authority Revenue Bonds, Series 2011</b>		
6.000% due 07/01/2041	1,000	1,179
		3,050
<b>MASSACHUSETTS 2.1%</b>		
<b>Massachusetts Development Finance Agency Revenue Bonds, Series 2010</b>		
7.625% due 10/15/2037	285	312
<b>Massachusetts Development Finance Agency Revenue Bonds, Series 2011</b>		
0.000% due 11/15/2056 (b)	140	1
6.250% due 11/15/2039	529	507
<b>Massachusetts Housing Finance Agency Revenue Bonds, Series 2003</b>		
5.125% due 06/01/2043	4,910	4,911

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	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Massachusetts State College Building Authority Revenue Bonds, Series 2009</b>		
5.500% due 05/01/2039	\$ 1,600	\$ 1,818
		7,549
<b>MICHIGAN 0.9%</b>		
<b>Detroit, Michigan General Obligation Bonds, Series 2010</b>		
5.250% due 11/01/2035	1,500	1,584
<b>Royal Oak Hospital Finance Authority, Michigan Revenue Bonds, Series 2009</b>		
8.250% due 09/01/2039	1,500	1,784
		3,368
<b>MISSOURI 0.2%</b>		
<b>Jennings, Missouri Revenue Bonds, Series 2006</b>		
5.000% due 11/01/2023	245	242
<b>Manchester, Missouri Tax Allocation Bonds, Series 2010</b>		
6.875% due 11/01/2039	500	516
		758
<b>NEW HAMPSHIRE 0.6%</b>		
<b>New Hampshire Business Finance Authority Revenue Bonds, Series 2009</b>		
6.125% due 10/01/2039	2,000	2,215
<b>NEW JERSEY 5.9%</b>		
<b>New Jersey Economic Development Authority Special Assessment Bonds, Series 2002</b>		
6.500% due 04/01/2028	4,500	5,519
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2007</b>		
5.750% due 07/01/2037	1,000	1,035
<b>New Jersey Health Care Facilities Financing Authority Revenue Bonds, Series 2013</b>		
5.500% due 07/01/2043	2,000	2,301
<b>New Jersey Transportation Trust Fund Authority Revenue Bonds, Series 2015</b>		
5.250% due 06/15/2041	500	538
<b>Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007</b>		
4.750% due 06/01/2034	1,600	1,312
5.000% due 06/01/2041	12,745	10,588
		21,293
<b>NEW MEXICO 0.3%</b>		
<b>Farmington, New Mexico Revenue Bonds, Series 2010</b>		
5.900% due 06/01/2040	1,000	1,104
<b>NEW YORK 16.1%</b>		
<b>Brooklyn Arena Local Development Corp., New York Revenue Bonds, Series 2009</b>		
6.250% due 07/15/2040	9,800	11,179
<b>Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011</b>		
5.750% due 02/15/2047	5,000	5,756
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2011</b>		
5.000% due 11/15/2036	3,000	3,403
<b>Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014</b>		
2.000% due 01/01/2049 ^	311	37
6.700% due 01/01/2049	863	855
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>New York City, New York Industrial Development Agency Revenue Bonds, (AGC Insured), Series 2009</b>		
7.000% due 03/01/2049	\$ 10,450	\$ 12,160
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2007</b>		
4.750% due 06/15/2035 (d)	4,000	4,191
<b>New York Liberty Development Corp. Revenue Bonds, Series 2007</b>		
5.500% due 10/01/2037	1,700	2,139

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<b>New York Liberty Development Corp. Revenue Bonds, Series 2011</b>		
5.000% due 12/15/2041	3,000	3,383
5.000% due 11/15/2044	11,000	12,293
<b>New York Liberty Development Corp. Revenue Bonds, Series 2014</b>		
5.000% due 11/15/2044	3,000	3,100
		58,496

**NORTH CAROLINA 1.9%**

<b>New Hanover County, North Carolina Revenue Bonds, Series 2011</b>		
5.000% due 10/01/2028	6,000	6,883

**OHIO 11.3%**

<b>Allen County, Ohio Revenue Bonds, Series 2010</b>		
5.000% due 06/01/2038	500	549
<b>Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2024	1,000	900
5.875% due 06/01/2047	4,800	4,155
6.500% due 06/01/2047	30,350	28,177
<b>Hamilton County, Ohio Revenue Bonds, Series 2012</b>		
5.000% due 06/01/2042	1,500	1,631
<b>Ohio State Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 02/15/2048	5,000	5,544
		40,956

**PENNSYLVANIA 7.4%**

<b>Allegheny County, Pennsylvania Hospital Development Authority Revenue Bonds, Series 2009</b>		
5.625% due 08/15/2039	1,000	1,125
<b>Berks County, Pennsylvania Municipal Authority Revenue Bonds, Series 2012</b>		
5.000% due 11/01/2044	6,600	7,164
<b>Capital Region Water, Pennsylvania Revenue Bonds, Series 2007</b>		
6.000% due 09/01/2036 ^	1,225	928
<b>Cumberland County, Pennsylvania Municipal Authority Revenue Bonds, Series 2008</b>		
5.625% due 07/01/2028	1,000	1,067
6.000% due 07/01/2035	670	715
<b>Dauphin County, Pennsylvania General Authority Revenue Bonds, Series 2009</b>		
6.000% due 06/01/2036	1,000	1,141
<b>Luzerne County, Pennsylvania Industrial Development Authority Revenue Bonds, Series 2009</b>		
5.500% due 12/01/2039	100	113
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2009</b>		
5.125% due 12/01/2040	3,000	3,266
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2013</b>		
5.000% due 12/01/2043	5,000	5,598
<b>Pennsylvania Turnpike Commission Revenue Bonds, Series 2015</b>		
5.000% due 12/01/2040	3,000	3,395

**40 PIMCO CLOSED-END FUNDS**

See Accompanying Notes

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December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Philadelphia Hospitals &amp; Higher Education Facilities Authority, Pennsylvania Revenue Bonds, Series 2012</b>		
5.625% due 07/01/2042	\$ 1,645	\$ 1,771
<b>Philadelphia, Pennsylvania Water &amp; Wastewater Revenue Bonds, Series 2009</b>		
5.250% due 01/01/2036	500	545
		26,828
<b>SOUTH CAROLINA 6.7%</b>		
<b>Greenwood County, South Carolina Revenue Bonds, Series 2009</b>		
5.375% due 10/01/2039	1,000	1,113
<b>South Carolina State Ports Authority Revenue Bonds, Series 2010</b>		
5.250% due 07/01/2040	800	887
<b>South Carolina State Public Service Authority Revenue Bonds, Series 2013</b>		
5.125% due 12/01/2043	5,000	5,608
5.500% due 12/01/2053	15,000	16,955
		24,563
<b>TENNESSEE 0.7%</b>		
<b>Claiborne County, Tennessee Industrial Development Board Revenue Bonds, Series 2009</b>		
6.625% due 10/01/2039	1,250	1,394
<b>Johnson City Health &amp; Educational Facilities Board, Tennessee Revenue Bonds, Series 2010</b>		
6.000% due 07/01/2038	1,000	1,130
		2,524
<b>TEXAS 16.2%</b>		
<b>Dallas, Texas Revenue Bonds, (AGC Insured), Series 2009</b>		
5.250% due 08/15/2038	1,300	1,441
<b>Grand Parkway Transportation Corp., Texas Revenue Bonds, Series 2013</b>		
5.000% due 04/01/2053	4,500	4,970
<b>JPMorgan Chase Putters/Drivers Trust, Texas General Obligation Notes, Series 2009</b>		
9.530% due 02/01/2017 (e)	6,500	7,934
<b>North Harris County, Texas Regional Water Authority Revenue Bonds, Series 2008</b>		
5.250% due 12/15/2033	5,500	6,061
5.500% due 12/15/2038	5,500	6,091
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>North Texas Tollway Authority Revenue Bonds, Series 2008</b>		
5.625% due 01/01/2033	\$ 10,800	\$ 11,699
5.750% due 01/01/2033	700	766
<b>North Texas Tollway Authority Revenue Bonds, Series 2011</b>		
5.000% due 01/01/2038	3,000	3,238
5.500% due 09/01/2041	600	702
<b>Tarrant County, Texas Cultural Education Facilities Finance Corp. Revenue Bonds, Series 2009</b>		
6.250% due 11/15/2029	3,000	3,428
<b>Texas Municipal Gas Acquisition &amp; Supply Corp. Revenue Bonds, Series 2006</b>		
5.250% due 12/15/2026	150	177
<b>Texas Municipal Gas Acquisition &amp; Supply Corp. Revenue Bonds, Series 2008</b>		
6.250% due 12/15/2026	9,600	11,845
<b>Wise County, Texas Revenue Bonds, Series 2011</b>		
8.000% due 08/15/2034	500	581

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			58,933
<b>VIRGINIA 0.5%</b>			
<b>Fairfax County, Virginia Industrial Development Authority Revenue Bonds, Series 2009</b>			
5.500% due 05/15/2035		1,000	1,131
<b>James City County, Virginia Economic Development Authority Revenue Bonds, Series 2013</b>			
2.000% due 10/01/2048 ^		201	10
6.000% due 06/01/2043		621	586
			1,727
<b>WASHINGTON 0.5%</b>			
<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2009</b>			
7.375% due 03/01/2038		1,000	1,193
<b>Washington Health Care Facilities Authority Revenue Bonds, Series 2010</b>			
5.500% due 12/01/2039		500	598
			1,791
<b>WEST VIRGINIA 0.3%</b>			
<b>West Virginia Hospital Finance Authority Revenue Bonds, Series 2011</b>			
9.125% due 10/01/2041		955	1,024
		<b>PRINCIPAL</b>	<b>MARKET</b>
		<b>AMOUNT</b>	<b>VALUE</b>
		<b>(000S)</b>	<b>(000S)</b>
<b>WISCONSIN 1.7%</b>			
<b>University of Wisconsin Hospitals &amp; Clinics Authority Revenue Bonds, Series 2013</b>			
5.000% due 04/01/2038	\$	3,500	\$ 3,945
<b>Wisconsin Health &amp; Educational Facilities Authority Revenue Bonds, Series 2009</b>			
6.625% due 02/15/2039		1,000	1,166
<b>Wisconsin Health &amp; Educational Facilities Authority Revenue Bonds, Series 2010</b>			
5.625% due 04/15/2039		1,000	1,134
			6,245
<b>Total Municipal Bonds &amp; Notes</b>			<b>571,071</b>
<b>(Cost \$503,085)</b>			
<b>SHORT-TERM INSTRUMENTS 3.3%</b>			
<b>REPURCHASE AGREEMENTS (f) 2.1%</b>			
			7,800
<b>SHORT-TERM NOTES 0.9%</b>			
<b>Federal Home Loan Bank</b>			
0.106% due 01/19/2016		2,200	2,200
0.142% due 01/22/2016		100	100
<b>Freddie Mac</b>			
0.172% due 02/04/2016		1,000	1,000
			3,300
<b>U.S. TREASURY BILLS 0.3%</b>			
0.193% due 01/14/2016		1,100	1,100
<b>Total Short-Term Instruments</b>			<b>12,200</b>
<b>(Cost \$12,200)</b>			
<b>Total Investments in Securities</b>			<b>583,271</b>
<b>(Cost \$515,285)</b>			

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<b>Total Investments 160.3%</b> <b>(Cost \$515,285)</b>	\$	<b>583,271</b>
<b>Preferred Shares (51.9%)</b>		<b>(189,000)</b>
<b>Other Assets and Liabilities, net (8.4%)</b>		<b>(30,439)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>	\$	<b>363,832</b>

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

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

^ Security is in default.

(a) When-issued security.

(b) Zero coupon bond.

(c) Security becomes interest bearing at a future date.

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

(e) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on December 31, 2015.

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO Municipal Income Fund III (Cont.)**

December 31, 2015

**BORROWINGS AND OTHER FINANCING TRANSACTIONS****(f) REPURCHASE AGREEMENTS:**

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received <sup>(1)</sup>
SAL	0.580%	12/31/2015	01/04/2016	\$ 7,800	U.S. Treasury Notes 2.750% due 02/15/2024	\$ (7,959)	\$ 7,800	\$ 7,801
<b>Total Repurchase Agreements</b>						<b>\$ (7,959)</b>	<b>\$ 7,800</b>	<b>\$ 7,801</b>

<sup>(1)</sup> Includes accrued interest.**BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY**

The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received) as of December 31, 2015:

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral (Received)	Net Exposure <sup>(2)</sup>
Global/Master Repurchase Agreement						
SAL	\$ 7,801	\$ 0	\$ 0	\$ 7,801	\$ (7,959)	\$ (158)
<b>Total Borrowings and Other Financing Transactions</b>	<b>\$ 7,801</b>	<b>\$ 0</b>	<b>\$ 0</b>			

<sup>(2)</sup> Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 6, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

## FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of December 31, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2015
<b>Investments in Securities, at Value</b>				
<b>Municipal Bonds &amp; Notes</b>				
Alabama	\$ 0	\$ 56,605	\$ 0	\$ 56,605
Arizona	0	37,877	0	37,877
California	0	96,000	0	96,000
Colorado	0	3,412	0	3,412
Connecticut	0	1,451	0	1,451
District of Columbia	0	11,065	0	11,065
Florida	0	23,552	0	23,552
Georgia	0	12,892	0	12,892
Hawaii	0	1,668	0	1,668
Illinois	0	29,819	0	29,819
Indiana	0	13,984	0	13,984
Iowa	0	3,603	0	3,603
Kentucky	0	2,288	0	2,288
Louisiana	0	7,548	0	7,548
Maryland	0	3,050	0	3,050
Massachusetts	0	7,549	0	7,549
Michigan	0	3,368	0	3,368
Missouri	0	758	0	758
<b>Fair Value at 12/31/2015</b>				
Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2015
New Hampshire	\$ 0	\$ 2,215	\$ 0	\$ 2,215
New Jersey	0	21,293	0	21,293
New Mexico	0	1,104	0	1,104
New York	0	58,496	0	58,496
North Carolina	0	6,883	0	6,883
Ohio	0	40,956	0	40,956
Pennsylvania	0	26,828	0	26,828
South Carolina	0	24,563	0	24,563
Tennessee	0	2,524	0	2,524
Texas	0	58,933	0	58,933
Virginia	0	1,727	0	1,727
Washington	0	1,791	0	1,791
West Virginia	0	1,024	0	1,024
Wisconsin	0	6,245	0	6,245
<b>Short-Term Instruments</b>				
Repurchase Agreements	0	7,800	0	7,800
Short-Term Notes	0	3,300	0	3,300
U.S. Treasury Bills	0	1,100	0	1,100
<b>Total Investments</b>	<b>\$ 0</b>	<b>\$ 583,271</b>	<b>\$ 0</b>	<b>\$ 583,271</b>

There were no significant transfers between Levels 1, 2, or 3 during the period ended December 31, 2015.

**Table of Contents****Schedule of Investments PIMCO California Municipal Income Fund**

December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 163.8%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 160.2%</b>		
<b>ALABAMA 0.8%</b>		
<b>Jefferson County, Alabama Sewer Revenue Bonds, Series 2013</b>		
6.500% due 10/01/2053	\$ 2,000	\$ 2,341
<b>CALIFORNIA 156.9%</b>		
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2008</b>		
5.000% due 04/01/2034	10,000	10,915
<b>California County Tobacco Securitization Agency Revenue Bonds, Series 2002</b>		
6.000% due 06/01/2035	4,000	4,001
6.125% due 06/01/2038	1,000	987
<b>California County Tobacco Securitization Agency Revenue Bonds, Series 2006</b>		
5.600% due 06/01/2036	1,500	1,496
<b>California Educational Facilities Authority Revenue Bonds, Series 2009</b>		
5.000% due 01/01/2039 (a)	10,200	11,391
5.000% due 10/01/2039 (a)	10,000	11,028
<b>California Health Facilities Financing Authority Revenue Bonds, (IBC/NPFGC Insured), Series 2007</b>		
5.000% due 11/15/2042	1,600	1,651
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2008</b>		
5.250% due 11/15/2040	5,050	5,877
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2009</b>		
5.750% due 09/01/2039	2,000	2,270
6.000% due 07/01/2039	4,000	4,586
6.500% due 11/01/2038	1,000	1,181
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2010</b>		
5.000% due 11/15/2036	1,450	1,626
9.539% due 11/15/2036 (b)	1,000	1,245
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2011</b>		
5.000% due 08/15/2035	1,000	1,158
6.000% due 08/15/2042	2,800	3,345
11.779% due 11/15/2042 (b)	6,000	6,427
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2012</b>		
5.000% due 08/15/2051	11,000	12,170
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2013</b>		
5.000% due 08/15/2052	3,675	4,077
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2015</b>		
5.000% due 08/15/2054	1,300	1,475
<b>California Infrastructure &amp; Economic Development Bank Revenue Bonds, Series 2013</b>		
5.000% due 02/01/2039	10,000	11,090
<b>California Municipal Finance Authority Revenue Bonds, Series 2008</b>		
5.875% due 10/01/2034	2,900	3,124
<b>California Municipal Finance Authority Revenue Bonds, Series 2011</b>		
7.750% due 04/01/2031	1,000	1,257
<b>California Pollution Control Financing Authority Revenue Bonds, Series 2010</b>		
5.100% due 06/01/2040	2,000	2,178
5.250% due 08/01/2040	1,250	1,331
<b>California State General Obligation Bonds, Series 2006</b>		
5.000% due 09/01/2035	5,885	6,057
<b>California State General Obligation Bonds, Series 2007</b>		
5.000% due 06/01/2037	100	105

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	3,000	3,220
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
5.000% due 12/01/2037		
<b>California State General Obligation Bonds, Series 2009</b>		
6.000% due 04/01/2038	\$ 2,000	\$ 2,312
6.000% due 11/01/2039	2,000	2,365
<b>California State General Obligation Bonds, Series 2010</b>		
5.250% due 11/01/2040	2,400	2,805
5.500% due 03/01/2040	1,500	1,737
<b>California State General Obligation Bonds, Series 2013</b>		
5.000% due 11/01/2043	7,000	8,133
<b>California State General Obligation Bonds, Series 2015</b>		
5.000% due 09/01/2032	1,300	1,565
<b>California State Public Works Board Revenue Bonds, Series 2009</b>		
5.000% due 04/01/2034	2,000	2,256
5.750% due 10/01/2030	2,000	2,306
6.000% due 11/01/2034	2,000	2,332
<b>California State Public Works Board Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2029	1,500	1,758
<b>California State University Revenue Bonds, Series 2015</b>		
5.000% due 11/01/2047	14,000	16,275
<b>California Statewide Communities Development Authority Certificates of Participation Bonds, Series 1999</b>		
5.375% due 04/01/2030	2,150	2,156
<b>California Statewide Communities Development Authority Revenue Bonds, (FGIC Insured), Series 2007</b>		
5.750% due 07/01/2047	3,200	3,517
<b>California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009</b>		
6.625% due 08/01/2029	1,870	2,233
6.750% due 02/01/2038	6,875	8,239
<b>California Statewide Communities Development Authority Revenue Bonds, (NPFGC Insured), Series 2000</b>		
5.125% due 07/01/2024	100	110
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2006</b>		
5.250% due 03/01/2045	1,000	1,006
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2007</b>		
5.500% due 11/01/2038	900	910
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2008</b>		
5.500% due 07/01/2031	845	898
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2010</b>		
5.000% due 11/01/2040	10,000	10,952
6.250% due 10/01/2039	1,000	1,125
7.500% due 06/01/2042	990	1,080
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2011</b>		
6.000% due 08/15/2042	2,000	2,389
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2012</b>		
5.000% due 04/01/2042	11,500	12,924
5.125% due 05/15/2031	4,000	4,481
5.375% due 05/15/2038	4,500	5,066
<b>California Statewide Financing Authority Revenue Bonds, Series 2002</b>		
6.000% due 05/01/2037	3,000	3,065
<b>Chula Vista, California Revenue Bonds, Series 2004</b>		
5.875% due 02/15/2034	5,000	5,743
<b>Contra Costa County, California Public Financing Authority Tax Allocation Bonds, Series 2003</b>		
5.850% due 08/01/2033	350	350
<b>Desert Community College District, California General Obligation Bonds, (AGM Insured), Series 2007</b>		
5.000% due 08/01/2037	5,000	5,270
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Eastern Municipal Water District, California Certificates of Participation Bonds, Series 2008</b>		
5.000% due 07/01/2035	\$ 6,300	\$ 6,814
<b>El Monte, California Certificates of Participation Bonds, (AMBAC Insured), Series 2001</b>		
5.250% due 01/01/2034	14,425	14,469
<b>Folsom Redevelopment Agency, California Tax Allocation Bonds, Series 2009</b>		
5.500% due 08/01/2036	1,000	1,082
<b>Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2047	8,300	7,205
5.750% due 06/01/2047	24,325	22,849
<b>Hayward Unified School District, California General Obligation Bonds, Series 2015</b>		
5.000% due 08/01/2038	6,000	6,794
<b>Imperial Irrigation District, California Revenue Bonds, Series 2011</b>		

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5.000% due 11/01/2041	1,000	1,106
<b>Kern County, California Certificates of Participation Bonds, (AGC Insured), Series 2009</b>		
5.750% due 08/01/2035	10,590	11,847
<b>Lancaster Redevelopment Agency, California Tax Allocation Bonds, Series 2009</b>		
6.875% due 08/01/2039	500	588
<b>Long Beach Bond Finance Authority, California Revenue Bonds, Series 2007</b>		
5.500% due 11/15/2027	1,000	1,232
<b>Long Beach, California Airport System Revenue Bonds, Series 2010</b>		
5.000% due 06/01/2040	5,000	5,536
<b>Los Angeles Department of Water &amp; Power, California Revenue Bonds, Series 2009</b>		
5.375% due 07/01/2034 (a)	3,000	3,364
5.375% due 07/01/2038 (a)	7,000	7,818
<b>Los Angeles Department of Water &amp; Power, California Revenue Bonds, Series 2012</b>		
5.000% due 07/01/2037	4,100	4,745
5.000% due 07/01/2043	5,000	5,751
<b>Los Angeles Department of Water &amp; Power, California Revenue Bonds, Series 2014</b>		
5.000% due 07/01/2043	3,650	4,190
<b>Los Angeles Unified School District, California General Obligation Bonds, Series 2009</b>		
5.000% due 07/01/2029 (a)	10,000	11,239
5.000% due 01/01/2034 (a)	8,500	9,547
5.300% due 01/01/2034	250	284
<b>M-S-R Energy Authority, California Revenue Bonds, Series 2009</b>		
6.500% due 11/01/2039	18,845	26,474
<b>Malibu, California Certificates of Participation Bonds, Series 2009</b>		
5.000% due 07/01/2039	700	770
<b>Peralta Community College District, California General Obligation Bonds, Series 2009</b>		
5.000% due 08/01/2039	1,250	1,380
<b>Regents of the University of California Medical Center Pooled Revenue Bonds, Series 2013</b>		
5.000% due 05/15/2043	2,000	2,231
<b>River Islands Public Financing Authority, California Special Tax Bonds, Series 2015</b>		
5.500% due 09/01/2045	3,000	3,200
<b>San Diego County, California Water Authority Certificates of Participation Bonds, (AGM Insured), Series 2008</b>		
5.000% due 05/01/2038	6,250	6,699
<b>San Diego Regional Building Authority, California Revenue Bonds, Series 2009</b>		
5.375% due 02/01/2036	3,285	3,627

See Accompanying Notes

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

December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>San Francisco, California City &amp; County Certificates of Participation Bonds, Series 2009</b>		
5.250% due 04/01/2031	\$ 650	\$ 722
<b>San Jose, California Hotel Tax Revenue Bonds, Series 2011</b>		
6.500% due 05/01/2036	1,500	1,810
<b>San Jose, California Special Assessment Bonds, Series 2001</b>		
5.600% due 09/02/2017	230	235
<b>San Marcos Redevelopment Agency Successor Agency, California Tax Allocation Bonds, Series 2015</b>		
5.000% due 10/01/2031	2,315	2,768
<b>San Marcos Unified School District, California General Obligation Bonds, Series 2011</b>		
5.000% due 08/01/2038	1,200	1,331
<b>Santa Clara County, California Financing Authority Revenue Bonds, (AMBAC Insured), Series 2007</b>		
5.750% due 02/01/2041	3,500	3,776
<b>Santa Cruz County, California Redevelopment Agency Tax Allocation Bonds, Series 2009</b>		
7.000% due 09/01/2036	1,300	1,518
<b>Tobacco Securitization Authority of Southern California Revenue Bonds, Series 2006</b>		
5.000% due 06/01/2037	800	745
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Torrance, California Revenue Bonds, Series 2010</b>		
5.000% due 09/01/2040	\$ 6,300	\$ 6,877
<b>Turlock, California Certificates of Participation Bonds, Series 2007</b>		
5.500% due 10/15/2037	2,000	2,168
<b>Washington Township Health Care District, California General Obligation Bonds, Series 2013</b>		
5.000% due 08/01/2043	2,500	2,795
<b>Westlake Village, California Certificates of Participation Bonds, Series 2009</b>		
5.000% due 06/01/2039	1,000	1,019
		427,231
<b>ILLINOIS 2.5%</b>		
<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2042	2,000	2,082
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.250% due 01/01/2028	4,400	4,675
		6,757
<b>Total Municipal Bonds &amp; Notes</b>		
(Cost \$387,753)		<b>436,329</b>
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>SHORT-TERM INSTRUMENTS 3.6%</b>		
<b>SHORT-TERM NOTES 3.6%</b>		
<b>Federal Home Loan Bank</b>		
0.162% due 01/29/2016	\$ 2,950	\$ 2,949
0.167% due 02/01/2016	5,000	4,999
0.233% due 01/25/2016	100	100
0.314% due 01/28/2016	600	600

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0.385% due 02/01/2016	1,000	1,000
		9,648
<b>Total Short-Term Instruments</b> (Cost \$9,649)		<b>9,648</b>
<b>Total Investments in Securities</b> (Cost \$397,402)		<b>445,977</b>
<b>Total Investments 163.8%</b> (Cost \$397,402)	\$	<b>445,977</b>
<b>Preferred Shares (55.1%)</b>		<b>(150,000)</b>
<b>Other Assets and Liabilities, net (8.7%)</b>		<b>(23,632)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>	\$	<b>272,345</b>

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

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

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

(b) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on December 31, 2015.

FAIR VALUE MEASUREMENTS

The following is a summary of the fair valuations according to the inputs used as of December 31, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2015
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
Alabama	\$ 0	\$ 2,341	\$ 0	\$ 2,341
California	0	427,231	0	427,231
Illinois	0	6,757	0	6,757
Short-Term Instruments				
Short-Term Notes	0	9,648	0	9,648
Total Investments	\$ 0	\$ 445,977	\$ 0	\$ 445,977

There were no significant transfers between Levels 1, 2, or 3 during the period ended December 31, 2015.

44 PIMCO CLOSED-END FUNDS

See Accompanying Notes

**Table of Contents****Schedule of Investments PIMCO California Municipal Income Fund II**

December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 165.4%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 161.9%</b>		
<b>CALIFORNIA 157.0%</b>		
<b>Alhambra, California Revenue Bonds, Series 2010</b>		
7.625% due 01/01/2040	\$ 2,000	\$ 2,150
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2014</b>		
5.000% due 10/01/2054	3,000	3,384
<b>California County Tobacco Securitization Agency Revenue Bonds, Series 2002</b>		
5.875% due 06/01/2043	1,800	1,800
<b>California County Tobacco Securitization Agency Revenue Bonds, Series 2006</b>		
5.600% due 06/01/2036	1,500	1,496
<b>California Health Facilities Financing Authority Revenue Bonds, (IBC/NPFGC Insured), Series 2007</b>		
5.000% due 11/15/2042	4,220	4,354
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2007</b>		
5.250% due 11/15/2046 (b)	12,195	12,637
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2008</b>		
5.250% due 11/15/2040	5,400	6,284
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2009</b>		
5.750% due 09/01/2039	250	284
6.000% due 07/01/2039	3,000	3,439
6.500% due 11/01/2038	500	591
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2011</b>		
5.000% due 08/15/2035	1,000	1,158
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2012</b>		
5.000% due 11/15/2034	1,000	1,079
5.000% due 11/15/2040	4,000	4,484
5.000% due 08/15/2051	8,755	9,687
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2015</b>		
5.000% due 08/15/2054	5,000	5,673
<b>California Infrastructure &amp; Economic Development Bank Revenue Bonds, Series 2008</b>		
5.250% due 02/01/2038	175	187
<b>California Infrastructure &amp; Economic Development Bank Revenue Bonds, Series 2013</b>		
5.000% due 02/01/2039	10,000	11,090
<b>California Municipal Finance Authority Revenue Bonds, Series 2011</b>		
7.750% due 04/01/2031	1,085	1,363
<b>California Pollution Control Financing Authority Revenue Bonds, Series 2010</b>		
5.250% due 08/01/2040	1,500	1,597
<b>California State General Obligation Bonds, Series 2006</b>		
5.000% due 09/01/2031	2,500	2,575
<b>California State General Obligation Bonds, Series 2009</b>		
6.000% due 04/01/2038	10,000	11,560
<b>California State General Obligation Bonds, Series 2013</b>		
5.000% due 11/01/2043	7,000	8,133
<b>California State General Obligation Bonds, Series 2015</b>		
5.000% due 09/01/2032	1,300	1,565
<b>California State Public Works Board Revenue Bonds, Series 2008</b>		
5.000% due 03/01/2033	7,915	8,612
<b>California State Public Works Board Revenue Bonds, Series 2009</b>		
5.750% due 10/01/2030	3,000	3,459
6.000% due 11/01/2034	2,000	2,332
<b>California State Public Works Board Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2029	2,000	2,345

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	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>California State Public Works Board Revenue Bonds, Series 2013</b>		
5.000% due 03/01/2038	\$ 2,500	\$ 2,858
<b>California State University Revenue Bonds, Series 2015</b>		
5.000% due 11/01/2047	7,000	8,138
<b>California Statewide Communities Development Authority Revenue Bonds, (FGIC Insured), Series 2007</b>		
5.750% due 07/01/2047	3,700	4,066
<b>California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009</b>		
6.625% due 08/01/2029	2,135	2,549
6.750% due 02/01/2038	7,860	9,419
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2006</b>		
5.000% due 11/01/2029	500	502
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2007</b>		
5.150% due 07/01/2030	250	251
5.250% due 07/01/2042	1,250	1,234
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2008</b>		
5.250% due 11/15/2048	5,490	5,974
5.500% due 07/01/2031	3,040	3,231
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2010</b>		
7.000% due 07/01/2040	3,760	4,129
7.500% due 06/01/2042	990	1,080
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2011</b>		
6.000% due 08/15/2042	5,600	6,690
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2012</b>		
5.000% due 04/01/2042	9,705	10,907
5.375% due 05/15/2038	4,500	5,066
<b>California Statewide Financing Authority Revenue Bonds, Series 2002</b>		
6.000% due 05/01/2037	2,000	2,043
<b>Chabot-Las Positas Community College District, California General Obligation Bonds, (AMBAC Insured), Series 2006</b>		
0.000% due 08/01/2036 (a)	17,305	6,212
0.000% due 08/01/2037 (a)	5,000	1,703
0.000% due 08/01/2043 (a)	15,000	3,769
<b>Chula Vista, California Revenue Bonds, Series 2004</b>		
5.875% due 02/15/2034	1,000	1,149
<b>Coronado Community Development Agency, California Tax Allocation Bonds, (AMBAC Insured), Series 2005</b>		
4.875% due 09/01/2035	8,435	8,457
<b>Desert Community College District, California General Obligation Bonds, (AGM Insured), Series 2007</b>		
0.000% due 08/01/2046 (a)	25,000	5,039
<b>Desert Community College District, California General Obligation Bonds, (AGM Insured), Series 2009</b>		
9.389% due 08/01/2032 (c)	6,035	6,712
<b>Fremont Community Facilities District No. 1, California Special Tax Bonds, Series 2015</b>		
5.000% due 09/01/2045	1,400	1,526
<b>Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2007</b>		
5.125% due 06/01/2047	8,500	7,378
5.750% due 06/01/2047	34,715	32,609
<b>Hayward Unified School District, California General Obligation Bonds, Series 2015</b>		
5.000% due 08/01/2038	3,000	3,397
<b>Imperial Irrigation District, California Revenue Bonds, Series 2011</b>		
5.000% due 11/01/2041	4,500	4,977
<b>Irvine Unified School District, California Special Tax Bonds, Series 2010</b>		
6.700% due 09/01/2035	515	600
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>JPMorgan Chase Putters/Drivers Trust, California Revenue Bonds, Series 2009</b>		
5.000% due 07/01/2037 (b)	\$ 5,000	\$ 5,292
<b>JPMorgan Chase Putters/Drivers Trust, California Revenue Bonds, Series 2010</b>		
9.519% due 05/15/2034 (c)	7,500	9,443
<b>JPMorgan Chase Putters/Drivers Trust, California Revenue Notes, Series 2009</b>		
5.000% due 04/01/2039 (b)	20,000	21,830
<b>Lancaster Redevelopment Agency, California Tax Allocation Bonds, Series 2009</b>		
6.875% due 08/01/2039	1,000	1,176
<b>Long Beach Bond Finance Authority, California Revenue Bonds, Series 2007</b>		
5.500% due 11/15/2037	7,500	9,343
<b>Long Beach Unified School District, California General Obligation Bonds, Series 2009</b>		
5.250% due 08/01/2033 (b)	10,000	11,280
<b>Long Beach, California Airport System Revenue Bonds, Series 2010</b>		
5.000% due 06/01/2040	500	554

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<b>Los Angeles Community College District, California General Obligation Bonds, Series 2009</b>		
14.018% due 08/01/2033 (c)	4,000	5,200
<b>Los Angeles Department of Water &amp; Power, California Revenue Bonds, Series 2014</b>		
5.000% due 07/01/2043	3,000	3,444
<b>Los Angeles Unified School District, California General Obligation Bonds, Series 2009</b>		
5.000% due 01/01/2034	11,000	12,355
<b>M-S-R Energy Authority, California Revenue Bonds, Series 2009</b>		
6.500% due 11/01/2039	16,445	23,103
7.000% due 11/01/2034	1,000	1,451
<b>Manteca Redevelopment Agency, California Tax Allocation Bonds, (AMBAC Insured), Series 2004</b>		
5.000% due 10/01/2036	10,000	10,007
<b>Oakland Unified School District/Alameda County, California General Obligation Bonds, Series 2009</b>		
6.125% due 08/01/2029	5,000	5,633
<b>Palomar Health, California Certificates of Participation Bonds, Series 2009</b>		
6.750% due 11/01/2039	4,750	5,259
<b>Placentia-Yorba Linda Unified School District, California Certificates of Participation Bonds, (NPFGC Insured), Series 2006</b>		
5.000% due 10/01/2032	10,000	10,027
<b>Poway Unified School District, California General Obligation Bonds, Series 2011</b>		
0.000% due 08/01/2040 (a)	11,000	4,107
0.000% due 08/01/2046 (a)	16,000	4,382
<b>River Islands Public Financing Authority, California Special Tax Bonds, Series 2015</b>		
5.500% due 09/01/2045	3,000	3,200
<b>San Diego Community College District, California General Obligation Notes, Series 2009</b>		
10.074% due 02/01/2017 (c)	5,000	6,261
<b>San Diego Public Facilities Financing Authority Sewer, California Revenue Bonds, Series 2009</b>		
5.250% due 05/15/2039	1,000	1,119
<b>San Diego Public Facilities Financing Authority Water, California Revenue Bonds, Series 2009</b>		
5.250% due 08/01/2038	4,000	4,360
<b>San Diego Regional Building Authority, California Revenue Bonds, Series 2009</b>		
5.375% due 02/01/2036	2,800	3,091
<b>San Francisco, California City &amp; County Certificates of Participation Bonds, Series 2009</b>		
5.250% due 04/01/2031	300	333
<b>San Joaquin Hills Transportation Corridor Agency, California Revenue Bonds, Series 2014</b>		
5.000% due 01/15/2050	2,430	2,624

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO California Municipal Income Fund II (Cont.)**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>San Jose, California Hotel Tax Revenue Bonds, Series 2011</b>		
6.500% due 05/01/2036	\$ 1,000	\$ 1,207
<b>San Marcos Redevelopment Agency Successor Agency, California Tax Allocation Bonds, Series 2015</b>		
5.000% due 10/01/2032	850	1,012
5.000% due 10/01/2033	1,125	1,335
<b>San Marcos Unified School District, California General Obligation Bonds, Series 2011</b>		
5.000% due 08/01/2038	1,300	1,442
<b>Santa Cruz County, California Certificates of Participation Bonds, Series 2002</b>		
5.250% due 08/01/2032	1,260	1,263
<b>Santa Cruz County, California Redevelopment Agency Tax Allocation Bonds, Series 2009</b>		
7.000% due 09/01/2036	1,500	1,752
<b>Torrance, California Revenue Bonds, Series 2010</b>		
5.000% due 09/01/2040	3,100	3,384
<b>Turlock Irrigation District, California Revenue Bonds, Series 2011</b>		
5.500% due 01/01/2041	1,700	1,954
<b>Tustin Unified School District, California Special Tax Bonds, Series 2010</b>		
6.000% due 09/01/2040	1,000	1,136
<b>Washington Township Health Care District, California General Obligation Bonds, Series 2013</b>		
5.000% due 08/01/2043	3,000	3,354
		447,696
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>ILLINOIS 3.1%</b>		
<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2042	\$ 2,350	\$ 2,446
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.250% due 01/01/2028	6,035	6,413
		8,859
<b>NEW JERSEY 1.3%</b>		
<b>Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007</b>		
4.750% due 06/01/2034	1,300	1,066
5.000% due 06/01/2041	3,000	2,492
		3,558
<b>NEW YORK 0.5%</b>		
<b>New York Liberty Development Corp. Revenue Bonds, Series 2005</b>		
5.250% due 10/01/2035	1,250	1,500
<b>Total Municipal Bonds &amp; Notes</b>		
<b>(Cost \$402,237)</b>		<b>461,613</b>
<b>SHORT-TERM INSTRUMENTS 3.5%</b>		
<b>REPURCHASE AGREEMENTS (d) 3.2%</b>		
		9,000
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)

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<b>U.S. TREASURY BILLS 0.3%</b>			
0.193% due 01/14/2016	\$	800	\$ 800
<b>Total Short-Term Instruments</b>			
(Cost \$9,800)			9,800
<b>Total Investments in Securities</b>			
(Cost \$412,037)			471,413
<b>Total Investments 165.4%</b>			
(Cost \$412,037)	\$		471,413
<b>Preferred Shares (57.2%)</b>			(163,000)
<b>Other Assets and Liabilities, net (8.2%)</b>			(23,316)
<b>Net Assets Applicable to Common Shareholders 100.0%</b>		\$	285,097

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

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

(a) Zero coupon bond.

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

(c) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on December 31, 2015.

**BORROWINGS AND OTHER FINANCING TRANSACTIONS**

**(d) REPURCHASE AGREEMENTS:**

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements, at Value	Repurchase Agreement Proceeds to be Received <sup>(1)</sup>
SAL	0.580%	12/31/2015	01/04/2016	\$ 9,000	U.S. Treasury Notes 2.750% due 02/15/2024	\$ (9,185)	\$ 9,000	\$ 9,001
<b>Total Repurchase Agreements</b>						<b>\$ (9,185)</b>	<b>\$ 9,000</b>	<b>\$ 9,001</b>

<sup>(1)</sup> Includes accrued interest.

**BORROWINGS AND OTHER FINANCING TRANSACTIONS SUMMARY**

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The following is a summary by counterparty of the market value of Borrowings and Other Financing Transactions and collateral (received) as of December 31, 2015:

Counterparty	Repurchase Agreement Proceeds to be Received	Payable for Reverse Repurchase Agreements	Payable for Sale-Buyback Transactions	Total Borrowings and Other Financing Transactions	Collateral (Received)	Net Exposure <sup>(2)</sup>
Global/Master Repurchase Agreement						
SAL	\$ 9,001	\$ 0	\$ 0	\$ 9,001	\$ (9,185)	\$ (184)
<b>Total Borrowings and Other Financing Transactions</b>	<b>\$ 9,001</b>	<b>\$ 0</b>	<b>\$ 0</b>			

<sup>(2)</sup>Net Exposure represents the net receivable/(payable) that would be due from/to the counterparty in the event of default. Exposure from borrowings and other financing transactions can only be netted across transactions governed under the same master agreement with the same legal entity. See Note 6, Principal Risks, in the Notes to Financial Statements for more information regarding master netting arrangements.

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See Accompanying Notes

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December 31, 2015

**FAIR VALUE MEASUREMENTS**

The following is a summary of the fair valuations according to the inputs used as of December 31, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2015
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
California	\$ 0	\$ 447,696	\$ 0	\$ 447,696
Illinois	0	8,859	0	8,859
New Jersey	0	3,558	0	3,558
New York	0	1,500	0	1,500
Short-Term Instruments				
Repurchase Agreements	0	9,000	0	9,000
U.S. Treasury Bills	0	800	0	800
Total Investments	\$ 0	\$ 471,413	\$ 0	\$ 471,413

There were no significant transfers between Levels 1, 2, or 3 during the period ended December 31, 2015.

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO California Municipal Income Fund III**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 165.6%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 163.8%</b>		
<b>CALIFORNIA 156.9%</b>		
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2008</b>		
5.000% due 04/01/2034	\$ 1,250	\$ 1,364
<b>Bay Area Toll Authority, California Revenue Bonds, Series 2013</b>		
5.250% due 04/01/2048	8,000	9,079
<b>California County Tobacco Securitization Agency Revenue Bonds, Series 2002</b>		
5.875% due 06/01/2035	8,100	8,101
6.000% due 06/01/2042	7,000	7,001
<b>California County Tobacco Securitization Agency Revenue Bonds, Series 2006</b>		
5.600% due 06/01/2036	2,000	1,995
<b>California Educational Facilities Authority Revenue Bonds, Series 2009</b>		
5.000% due 01/01/2039 (a)	9,800	10,944
5.000% due 10/01/2039 (a)	10,000	11,028
<b>California Health Facilities Financing Authority Revenue Bonds, (IBC/NPFGC Insured), Series 2007</b>		
5.000% due 11/15/2042	500	516
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2008</b>		
5.000% due 08/15/2038	5,000	5,441
5.250% due 11/15/2040	4,550	5,295
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2009</b>		
5.750% due 09/01/2039	4,000	4,541
6.000% due 07/01/2039	4,000	4,586
6.500% due 11/01/2038	500	591
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2010</b>		
5.000% due 11/15/2036	1,300	1,458
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2011</b>		
5.000% due 08/15/2035	1,000	1,158
6.000% due 08/15/2042	1,200	1,434
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2012</b>		
5.000% due 08/15/2051	8,305	9,189
<b>California Health Facilities Financing Authority Revenue Bonds, Series 2015</b>		
5.000% due 08/15/2054	3,000	3,404
<b>California Infrastructure &amp; Economic Development Bank Revenue Bonds, Series 2013</b>		
5.000% due 02/01/2039	10,000	11,090
<b>California Municipal Finance Authority Revenue Bonds, Series 2011</b>		
7.750% due 04/01/2031	835	1,049
<b>California Pollution Control Financing Authority Revenue Bonds, Series 2010</b>		
5.250% due 08/01/2040	1,250	1,331
<b>California State General Obligation Bonds, Series 2009</b>		
6.000% due 04/01/2038	7,300	8,439
<b>California State General Obligation Bonds, Series 2013</b>		
5.000% due 11/01/2043	5,000	5,809
<b>California State General Obligation Bonds, Series 2015</b>		
5.000% due 09/01/2032	10,400	12,518
<b>California State Public Works Board Revenue Bonds, Series 2009</b>		
6.000% due 11/01/2034	2,000	2,332
<b>California State Public Works Board Revenue Bonds, Series 2013</b>		
5.000% due 03/01/2038	2,500	2,858
<b>California State University Revenue Bonds, Series 2011</b>		
5.000% due 11/01/2042	9,200	10,572
	<b>PRINCIPAL AMOUNT (000S)</b>	<b>MARKET VALUE (000S)</b>
<b>California State University Revenue Bonds, Series 2015</b>		
5.000% due 11/01/2047	\$ 12,750	\$ 14,822
<b>California Statewide Communities Development Authority Certificates of Participation Bonds, Series 1999</b>		

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5.375% due 04/01/2030	945	948
<b>California Statewide Communities Development Authority Revenue Bonds, (FGIC Insured), Series 2007</b>		
5.750% due 07/01/2047	3,100	3,407
<b>California Statewide Communities Development Authority Revenue Bonds, (FHA Insured), Series 2009</b>		
6.625% due 08/01/2029	1,780	2,125
6.750% due 02/01/2038	6,430	7,706
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2006</b>		
5.000% due 03/01/2041	4,500	4,524
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2007</b>		
5.500% due 11/01/2038	1,300	1,315
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2008</b>		
5.500% due 07/01/2031	2,030	2,157
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2010</b>		
6.250% due 10/01/2039	500	562
7.500% due 06/01/2042	990	1,080
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2041	11,000	12,163
6.000% due 08/15/2042	1,800	2,150
6.500% due 11/01/2021	335	369
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2012</b>		
5.000% due 04/01/2042	11,220	12,609
5.375% due 05/15/2038	2,000	2,251
<b>California Statewide Communities Development Authority Revenue Bonds, Series 2014</b>		
5.500% due 12/01/2054	2,500	2,661
<b>Chula Vista, California Revenue Bonds, Series 2004</b>		
5.875% due 02/15/2034	2,000	2,297
<b>Contra Costa County, California Public Financing Authority Tax Allocation Bonds, Series 2003</b>		
5.625% due 08/01/2033	1,415	1,415
<b>Fremont Community Facilities District No. 1, California Special Tax Bonds, Series 2015</b>		
5.000% due 09/01/2045	1,400	1,526
<b>Golden State, California Tobacco Securitization Corp. Revenue Bonds, Series 2007</b>		
5.750% due 06/01/2047	15,165	14,245
<b>Hayward Unified School District, California General Obligation Bonds, Series 2015</b>		
5.000% due 08/01/2038	5,000	5,662
<b>JPMorgan Chase Putters/Drivers Trust, California Revenue Bonds, Series 2009</b>		
5.000% due 07/01/2037 (a)	5,000	5,292
<b>Lancaster Redevelopment Agency, California Tax Allocation Bonds, Series 2009</b>		
6.875% due 08/01/2039	500	588
<b>Long Beach Unified School District, California General Obligation Bonds, Series 2009</b>		
5.750% due 08/01/2033	5,000	5,736
<b>Long Beach, California Airport System Revenue Bonds, Series 2010</b>		
5.000% due 06/01/2040	2,120	2,347
<b>Los Angeles Community College District, California General Obligation Bonds, Series 2009</b>		
14.018% due 08/01/2033 (b)	1,000	1,300
<b>Los Angeles Department of Water &amp; Power, California Revenue Bonds, Series 2009</b>		
5.000% due 07/01/2039 (a)	10,000	11,037
	<b>PRINCIPAL</b>	<b>MARKET</b>
	<b>AMOUNT</b>	<b>VALUE</b>
	<b>(000S)</b>	<b>(000S)</b>
<b>Los Angeles Department of Water &amp; Power, California Revenue Bonds, Series 2012</b>		
5.000% due 07/01/2037	\$ 2,000	\$ 2,315
5.000% due 07/01/2043	2,115	2,433
<b>Los Angeles Department of Water &amp; Power, California Revenue Bonds, Series 2014</b>		
5.000% due 07/01/2043	3,000	3,444
<b>Los Angeles Unified School District, California General Obligation Bonds, Series 2009</b>		
5.000% due 01/01/2034 (a)	10,000	11,232
<b>M-S-R Energy Authority, California Revenue Bonds, Series 2009</b>		
6.500% due 11/01/2039	10,825	15,207
7.000% due 11/01/2034	2,285	3,316
<b>Malibu, California Certificates of Participation Bonds, Series 2009</b>		
5.000% due 07/01/2039	550	605
<b>Manteca Financing Authority, California Revenue Bonds, Series 2009</b>		
5.750% due 12/01/2036	1,000	1,161
<b>Montebello Unified School District, California General Obligation Bonds, (AGM Insured), Series 2008</b>		
5.000% due 08/01/2033	3,000	3,311
<b>Oakland Redevelopment Agency Successor Agency, California Tax Allocation Bonds, (AGM Insured), Series 2015</b>		
5.000% due 09/01/2036	800	920
<b>Peralta Community College District, California General Obligation Bonds, Series 2009</b>		
5.000% due 08/01/2039	1,250	1,380
<b>Regents of the University of California Medical Center Pooled Revenue Bonds, Series 2013</b>		

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5.000% due 05/15/2043	5,000	5,579
<b>River Islands Public Financing Authority, California Special Tax Bonds, Series 2015</b>		
5.500% due 09/01/2045	3,000	3,200
<b>Rocklin Unified School District Community Facilities District, California Special Tax Bonds, (NPFGC Insured), Series 2004</b>		
5.000% due 09/01/2029	500	501
<b>Sacramento Municipal Utility District, California Revenue Bonds, Series 2013</b>		
5.000% due 08/15/2037	3,000	3,526
<b>San Diego County, California Regional Airport Authority Revenue Bonds, Series 2013</b>		
5.000% due 07/01/2043	1,325	1,499
<b>San Diego County, California Water Authority Certificates of Participation Bonds, (AGM Insured), Series 2008</b>		
5.000% due 05/01/2038	6,250	6,699
<b>San Diego Public Facilities Financing Authority Sewer, California Revenue Bonds, Series 2009</b>		
5.250% due 05/15/2039	4,000	4,477
<b>San Diego Regional Building Authority, California Revenue Bonds, Series 2009</b>		
5.375% due 02/01/2036	2,200	2,429
<b>San Francisco, California City &amp; County Certificates of Participation Bonds, Series 2009</b>		
5.250% due 04/01/2031	550	611
<b>San Francisco, California City &amp; County Redevelopment Agency Special Tax Bonds, Series 2013</b>		
5.000% due 08/01/2028	1,505	1,670
<b>San Joaquin Hills Transportation Corridor Agency, California Revenue Bonds, Series 2014</b>		
5.000% due 01/15/2050	2,000	2,160
<b>San Jose, California Hotel Tax Revenue Bonds, Series 2011</b>		
6.500% due 05/01/2036	1,500	1,810
<b>San Marcos Redevelopment Agency Successor Agency, California Tax Allocation Bonds, Series 2015</b>		
5.000% due 10/01/2034	885	1,046

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December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>San Marcos Unified School District, California General Obligation Bonds, Series 2011</b>		
5.000% due 08/01/2038	\$ 1,000	\$ 1,109
<b>Santa Clara County, California Financing Authority Revenue Bonds, (AMBAC Insured), Series 2007</b>		
5.750% due 02/01/2041	500	539
<b>Santa Cruz County, California Redevelopment Agency Tax Allocation Bonds, Series 2009</b>		
7.000% due 09/01/2036	1,200	1,402
<b>Torrance, California Revenue Bonds, Series 2001</b>		
5.500% due 06/01/2031	2,950	2,999
<b>Washington Township Health Care District, California General Obligation Bonds, Series 2013</b>		
5.000% due 08/01/2043	2,500	2,795
<b>Western Municipal Water District Facilities Authority, California Revenue Bonds, Series 2009</b>		
5.000% due 10/01/2039	2,000	2,221
<b>Westlake Village, California Certificates of Participation Bonds, Series 2009</b>		
5.000% due 06/01/2039	1,000	1,019
		358,032
<b>ILLINOIS 4.3%</b>		
<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2035	3,000	3,166
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.250% due 01/01/2028	\$ 3,700	\$ 3,931
5.500% due 01/01/2033	2,500	2,656
		9,753
<b>INDIANA 2.2%</b>		
<b>Vigo County, Indiana Hospital Authority Revenue Bonds, Series 2007</b>		
5.750% due 09/01/2042	5,000	5,151
<b>NEW JERSEY 0.4%</b>		
<b>Tobacco Settlement Financing Corp., New Jersey Revenue Bonds, Series 2007</b>		
4.750% due 06/01/2034	1,000	820
<b>Total Municipal Bonds &amp; Notes</b> (Cost \$334,215)		<b>373,756</b>
<b>SHORT-TERM INSTRUMENTS 1.8%</b>		
<b>SHORT-TERM NOTES 1.7%</b>		
<b>Federal Home Loan Bank</b>		
0.142% due 01/22/2016	3,300	3,299
0.188% due 01/20/2016	200	200
	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
0.233% due 01/25/2016	\$ 100	\$ 100
0.314% due 01/28/2016	200	200
		3,799

<b>U.S. TREASURY BILLS 0.1%</b>		
0.203% due 01/14/2016	300	300
<b>Total Short-Term Instruments</b> (Cost \$4,100)		<b>4,099</b>
<b>Total Investments in Securities</b> (Cost \$338,315)		<b>377,855</b>
<b>Total Investments 165.6%</b> (Cost \$338,315)	\$	<b>377,855</b>
<b>Preferred Shares (54.8%)</b>		<b>(125,000)</b>
<b>Other Assets and Liabilities, net (10.8%)</b>		<b>(24,634)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>	\$	<b>228,221</b>

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

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

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

(b) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on December 31, 2015.

**FAIR VALUE MEASUREMENTS**

The following is a summary of the fair valuations according to the inputs used as of December 31, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2015
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
California	\$ 0	\$ 358,032	\$ 0	\$ 358,032
Illinois	0	9,753	0	9,753
Indiana	0	5,151	0	5,151
New Jersey	0	820	0	820
Short-Term Instruments				
Short-Term Notes	0	3,799	0	3,799
U.S. Treasury Bills	0	300	0	300
Total Investments	\$ 0	\$ 377,855	\$ 0	\$ 377,855

There were no significant transfers between Levels 1, 2, or 3 during the period ended December 31, 2015.

**Table of Contents****Schedule of Investments PIMCO New York Municipal Income Fund**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 157.5%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 155.4%</b>		
<b>ILLINOIS 2.7%</b>		
<b>Chicago, Illinois General Obligation Bonds, Series 2007</b>		
5.500% due 01/01/2042	\$ 885	\$ 921
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.250% due 01/01/2028	1,500	1,594
		2,515
<b>NEW YORK 149.8%</b>		
<b>Build NYC Resource Corp., New York Revenue Bonds, Series 2014</b>		
5.000% due 06/01/2043	820	925
<b>Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011</b>		
5.250% due 02/15/2047	3,000	3,369
5.750% due 02/15/2047	4,000	4,605
<b>Long Island Power Authority, New York Revenue Bonds, Series 2009</b>		
5.750% due 04/01/2039	4,500	5,043
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2012</b>		
5.000% due 11/15/2042	2,000	2,250
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2013</b>		
5.000% due 11/15/2043	1,000	1,135
<b>Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014</b>		
2.000% due 01/01/2049 ^	433	52
6.700% due 01/01/2049	1,200	1,190
<b>Nassau County, New York Tobacco Settlement Corp. Revenue Bonds, Series 2006</b>		
5.125% due 06/01/2046	1,230	1,071
<b>New York City, New York General Obligation Bonds, Series 2013</b>		
5.000% due 08/01/2031	2,000	2,367
<b>New York City, New York Health &amp; Hospital Corp. Revenue Bonds, Series 2010</b>		
5.000% due 02/15/2030	3,500	3,857
<b>New York City, New York Industrial Development Agency Revenue Bonds, (AGC Insured), Series 2009</b>		
6.500% due 01/01/2046	900	1,017
7.000% due 03/01/2049	3,200	3,724
<b>New York City, New York Transitional Finance Authority Building Aid Revenue Bonds, Series 2009</b>		
5.250% due 01/15/2039	5,000	5,502
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2007</b>		
4.750% due 06/15/2035 (a)	5,000	5,238
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2009</b>		
5.000% due 06/15/2040	2,500	2,802
<b>New York Convention Center Development Corp. Revenue Bonds, Series 2015</b>		
5.000% due 11/15/2045	2,500	2,869
<b>New York Liberty Development Corp. Revenue Bonds, Series 2005</b>		
5.250% due 10/01/2035 (a)	11,410	13,692
	<b>PRINCIPAL AMOUNT (000S)</b>	<b>MARKET VALUE (000S)</b>
<b>New York Liberty Development Corp. Revenue Bonds, Series 2007</b>		
5.500% due 10/01/2037	\$ 1,925	\$ 2,423
<b>New York Liberty Development Corp. Revenue Bonds, Series 2010</b>		
5.125% due 01/15/2044	6,150	6,807
6.375% due 07/15/2049	1,500	1,694
<b>New York Liberty Development Corp. Revenue Bonds, Series 2011</b>		
5.000% due 12/15/2041	2,000	2,256

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5.750% due 11/15/2051	6,000	6,989
<b>New York Liberty Development Corp. Revenue Bonds, Series 2014</b>		
5.000% due 11/15/2044	1,900	1,963
<b>New York State Dormitory Authority Revenue Bonds, (AGC Insured), Series 2009</b>		
5.125% due 07/01/2039	1,000	1,082
<b>New York State Dormitory Authority Revenue Bonds, Series 2008</b>		
4.500% due 07/01/2035	2,500	2,598
5.000% due 07/01/2038	1,500	1,648
<b>New York State Dormitory Authority Revenue Bonds, Series 2009</b>		
5.000% due 03/15/2038	1,000	1,098
5.125% due 07/01/2039	1,300	1,472
5.500% due 03/01/2039	1,800	2,018
<b>New York State Dormitory Authority Revenue Bonds, Series 2010</b>		
5.000% due 07/01/2035	500	563
5.500% due 07/01/2040	1,250	1,435
<b>New York State Dormitory Authority Revenue Bonds, Series 2011</b>		
5.000% due 07/01/2031	2,000	2,216
5.500% due 07/01/2036	1,000	1,180
6.000% due 07/01/2040	1,225	1,422
<b>New York State Dormitory Authority Revenue Bonds, Series 2012</b>		
5.000% due 07/01/2042	1,350	1,535
<b>New York State Dormitory Authority Revenue Bonds, Series 2013</b>		
5.000% due 02/15/2029	1,000	1,177
<b>New York State Dormitory Authority Revenue Bonds, Series 2015</b>		
5.000% due 07/01/2034	1,000	1,140
5.000% due 07/01/2040	2,000	2,310
<b>New York State Thruway Authority Revenue Bonds, Series 2012</b>		
5.000% due 01/01/2037	2,000	2,255
5.000% due 01/01/2042	3,645	4,046
<b>New York State Urban Development Corp. Revenue Bonds, Series 2009</b>		
5.000% due 03/15/2036 (a)	1,800	1,987
<b>Onondaga County, New York Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2036	600	685
<b>Port Authority of New York &amp; New Jersey Revenue Bonds, Series 2010</b>		
6.000% due 12/01/2036	1,000	1,168
	<b>PRINCIPAL</b>	<b>MARKET</b>
	<b>AMOUNT</b>	<b>VALUE</b>
	<b>(000S)</b>	<b>(000S)</b>
<b>Triborough Bridge &amp; Tunnel Authority, New York Revenue Notes, Series 2009</b>		
5.250% due 11/15/2034 (a)	\$ 3,000	\$ 3,332
<b>Troy Capital Resource Corp., New York Revenue Bonds, Series 2010</b>		
5.125% due 09/01/2040	3,000	3,363
<b>Troy Industrial Development Authority, New York Revenue Bonds, Series 2002</b>		
4.625% due 09/01/2026	5,860	6,503
<b>TSASC, Inc., New York Revenue Bonds, Series 2006</b>		
5.000% due 06/01/2026	4,000	4,035
5.000% due 06/01/2034	3,000	2,811
5.125% due 06/01/2042	2,205	2,008
<b>Westchester County Healthcare Corp., New York Revenue Bonds, Series 2010</b>		
6.125% due 11/01/2037	910	1,040
<b>Yonkers Economic Development Corp., New York Revenue Bonds, Series 2010</b>		
6.000% due 10/15/2030	200	210
<b>Yonkers Industrial Development Agency, New York Revenue Bonds, Series 2001</b>		
6.000% due 06/01/2041	400	451
		139,628
<b>OHIO 2.9%</b>		
<b>Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007</b>		
6.500% due 06/01/2047	2,875	2,669
<b>Total Municipal Bonds &amp; Notes</b>		
<b>(Cost \$131,136)</b>		<b>144,812</b>
<b>SHORT-TERM INSTRUMENTS 2.1%</b>		
<b>SHORT-TERM NOTES 2.1%</b>		
<b>Federal Home Loan Bank</b>		
0.142% due 01/22/2016	100	100

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0.157% due 01/26/2016	100	100
0.314% due 01/28/2016	200	200
<b>Freddie Mac</b>		
0.172% due 01/28/2016	1,600	1,600
		2,000
<b>Total Short-Term Instruments</b> (Cost \$2,000)		<b>2,000</b>
<b>Total Investments in Securities</b> (Cost \$133,136)		<b>146,812</b>
<b>Total Investments 157.5%</b>		
(Cost \$133,136)	\$	<b>146,812</b>
Preferred Shares (50.4%)		<b>(47,000)</b>
Other Assets and Liabilities, net (7.1%)		<b>(6,607)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>	\$	<b>93,205</b>

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

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

^ Security is in default.

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

**50 PIMCO CLOSED-END FUNDS**

See Accompanying Notes

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**FAIR VALUE MEASUREMENTS**

The following is a summary of the fair valuations according to the inputs used as of December 31, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 12/31/2015
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
Illinois	\$ 0	\$ 2,515	\$ 0	\$ 2,515
New York	0	139,628	0	139,628
Ohio	0	2,669	0	2,669
Short-Term Instruments				
Short-Term Notes	0	2,000	0	2,000
Total Investments	\$ 0	\$ 146,812	\$ 0	\$ 146,812

There were no significant transfers between Levels 1, 2, or 3 during the period ended December 31, 2015.

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO New York Municipal Income Fund II**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 167.6%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 167.4%</b>		
<b>FLORIDA 0.9%</b>		
<b>Clearwater, Florida Water &amp; Sewer Revenue Bonds, Series 2009</b>		
5.250% due 12/01/2039	\$ 1,000	\$ 1,132
<b>ILLINOIS 1.8%</b>		
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.250% due 01/01/2028	2,100	2,231
<b>LOUISIANA 0.9%</b>		
<b>East Baton Rouge Sewerage Commission, Louisiana Revenue Bonds, Series 2009</b>		
5.250% due 02/01/2039	1,000	1,124
<b>NEW YORK 161.9%</b>		
<b>Build NYC Resource Corp., New York Revenue Bonds, Series 2014</b>		
5.000% due 06/01/2038	1,000	1,144
<b>Chautauqua Industrial Development Agency, New York Revenue Bonds, Series 2009</b>		
5.875% due 04/01/2042	1,000	1,053
<b>Dutchess County, New York Local Development Corp. Revenue Bonds, Series 2015</b>		
5.000% due 07/01/2045	3,000	3,399
<b>Erie County, New York Industrial Development Agency Revenue Bonds, Series 2006</b>		
6.000% due 11/15/2036	150	157
<b>Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011</b>		
5.750% due 02/15/2047	9,000	10,362
<b>JPMorgan Chase Putters/Drivers Trust, New York Revenue Bonds, Series 2009</b>		
9.530% due 07/01/2033 (b)	5,000	6,125
<b>Long Island Power Authority, New York Revenue Bonds, Series 2014</b>		
5.000% due 09/01/2044	3,500	3,939
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2009</b>		
5.000% due 11/15/2034	2,000	2,258
5.500% due 11/15/2039	5,000	5,551
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2012</b>		
5.000% due 11/15/2030	2,100	2,471
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2013</b>		
5.000% due 11/15/2043	3,000	3,406
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2015</b>		
5.000% due 11/15/2036	4,000	4,660
<b>Monroe County Industrial Development Corp., New York Revenue Bonds, (FHA Insured), Series 2010</b>		
5.500% due 08/15/2040	3,500	4,015
<b>Monroe County Industrial Development Corp., New York Revenue Bonds, Series 2013</b>		
5.000% due 07/01/2043	1,750	1,966
<b>Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014</b>		
2.000% due 01/01/2049 ^	650	78
6.700% due 01/01/2049	1,800	1,785
<b>Nassau County, New York Tobacco Settlement Corp. Revenue Bonds, Series 2006</b>		
5.125% due 06/01/2046	4,000	3,483
<b>New York City, New York General Obligation Bonds, Series 2013</b>		
5.000% due 08/01/2031	2,000	2,367
	<b>PRINCIPAL AMOUNT (000S)</b>	<b>MARKET VALUE (000S)</b>
<b>New York City, New York Health &amp; Hospital Corp. Revenue Bonds, Series 2010</b>		

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5.000% due 02/15/2030	\$	1,500	\$	1,653
<b>New York City, New York Industrial Development Agency Revenue Bonds, (AGC Insured), Series 2009</b>				
6.500% due 01/01/2046		1,500		1,695
7.000% due 03/01/2049		4,900		5,702
<b>New York City, New York Industrial Development Agency Revenue Bonds, (FGIC Insured), Series 2006</b>				
5.000% due 03/01/2031		750		768
<b>New York City, New York Industrial Development Agency Revenue Bonds, (NPFGC Insured), Series 2006</b>				
5.000% due 03/01/2036		1,900		1,943
<b>New York City, New York Transitional Finance Authority Building Aid Revenue Bonds, Series 2009</b>				
5.250% due 01/15/2039		5,000		5,503
<b>New York City, New York Transitional Finance Authority Future Tax Secured Revenue Bonds, Series 2012</b>				
5.000% due 05/01/2039		2,000		2,271
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2009</b>				
5.000% due 06/15/2039		500		561
5.250% due 06/15/2040		1,000		1,130
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2013</b>				
5.000% due 06/15/2047		1,000		1,132
<b>New York Convention Center Development Corp. Revenue Bonds, Series 2015</b>				
5.000% due 11/15/2045		4,000		4,590
<b>New York Liberty Development Corp. Revenue Bonds, Series 2005</b>				
5.250% due 10/01/2035 (a)		6,350		7,620
<b>New York Liberty Development Corp. Revenue Bonds, Series 2007</b>				
5.500% due 10/01/2037		3,500		4,405
<b>New York Liberty Development Corp. Revenue Bonds, Series 2010</b>				
5.125% due 01/15/2044		1,500		1,660
5.625% due 07/15/2047		1,400		1,580
6.375% due 07/15/2049		1,300		1,468
<b>New York Liberty Development Corp. Revenue Bonds, Series 2011</b>				
5.000% due 12/15/2041		3,000		3,383
5.750% due 11/15/2051		10,000		11,648
<b>New York Liberty Development Corp. Revenue Bonds, Series 2014</b>				
5.000% due 11/15/2044		2,000		2,066
<b>New York State Dormitory Authority Revenue Bonds, (AMBAC Insured), Series 2005</b>				
5.500% due 05/15/2031		7,490		9,824
<b>New York State Dormitory Authority Revenue Bonds, Series 2006</b>				
5.000% due 07/01/2035		2,750		2,812
<b>New York State Dormitory Authority Revenue Bonds, Series 2007</b>				
5.625% due 07/01/2037		1,000		1,072
<b>New York State Dormitory Authority Revenue Bonds, Series 2008</b>				
5.000% due 07/01/2036		2,000		2,175
5.000% due 07/01/2038		2,100		2,307
<b>New York State Dormitory Authority Revenue Bonds, Series 2009</b>				
5.000% due 03/15/2038		3,000		3,294
5.500% due 05/01/2037		600		686
5.500% due 03/01/2039		3,000		3,363
<b>New York State Dormitory Authority Revenue Bonds, Series 2010</b>				
5.500% due 07/01/2040		1,000		1,148
		<b>PRINCIPAL</b>		<b>MARKET</b>
		<b>AMOUNT</b>		<b>VALUE</b>
		<b>(000S)</b>		<b>(000S)</b>
<b>New York State Dormitory Authority Revenue Bonds, Series 2011</b>				
5.000% due 07/01/2031	\$	2,000	\$	2,216
5.500% due 07/01/2036		1,500		1,770
<b>New York State Dormitory Authority Revenue Bonds, Series 2015</b>				
5.000% due 07/01/2039		1,000		1,123
5.000% due 07/01/2045		4,000		4,610
<b>New York State Environmental Facilities Corp. Revenue Bonds, Series 2009</b>				
5.125% due 06/15/2038		5,000		5,615
<b>New York State Thruway Authority Revenue Bonds, Series 2012</b>				
5.000% due 01/01/2042		3,800		4,218
<b>New York State Urban Development Corp. Revenue Bonds, Series 2009</b>				
5.000% due 03/15/2036 (a)		6,000		6,624
<b>Niagara Tobacco Asset Securitization Corp., New York Revenue Bonds, Series 2014</b>				
5.250% due 05/15/2034		500		566
5.250% due 05/15/2040		500		562
<b>Onondaga County, New York Revenue Bonds, Series 2011</b>				
5.000% due 12/01/2036		1,000		1,142
<b>Port Authority of New York &amp; New Jersey Revenue Bonds, Series 2010</b>				
6.000% due 12/01/2036		1,400		1,635
<b>Triborough Bridge &amp; Tunnel Authority, New York Revenue Notes, Series 2009</b>				

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5.250% due 11/15/2034 (a)	5,000	5,554
<b>Troy Capital Resource Corp., New York Revenue Bonds, Series 2010</b>		
5.125% due 09/01/2040	3,435	3,851
<b>TSASC, Inc., New York Revenue Bonds, Series 2006</b>		
5.000% due 06/01/2026	7,000	7,062
5.000% due 06/01/2034	5,000	4,685
5.125% due 06/01/2042	1,000	911
<b>Ulster County, New York Industrial Development Agency Revenue Bonds, Series 2007</b>		
6.000% due 09/15/2037	1,815	1,817
<b>Westchester County Healthcare Corp., New York Revenue Bonds, Series 2010</b>		
6.125% due 11/01/2037	1,490	1,703
<b>Westchester County, New York Local Development Corp. Revenue Bonds, Series 2014</b>		
5.500% due 05/01/2042	1,000	1,116
<b>Yonkers Economic Development Corp., New York Revenue Bonds, Series 2010</b>		
6.000% due 10/15/2030	1,000	1,051
<b>Yonkers Industrial Development Agency, New York Revenue Bonds, Series 2001</b>		
6.000% due 06/01/2041	600	677
		204,186
<b>OHIO 1.0%</b>		
<b>Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007</b>		
6.500% due 06/01/2047	1,435	1,332
<b>U.S. VIRGIN ISLANDS 0.9%</b>		
<b>Virgin Islands Public Finance Authority, U.S. Virgin Islands Revenue Bonds, Series 2009</b>		
6.000% due 10/01/2039	1,000	1,099
<b>Total Municipal Bonds &amp; Notes (Cost \$190,917)</b>		<b>211,104</b>

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See Accompanying Notes

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December 31, 2015

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>SHORT-TERM INSTRUMENTS 0.2%</b>		
<b>SHORT-TERM NOTES 0.2%</b>		
Freddie Mac		
0.254% due 01/27/2016	\$ 200	\$ 200
<b>Total Short-Term Instruments (Cost \$200)</b>		<b>200</b>
<b>Total Investments in Securities (Cost \$191,117)</b>		<b>211,304</b>
<b>Total Investments 167.6% (Cost \$191,117)</b>		<b>\$ 211,304</b>
<b>Preferred Shares (62.7%)</b>		<b>(79,000)</b>
<b>Other Assets and Liabilities, net (4.9%)</b>		<b>(6,219)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>		<b>\$ 126,085</b>

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

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

^ Security is in default.

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

(b) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on December 31, 2015.

**FAIR VALUE MEASUREMENTS**

The following is a summary of the fair valuations according to the inputs used as of December 31, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory				Fair Value at
	Level 1	Level 2	Level 3	12/31/2015
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
Florida	\$ 0	\$ 1,132	\$ 0	\$ 1,132
Illinois	0	2,231	0	2,231
Louisiana	0	1,124	0	1,124
New York	0	204,186	0	204,186

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Ohio	0	1,332	0	1,332
U.S. Virgin Islands	0	1,099	0	1,099
Short-Term Instruments				
Short-Term Notes	0	200	0	200
Total Investments	\$ 0	\$ 211,304	\$ 0	\$ 211,304

There were no significant transfers between Levels 1, 2, or 3 during the period ended December 31, 2015.

See Accompanying Notes

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**Table of Contents****Schedule of Investments PIMCO New York Municipal Income Fund III**

	PRINCIPAL AMOUNT (000S)	MARKET VALUE (000S)
<b>INVESTMENTS IN SECURITIES 165.9%</b>		
<b>MUNICIPAL BONDS &amp; NOTES 162.2%</b>		
<b>ILLINOIS 3.7%</b>		
<b>Chicago, Illinois General Obligation Bonds, Series 2015</b>		
5.250% due 01/01/2028	\$ 1,900	\$ 2,019
<b>NEW YORK 154.2%</b>		
<b>Brooklyn Arena Local Development Corp., New York Revenue Bonds, Series 2009</b>		
6.375% due 07/15/2043	1,000	1,147
<b>Chautauqua Industrial Development Agency, New York Revenue Bonds, Series 2009</b>		
5.875% due 04/01/2042	1,500	1,580
<b>Dutchess County, New York Industrial Development Agency Revenue Bonds, Series 2007</b>		
5.250% due 01/01/2037	695	651
<b>Hudson Yards Infrastructure Corp., New York Revenue Bonds, Series 2011</b>		
5.750% due 02/15/2047	4,000	4,605
<b>Long Island Power Authority, New York Revenue Bonds, Series 2009</b>		
5.750% due 04/01/2039	1,500	1,681
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2009</b>		
5.000% due 11/15/2034	500	565
<b>Metropolitan Transportation Authority, New York Revenue Bonds, Series 2013</b>		
5.000% due 11/15/2042	2,000	2,247
5.000% due 11/15/2043	4,000	4,541
<b>Monroe County Industrial Development Corp., New York Revenue Bonds, (FHA Insured), Series 2010</b>		
5.500% due 08/15/2040	1,500	1,721
<b>Monroe County Industrial Development Corp., New York Revenue Bonds, Series 2013</b>		
5.000% due 07/01/2043	1,750	1,966
<b>Nassau County, New York Industrial Development Agency Revenue Bonds, Series 2014</b>		
2.000% due 01/01/2049 ^	135	16
6.700% due 01/01/2049	375	372
<b>New York City, New York General Obligation Bonds, Series 2013</b>		
5.000% due 08/01/2031	2,590	3,065
<b>New York City, New York Industrial Development Agency Revenue Bonds, (AGC Insured), Series 2009</b>		
6.500% due 01/01/2046	600	678
7.000% due 03/01/2049	2,200	2,560
<b>New York City, New York Transitional Finance Authority Future Tax Secured Revenue Bonds, Series 2013</b>		
5.000% due 11/01/2042	2,000	2,280
<b>New York City, New York Trust for Cultural Resources Revenue Bonds, Series 2014</b>		
5.000% due 08/01/2043	2,000	2,236
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2007</b>		
4.750% due 06/15/2035 (a)	5,000	5,238
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2009</b>		
5.000% due 06/15/2039	1,500	1,682
	<b>PRINCIPAL AMOUNT (000S)</b>	<b>MARKET VALUE (000S)</b>
<b>New York City, New York Water &amp; Sewer System Revenue Bonds, Series 2012</b>		
5.000% due 06/15/2047	\$ 2,500	\$ 2,830
<b>New York Convention Center Development Corp. Revenue Bonds, Series 2015</b>		
5.000% due 11/15/2045	2,000	2,295
<b>New York Counties Tobacco Trust Revenue Bonds, Series 2001</b>		
5.750% due 06/01/2043	2,000	2,026
<b>New York Liberty Development Corp. Revenue Bonds, Series 2007</b>		
5.500% due 10/01/2037	2,400	3,020
<b>New York Liberty Development Corp. Revenue Bonds, Series 2010</b>		
5.125% due 01/15/2044	2,000	2,214
6.375% due 07/15/2049	1,050	1,186
<b>New York Liberty Development Corp. Revenue Bonds, Series 2011</b>		

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5.750% due 11/15/2051	4,000	4,659
<b>New York Liberty Development Corp. Revenue Bonds, Series 2014</b>		
5.000% due 11/15/2044	2,000	2,066
<b>New York State Dormitory Authority Revenue Bonds, Series 2009</b>		
5.000% due 03/15/2038	1,000	1,098
5.500% due 03/01/2039	1,200	1,345
<b>New York State Dormitory Authority Revenue Bonds, Series 2010</b>		
5.500% due 07/01/2040	500	574
<b>New York State Dormitory Authority Revenue Bonds, Series 2011</b>		
6.000% due 07/01/2040	250	290
<b>New York State Dormitory Authority Revenue Bonds, Series 2012</b>		
5.000% due 05/15/2026	1,225	1,456
5.000% due 12/15/2027	2,000	2,413
<b>New York State Dormitory Authority Revenue Bonds, Series 2013</b>		
5.000% due 02/15/2029	750	883
<b>New York State Environmental Facilities Corp. Revenue Bonds, Series 2007</b>		
4.750% due 06/15/2032	750	792
<b>New York State Thruway Authority Revenue Bonds, Series 2012</b>		
5.000% due 01/01/2042	1,600	1,776
<b>New York State Urban Development Corp. Revenue Bonds, Series 2009</b>		
5.000% due 03/15/2036 (a)	2,200	2,429
<b>Niagara Tobacco Asset Securitization Corp., New York Revenue Bonds, Series 2014</b>		
5.250% due 05/15/2034	500	566
5.250% due 05/15/2040	500	562
<b>Onondaga County, New York Revenue Bonds, Series 2011</b>		
5.000% due 12/01/2036	400	457
<b>Port Authority of New York &amp; New Jersey Revenue Bonds, Series 2010</b>		
6.000% due 12/01/2036	600	701
<b>Triborough Bridge &amp; Tunnel Authority, New York Revenue Notes, Series 2009</b>		
5.250% due 11/15/2034 (a)	2,000	2,222
	<b>PRINCIPAL AMOUNT (000S)</b>	<b>MARKET VALUE (000S)</b>
<b>Troy Capital Resource Corp., New York Revenue Bonds, Series 2010</b>		
5.125% due 09/01/2040	\$ 1,400	\$ 1,570
<b>TSASC, Inc., New York Revenue Bonds, Series 2006</b>		
5.000% due 06/01/2026	4,000	4,035
5.000% due 06/01/2034	100	94
5.125% due 06/01/2042	500	455
<b>Westchester County Healthcare Corp., New York Revenue Bonds, Series 2010</b>		
6.125% due 11/01/2037	600	686
<b>Yonkers Economic Development Corp., New York Revenue Bonds, Series 2010</b>		
6.000% due 10/15/2030	100	105
		83,636
<b>OHIO 3.3%</b>		
<b>Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007</b>		
6.500% due 06/01/2047	1,950	1,810
<b>U.S. VIRGIN ISLANDS 1.0%</b>		
<b>Virgin Islands Public Finance Authority, U.S. Virgin Islands Revenue Bonds, Series 2009</b>		
6.000% due 10/01/2039	500	549
<b>Total Municipal Bonds &amp; Notes (Cost \$79,778)</b>		<b>88,014</b>
<b>SHORT-TERM INSTRUMENTS 3.7%</b>		
<b>SHORT-TERM NOTES 3.3%</b>		
<b>Federal Home Loan Bank</b>		
0.254% due 01/15/2016	100	100
<b>Freddie Mac</b>		
0.172% due 01/28/2016	1,700	1,700
		1,800

U.S. TREASURY BILLS 0.4%

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0.203% due 01/14/2016	200	200
<b>Total Short-Term Instruments</b> (Cost \$2,000)		<b>2,000</b>
<b>Total Investments in Securities</b> (Cost \$81,778)		<b>90,014</b>
<b>Total Investments 165.9%</b> (Cost \$81,778)	\$	<b>90,014</b>
<b>Preferred Shares (59.0%)</b>		<b>(32,000)</b>
<b>Other Assets and Liabilities, net (6.9%)</b>		<b>(3,767)</b>
<b>Net Assets Applicable to Common Shareholders 100.0%</b>	\$	<b>54,247</b>

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

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

^ Security is in default.

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

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See Accompanying Notes

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December 31, 2015

**FAIR VALUE MEASUREMENTS**

The following is a summary of the fair valuations according to the inputs used as of December 31, 2015 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair
				Value at 12/31/2015
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
Illinois	\$ 0	\$ 2,019	\$ 0	\$ 2,019
New York	0	83,636	0	83,636
Ohio	0	1,810	0	1,810
U.S. Virgin Islands	0	549	0	549
Short-Term Instruments				
Short-Term Notes	0	1,800	0	1,800
U.S. Treasury Bills	0	200	0	200
Total Investments	\$ 0	\$ 90,014	\$ 0	\$ 90,014

There were no significant transfers between Levels 1, 2, or 3 during the period ended December 31, 2015.

See Accompanying Notes

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**Table of Contents****Notes to Financial Statements****1. ORGANIZATION**

PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO New York Municipal Income Fund, PIMCO New York Municipal Income Fund II and PIMCO New York Municipal Income Fund III (each a Fund and collectively the Funds) are organized as Massachusetts business trusts as closed-end management investment companies registered under the Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the Act). Pacific Investment Management Company LLC (PIMCO or the Manager) serves as the Funds investment manager.

<b>Fund Name</b>	<b>Formation Date</b>
PIMCO Municipal Income Fund	May 9, 2001
PIMCO Municipal Income Fund II	March 29, 2002
PIMCO Municipal Income Fund III	August 20, 2002
PIMCO California Municipal Income Fund	May 10, 2001
PIMCO California Municipal Income Fund II	March 29, 2002
PIMCO California Municipal Income Fund III	August 20, 2002
PIMCO New York Municipal Income Fund	May 10, 2001
PIMCO New York Municipal Income Fund II	March 29, 2002
PIMCO New York Municipal Income Fund III	August 20, 2002

Prior to the close of business on September 5, 2014, Allianz Global Investors Fund Management LLC (AGIFM) and PIMCO served as the Funds investment manager and sub-adviser, respectively. Effective at the close of business on September 5, 2014, each Fund entered into a new investment management agreement (the Agreement) with PIMCO, pursuant to which PIMCO replaced AGIFM as the investment manager to the Funds. Under the Agreement, PIMCO continues to provide the day-to-day portfolio management services it provided to each Fund as its sub-adviser and also assumed responsibility for providing the supervisory and administrative services previously provided by AGIFM to each Fund as its investment manager. PIMCO personnel have replaced AGIFM personnel as Fund officers and in other roles to provide and oversee the administrative, accounting/financial reporting, compliance, legal, marketing, transfer agency, shareholder servicing and other services required for the daily operations of each Fund. Please see Fees and Expenses below for additional information.

The Boards of Trustees (collectively, the Board) of the Funds approved a change of the fiscal year end of the Funds on December 16, 2014 as set forth in the table below:

<b>Fund Name</b>	<b>Prior Fiscal Year End</b>	<b>Current Fiscal Year End</b>	<b>Effective Date</b>
PIMCO Municipal Income Fund	April 30	December 31	Immediately following April 30, 2015
PIMCO Municipal Income Fund II	May 31	December 31	Immediately following May 31, 2015
PIMCO Municipal Income Fund III	September 30	December 31	Immediately following September 30, 2015
PIMCO California Municipal Income Fund	April 30	December 31	Immediately following April 30, 2015
PIMCO California Municipal Income Fund II	May 31	December 31	Immediately following May 31, 2015
PIMCO California Municipal Income Fund III	September 30	December 31	Immediately following September 30, 2015
PIMCO New York Municipal Income Fund	April 30	December 31	Immediately following April 30, 2015
PIMCO New York Municipal Income Fund II	May 31	December 31	Immediately following May 31, 2015
PIMCO New York Municipal Income Fund III	September 30	December 31	Immediately following September 30, 2015

Each Fund has authorized an unlimited number of Common Shares at a par value of \$0.00001 per share.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by each Fund in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America ( U.S. GAAP ). Each Fund is treated as an investment company under the reporting requirements of U.S. GAAP. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of

contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

(a) Securities Transactions and Investment Income Securities transactions are recorded as of the trade date for financial reporting purposes. Securities purchased or sold on a when-issued or delayed-delivery basis may be settled 15 days or more after the trade date. Realized gains and losses from securities sold are recorded on the

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identified cost basis. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as a Fund is informed of the ex-dividend date. Interest income, adjusted for the accretion of discounts and amortization of premiums, is recorded on the accrual basis from settlement date.

Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivable when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is probable.

(b) Distributions – Common Shares The Funds intend to declare distributions from net investment income to common shareholders monthly. Distributions of net realized capital gains, if any, are paid at least annually.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP. Differences between tax regulations and U.S. GAAP may cause timing differences between income and capital gain recognition. Examples of events that give rise to timing differences include wash sales, straddles and capital loss carryforwards. Further, the character of investment income and capital gains may be different for certain transactions under the two methods of accounting. Examples of characterization differences include the treatment of paydowns on mortgage-backed securities, swaps, foreign currency transactions and contingent debt instruments. As a result, income distributions and capital gain distributions declared during a fiscal period may differ significantly from the net investment income (loss) and realized gains (losses) reported on each Fund's annual financial statements presented under U.S. GAAP.

Distributions classified as a tax basis return of capital, if any, are reflected on the Statements of Changes in Net Assets and have been recorded to paid in capital. In addition, other amounts have been reclassified between undistributed (overdistributed) net investment income (loss), accumulated undistributed (overdistributed) net realized gains (losses) and/or paid in capital to more appropriately conform financial accounting to tax characterizations of distributions.

(c) New Accounting Pronouncements In June 2014, the Financial Accounting Standards Board ( FASB ) issued an Accounting Standards Update ( ASU ), ASU 2014-11, which expanded secured borrowing accounting for certain repurchase agreements. The ASU also sets forth additional disclosure requirements for certain transactions accounted for as sales in order to provide financial statement users with

information to compare to similar transactions accounted for as secured borrowings. The ASU is effective prospectively for annual periods beginning after December 15, 2014, and interim periods beginning after March 15, 2015. The Funds have adopted the ASU. The implementation of the ASU did not have an impact on the Funds' financial statements.

In August 2014, the FASB issued ASU 2014-15 requiring management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern. The ASU is effective prospectively for annual periods ending after December 15, 2016, and interim periods thereafter. At this time, management is evaluating the implications of these changes on the financial statements.

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In May 2015, the FASB issued ASU 2015-07 which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The ASU is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. At this time, management is evaluating the implications of these changes on the financial statements.

### 3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

(a) Investment Valuation Policies The net asset value ( NAV ) of a Fund 's shares is determined by dividing the total value of portfolio investments and other assets attributable to that Fund, less any liabilities, by the total number of shares outstanding of that Fund.

On each day that the New York Stock Exchange ( NYSE ) is open, Fund shares are ordinarily valued as of the close of regular trading ( NYSE Close ). Information that becomes known to the Funds or their agents after the time as of which NAV has been calculated on a particular day will not generally be used to retroactively adjust the price of a security or the NAV determined earlier that day. Each Fund reserves the right to change the time as of which its respective NAV is calculated if the Fund closes earlier, or as permitted by the SEC.

For purposes of calculating NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers, or prices (including evaluated prices) supplied by the Funds ' approved pricing services, quotation reporting systems and other third-party

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**Table of Contents****Notes to Financial Statements (Cont.)**

sources (together, Pricing Services ). The Funds will normally use pricing data for domestic equity securities received shortly after the NYSE Close and do not normally take into account trading, clearances or settlements that take place after the NYSE Close. A foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by the Manager to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services or other pricing sources. With respect to any portion of a Fund's assets that are invested in one or more open-end management investment companies (other than exchange-traded funds (ETFs)), the Fund's NAV will be calculated based upon the NAVs of such investments.

Investments for which market quotes or market-based valuations are not readily available are valued at fair value as determined in good faith by the Board of Trustees of the Funds (the Board) or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to PIMCO the responsibility for applying the fair valuation methods. In the event that market quotes or market-based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board (Valuation Oversight Committee), generally based on recommendations provided by the Manager. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations (Broker Quotes), Pricing Services prices), including where events occur after the close of the relevant market, but

prior to the NYSE Close, that materially affect the values of a Fund's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Manager the responsibility for monitoring significant events that may materially affect the values of a Fund's securities or assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

When a Fund uses fair valuation to determine the value of a portfolio security or other asset for purposes of calculating its NAV, such investments will not be priced on the basis of quotes from the primary market in which they are traded, but rather may be priced by another method that the Board or persons acting at their direction believe reflects fair value. Fair valuation may require subjective determinations about the value of a security. While the Funds' policy is intended to result in a calculation of a Fund's NAV that fairly reflects security values as of the time of pricing, the Funds cannot ensure that fair values determined by the Board or persons acting at their direction would accurately reflect the price that a Fund could obtain for a security if it were to dispose of that security as of the time of pricing (for instance, in a forced or distressed sale). The prices used by a Fund may differ from the value that would be realized if the securities were sold.

(b) Fair Value Hierarchy U.S. GAAP describes fair value as the price that a Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a fair value hierarchy that prioritizes inputs to valuation methods and requires disclosure of the fair value hierarchy, separately for each major category of assets and liabilities, that segregates fair value measurements into levels (Level 1, 2, or 3). The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Levels 1, 2, and 3 of the fair value hierarchy are defined as follows:

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- <sup>n</sup> Level 1 Inputs using (unadjusted) quoted prices in active markets or exchanges for identical assets and liabilities.
  
- <sup>n</sup> Level 2 Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

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<sup>n</sup> Level 3 Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

In accordance with the requirements of U.S. GAAP, the amounts of transfers between Levels 1 and 2 and transfers in and out of Level 3, if material, are disclosed in the Notes to Schedule of Investments of each respective Fund.

For fair valuations using significant unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to realized gain (loss), unrealized appreciation (depreciation), purchases and sales, accrued discounts (premiums), and transfers in and out of the Level 3 category during the period. The end of period timing recognition is used for the transfers between Levels of a Fund's assets and liabilities. Additionally, U.S. GAAP requires quantitative information regarding the significant unobservable inputs used in the determination of fair value of assets or liabilities categorized as Level 3 in the fair value hierarchy. In accordance with the requirements of U.S. GAAP, a fair value hierarchy, and if material, a Level 3 reconciliation and details of significant unobservable inputs, have been included in the Notes to Schedule of Investments for each respective Fund.

(c) Valuation Techniques and the Fair Value Hierarchy Level 1 and Level 2 trading assets and trading liabilities, at fair value The valuation methods (or techniques) and significant inputs used in determining the fair values of portfolio securities or other assets and liabilities categorized as Level 1 and Level 2 of the fair value hierarchy are as follows:

Fixed income securities including corporate, convertible and municipal bonds and notes, U.S. government agencies, U.S. treasury obligations, sovereign issues, bank loans, convertible preferred securities and non-U.S. bonds are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services that use broker-dealer quotations, reported trades or valuation estimates from their internal pricing models. The Pricing Services' internal models use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar assets. Securities that use similar valuation techniques and inputs as described above are categorized as Level 2 of the fair value hierarchy.

Fixed income securities purchased on a delayed-delivery basis or as a repurchase commitment in a sale-buyback transaction are marked to market daily until settlement at the forward settlement date and are categorized as Level 2 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost of such short-term debt instrument is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. Prior to July 31, 2015, short-term investments having a maturity of 60 days or less and repurchase agreements were generally valued at amortized cost which approximates fair value. Short-term debt instruments having a remaining maturity of 60 days or less are categorized as Level 2 of the fair value hierarchy.

#### 4. SECURITIES AND OTHER INVESTMENTS

**(a) Investments in Securities**

U.S. Government Agencies or Government-Sponsored Enterprises Certain Funds may invest in securities of U.S. Government agencies or government-sponsored enterprises. U.S. Government securities are obligations of and, in certain cases, guaranteed by, the U.S. Government, its agencies or instrumentalities. Some U.S. Government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the Government National Mortgage Association ( GNMA or Ginnie Mae ), are supported by the full faith and credit of the U.S. Government; others, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Department of the Treasury (the U.S. Treasury ); and others, such as those of the Federal National Mortgage Association ( FNMA or Fannie Mae ), are supported by the discretionary authority of the U.S. Government to purchase the agency s obligations. U.S. Government securities may include zero coupon securities. Zero coupon securities do not distribute interest on a current basis and tend to be subject to a greater risk than interest-paying securities.

Government-related guarantors (*i.e.*, not backed by the full faith and credit of the U.S. Government) include FNMA and the Federal Home Loan Mortgage Corporation ( FHLMC or Freddie Mac ). FNMA is a government-sponsored corporation. FNMA purchases conventional (*i.e.*, not insured or guaranteed by any government agency) residential mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. 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 issues Participation Certificates ( PCs ), which are pass-through securities, each representing an undivided interest in a pool of residential mortgages. FHLMC guarantees the timely payment of interest and ultimate collection of principal, but PCs are not backed by the full faith and credit of the U.S. Government.

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**When-Issued Transactions** Certain Funds may purchase or sell securities on a when-issued basis. These transactions are made conditionally because a security, although authorized, has not yet been issued in the market. A commitment is made by a Fund to purchase or sell these securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. Since the value of securities purchased may fluctuate prior to settlement, a Fund may be required to pay more at settlement than the security is worth. In addition, a Fund is not entitled to any of the interest earned prior to settlement. When purchasing a security on a delayed-delivery basis, a Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations. A Fund may sell when-issued securities before they are delivered, which may result in a realized gain or loss.

**5. BORROWINGS AND OTHER FINANCING TRANSACTIONS**

The following disclosures contain information on a Fund's ability to lend or borrow cash or securities to the extent permitted under the Act, which may be viewed as borrowing or financing transactions by a Fund. The location of these instruments is described below. For a detailed description of credit and counterparty risks that can be associated with borrowings and other financing transactions, please see Note 6, Principal Risks.

(a) **Repurchase Agreements** Certain Funds may engage in repurchase agreements. Under the terms of a typical repurchase agreement, a Fund takes possession of an underlying debt obligation (collateral) subject to an obligation of the seller to repurchase, and a Fund to resell, the obligation at an agreed-upon price and time. The underlying securities for all repurchase agreements are held in safekeeping at the Fund's custodian or designated subcustodians under tri-party repurchase agreements. The market value of the collateral must be equal to or exceed the total amount of the repurchase obligations, including interest. Repurchase agreements, including accrued interest, are included on the Statements of Assets and Liabilities. Interest earned is recorded as a component of interest income on the Statements of Operations. In periods of increased demand for collateral, a Fund may pay a fee for the receipt of collateral, which may result in interest expense to the Fund.

(b) **Tender Option Bond Transactions** Certain Funds may leverage their assets through the use of tender option bond transactions. In a tender option bond transaction ( TOB ), a tender option bond trust ( TOB Trust ) issues floating rate certificates ( TOB Floater ) and residual interest certificates ( TOB Residual ) and utilizes the proceeds of such issuance to purchase a fixed-rate municipal bond ( Fixed Rate Bond ) that either is owned or identified by a Fund. The TOB Floater is generally issued to third party investors (typically a money market fund) and the

TOB Residual is generally issued to the Fund that sold or identified the Fixed Rate Bond. The TOB Trust divides the income stream provided by the Fixed Rate Bond to create two securities, the TOB Floater, which is a short-term security, and the TOB Residual, which is a longer-term security. The interest rates payable on the TOB Residual issued to a Fund bear an inverse relationship to the interest rate on the TOB Floater. The interest rate on the TOB Floater is reset by a remarketing process typically every 7 to 35 days. After income is paid on the TOB Floater at current rates, the residual income from the Fixed Rate Bond goes to the TOB Residual. Therefore, rising short-term rates result in lower income for the TOB Residual, and vice versa. In the case of a TOB Trust that utilizes the cash received from the issuance of the TOB Floater and TOB Residual (less transaction expenses) to purchase the Fixed Rate Bond from a Fund, the Fund may then invest the cash received in additional securities, generating leverage for the Fund. Other PIMCO-Managed Funds may also contribute municipal bonds to a TOB Trust into which a Fund has contributed Fixed Rate Bonds. If multiple PIMCO-Managed Funds participate in the same TOB Trust, the economic rights and obligations under the TOB Residual will be shared among the funds ratably in proportion to their participation in the TOB Trust.

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The TOB Residual may be more volatile and less liquid than other municipal bonds of comparable maturity. In most circumstances the TOB Residual holder bears substantially all of the underlying Fixed Rate Bond's downside investment risk and also benefits from any appreciation in the value of the underlying Fixed Rate Bond. Investments in a TOB Residual typically will involve greater risk than investments in Fixed Rate Bonds.

The TOB Residual held by a Fund provides the Fund with the right to: (1) cause the holders of the TOB Floater to tender their notes at par, and (2) cause the sale of the Fixed-Rate Bond held by the TOB Trust, thereby collapsing the TOB Trust. TOB Trusts are generally supported by a liquidity facility provided by a third party bank or other financial institution (the "Liquidity Provider") that provides for the purchase of TOB Floaters that cannot be remarketed. The holders of the TOB Floaters have the right to tender their certificates in exchange for payment of par plus accrued interest on a periodic basis (typically weekly) or on the occurrence of certain mandatory tender events. The tendered TOB Floaters are remarketed by a remarketing agent, which is typically an affiliated entity of the Liquidity Provider. If the TOB Floaters cannot be remarketed, the TOB Floaters are purchased by the TOB Trust either from the proceeds of a loan from the Liquidity Provider or from a liquidation of the Fixed Rate Bond.

The TOB Trust may also be collapsed without the consent of a Fund, as the TOB Residual holder, upon the occurrence of certain tender option termination events (or "TOTEs") as defined in the TOB Trust agreements. Such termination events typically include the bankruptcy

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or default of the municipal bond, a substantial downgrade in credit quality of the municipal bond, or a judgment or ruling that interest on the Fixed Rate Bond is subject to federal income taxation. Upon the occurrence of a termination event, the TOB Trust would generally be liquidated in full with the proceeds typically applied first to any accrued fees owed to the trustee, remarketing agent and liquidity provider, and then to the holders of the TOB Floater up to par plus accrued interest owed on the TOB Floater and a portion of gain share, if any, with the balance paid out to the TOB Residual holder. In the case of a mandatory termination event ( MTE ), after the payment of fees, the TOB Floater holders would be paid before the TOB Residual holders (i.e., the Funds). In contrast, in the case of a TOTE, after payment of fees, the TOB Floater holders and the TOB Residual holders would be paid pro rata in proportion to the respective face values of their certificates.

Each Fund's transfer of Fixed Rate Bonds to a TOB Trust is considered a secured borrowing for financial reporting purposes. The cash received by the TOB Trust from the sale of the TOB Floaters, less certain transaction expenses, is paid to a Fund. The Funds typically invest the cash received in additional municipal bonds. The Funds account for the transactions described above as secured borrowings by including the Fixed Rate Bonds in their Schedules of Investments, and account for the TOB Floater as a liability under the caption Payable for tender option bond floating rate certificates in the Funds' Statements of Assets and Liabilities. Interest income, including amortization and accretion of premiums and discounts, from the underlying municipal bonds is recorded by each Fund on an accrual basis and is shown as interest on the Statements of Operations. Interest expense incurred on the secured borrowing is shown as interest expense on the Statements of Operations.

The Funds may also purchase TOB Residuals in a secondary market transaction without transferring a fixed rate municipal bond into a TOB Trust. Such transactions are not accounted for as secured borrowings but rather as a security purchase with the TOB Residual being included in the Schedule of Investments.

Regulators recently finalized rules implementing Section 619 (the Volcker Rule ) and Section 941 (the Risk Retention Rules ) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The implementation of the final rules is being phased in. Both the Volcker Rule and the Risk Retention Rules apply to tender option bond programs and operate to require that such programs be restructured. In particular, when effective, these rules will preclude banking entities from (i) sponsoring or acquiring interests in the trusts used to hold a municipal bond in the creation of TOB Trusts; and (ii) continuing to service or maintain relationships with existing programs involving TOB Trusts to the same extent and in the same capacity as existing programs. Banking entities subject to the Volcker Rule were required to fully comply by July 21, 2015, with respect to investments in and

relationships with TOB Trusts established after December 31, 2013 ( Non-Legacy TOB Trusts ), and are required to fully comply by July 21, 2016, with respect to investments in and relationships with TOB Trusts established prior to December 31, 2013 ( Legacy TOB Trusts ).

At this time, the full impact of these rules is not certain; however, in response to these rules, industry participants are continuing to explore various structuring alternatives for Non-Legacy and Legacy TOB Trusts. For example, under a new tender option bond structure, the Funds would hire service providers to assist the Funds with establishing, structuring and sponsoring a TOB Trust. Service providers to a TOB Trust, such as administrators, liquidity providers, trustees and remarketing agents would be acting at the direction of, and as agent of, the Funds as the TOB residual holders. This structure remains untested. It is possible that regulators could take positions that could limit the market for such newly structured TOB Trust transactions or the Funds' ability to hold TOB Residuals. Because of the important role that tender option bond programs play in the municipal bond market, it is possible that implementation of these rules and any resulting impact may adversely impact the municipal bond market and the Funds. For example, as a result of the implementation of these rules, the municipal bond market may experience reduced demand or liquidity and increased financing costs. Under the new TOB Trust structure, the Funds will have certain additional duties and responsibilities, which may give rise to certain additional risks including, but not limited to, compliance, legal, regulatory and operational risks.

The SEC and various federal banking and housing agencies adopted Risk Retention Rules which are scheduled to take effect in December 2016. The Risk Retention Rules would require the sponsor to a TOB Trust to retain at least five percent of the credit risk of the underlying assets supporting the TOB Trust's municipal bonds. The Risk Retention Rules may adversely affect the Funds' ability to engage in TOB Trust transactions or increase the costs of such transactions in certain circumstances.

The Funds are in the process of restructuring Legacy TOB Trusts in conformity with regulatory guidelines. However, there can be no assurances that the Funds can successfully enter into restructured TOB Trust transactions in order to refinance their existing TOB Residual holdings prior to the compliance date for the Volcker Rule, which may require that the Funds unwind existing TOB Trusts. Until all restructurings are completed, a Fund may, for a period of time, hold TOB Residuals in both Legacy TOB Trusts and non-bank sponsored restructured TOB Trusts. Under the new TOB Trust structure, the Liquidity Provider or remarketing agent will no longer purchase the tendered TOB Floaters, even in the event of failed remarketing. This may increase the likelihood that a TOB Trust will need to be collapsed and liquidated in order to purchase the tendered TOB Floaters. The TOB Trust may draw upon a loan from the Liquidity Provider to purchase the tendered TOB Floaters. Any loans made

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by the Liquidity Provider will be secured by the purchased TOB Floaters held by the TOB Trust and will be subject to an increased interest rate based on the number of days the loan is outstanding.

For the period ended December 31, 2015, the Funds' average leverage outstanding from the use of TOB transactions and the daily weighted average interest rate, including fees, were as follows:

<b>Fund Name</b>	<b>Average Leverage Outstanding</b>	<b>Weighted Average Interest Rate*</b>
PIMCO Municipal Income Fund	\$ 13,063	0.31%
PIMCO Municipal Income Fund II	38,787	0.26%
PIMCO Municipal Income Fund III	26,100	0.32%
PIMCO California Municipal Income Fund	28,433	0.26%
PIMCO California Municipal Income Fund II	28,125	0.19%
PIMCO California Municipal Income Fund III	28,229	0.31%
PIMCO New York Municipal Income Fund	10,477	0.06%
PIMCO New York Municipal Income Fund II	8,186	0.36%
PIMCO New York Municipal Income Fund III	4,933	0.19%

\* Annualized

**6. 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 such things as changes in the market (market risk) or failure or inability of the other party to a transaction to perform (credit and counterparty risk). See below for a detailed description of select principal risks. For a more comprehensive list of potential risks the Funds may be subject to, please see the Important Information About the Funds.

**Market Risks** A Fund's investments in financial derivatives and other financial instruments expose the Fund to various risks such as, but not limited to, interest rate, foreign currency, equity and commodity risks.

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of certain fixed income securities held by a Fund is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Interest rate changes can be sudden and unpredictable, and a Fund may lose money if these changes are not anticipated by Fund management. A Fund may not be able to hedge against changes in interest rates or may choose not to do so for cost or other reasons. In addition, any hedges may not work as intended. 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 useful primarily as a measure of the sensitivity of a fixed income security's market price to interest rate (i.e. yield) movements. At present, the U.S. is experiencing historically low interest rates. The Funds may be subject to heightened

interest rate risk because the Fed has ended its quantitative easing program and has begun, and may continue, to raise interest rates. Further, while U.S. bond markets have steadily grown over the past three decades, dealer market making ability has remained relatively stagnant. Given the importance of intermediary market making in creating a robust and active market, fixed income securities may face increased volatility and liquidity risks. All of these factors, collectively and/or individually, could cause a Fund to lose value.

The market values of a Fund's investments may decline due to general market conditions which are not specifically related to a particular company or issuer, 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 generally. They may also decline due to factors which 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, although under certain market conditions fixed income securities may have comparable or greater price volatility. Credit ratings downgrades may also negatively affect securities held by a Fund. Even when markets perform well, there is no assurance that the investments held by a Fund will increase in value along with the broader market. In addition, market risk includes the risk that geopolitical events will disrupt the economy on a national or global level.

**Credit and Counterparty Risks** A Fund will be exposed to credit risk to parties with whom it trades and will also bear the risk of settlement default. A Fund seeks to minimize concentrations of credit risk by undertaking transactions with a large number of counterparties on recognized and reputable exchanges, where applicable. A Fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a financial derivatives contract, repurchase agreement or a loan of portfolio securities, is 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.

Similar to credit risk, a Fund may be exposed to counterparty risk, or the risk that an institution or other entity with which a Fund has unsettled or open transactions will default. PIMCO, as Manager, seeks to minimize counterparty risks to a Fund in a number of ways. Prior to entering into transactions with a new counterparty, the PIMCO Counterparty Risk Committee conducts an extensive credit review of such counterparty and must approve the use of such counterparty. Furthermore, pursuant to the terms of the underlying contract, to the extent that unpaid amounts owed to a Fund exceed a predetermined threshold, such counterparty is required to advance collateral to a Fund in the form of cash or securities equal in value to the unpaid amount

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owed to a Fund. A Fund may invest such collateral in securities or other instruments and will typically pay interest to the counterparty on the collateral received. If the unpaid amount owed to a Fund subsequently decreases, a Fund would be required to return to the counterparty all or a portion of the collateral previously advanced to a Fund.

All transactions in listed securities are settled/paid for upon delivery using approved counterparties. The risk of default is considered minimal, as delivery of securities sold is only made once a Fund has 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.

**Master Netting Arrangements** The Funds may be subject to various netting arrangements with select counterparties ( **Master Agreements** ). Master Agreements govern the terms of certain transactions, and are intended to reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that is intended to improve legal certainty. Each type of Master Agreement governs certain types of transactions. Different types of transactions may be traded out of different legal entities or affiliates of a particular organization, resulting in the need for multiple agreements with a single counterparty. As the Master Agreements are specific to unique operations of different asset types, they allow a Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty.

Master Agreements can also help limit counterparty risk by specifying collateral posting arrangements at pre-arranged exposure levels. Under the Master Agreements, collateral is routinely transferred if the total net exposure to certain transactions (net of existing collateral already in place) governed under the relevant Master Agreement with a counterparty in a given account exceeds a specified threshold, which typically ranges from zero to \$250,000 depending on the counterparty and the type of Master Agreement. United States Treasury Bills and U.S. dollar cash are generally the preferred forms of collateral, although other forms of AAA rated paper or sovereign securities may be used. Securities and cash pledged as collateral are reflected as assets on the Statements of Assets and Liabilities as either a component of Investments at value (securities) or Deposits with counterparty (cash). Cash collateral received is typically not held in a segregated account and as such is reflected as a liability on the Statements of Assets and Liabilities as Deposits from counterparty. The market value of any securities received as collateral is not reflected as a component of NAV. A Fund's overall exposure to counterparty risk can change substantially within a short period, as it is affected by each transaction subject to the relevant Master Agreement.

**Master Repurchase Agreements and Global Master Repurchase Agreements** (individually and collectively **Master Repo Agreements** ) govern repurchase, reverse repurchase, and sale-buyback transactions between the Funds and select counterparties. Master Repo Agreements maintain provisions for, among other things, initiation, income payments, events of default, and maintenance of collateral. The market value of transactions under the Master Repo Agreement, collateral pledged or received, and the net exposure by counterparty as of period end are disclosed in the Notes to Schedule of Investments.

## 7. FEES AND EXPENSES

**Management Fee** Effective at the close of business on September 5, 2014, each Fund entered into an Investment Management Agreement with PIMCO (the **Agreement** ). Pursuant to the Agreement, subject to the supervision of the Board, PIMCO is responsible for providing to each Fund investment guidance and policy direction in connection with the management of the Fund, including oral and written research, analysis, advice, and statistical and economic data and information. In addition, pursuant to the Agreement and subject to the general supervision of the Board, PIMCO, at its expense, provides or causes to be furnished most other supervisory and administrative services the Funds require, including but

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not limited to, expenses of most third-party service providers (e.g., audit, custodial, legal, transfer agency, printing) and other expenses, such as those associated with insurance, proxy solicitations and mailings for shareholder meetings, New York Stock Exchange listing and related fees, tax services, valuation services and other services the Funds require for their daily operations.

Prior to the close of business on September 5, 2014, AGIFM served as the investment manager to each Fund and received annual fees, payable monthly, at the annual rates shown in the table below. Prior to the close of business on September 5, 2014, AGIFM retained PIMCO as sub-adviser to manage the Funds' investments. AGIFM, and not the Funds, paid a portion of the fees it received as investment manager to PIMCO in return for its services. Management fees, as applicable, paid to AGIFM prior to the close of business on September 5, 2014, are disclosed on the Statements of Operations.

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Pursuant to the Agreement, PIMCO receives an annual fee, payable monthly, at the annual rates below:

<b>Fund Name</b>	<b>Annual Rate</b>	<b>AGIFM Rate</b>
PIMCO Municipal Income Fund	0.705% <sup>(1)</sup>	0.650% <sup>(1)</sup>
PIMCO Municipal Income Fund II	0.685% <sup>(1)</sup>	0.650% <sup>(1)</sup>
PIMCO Municipal Income Fund III	0.705% <sup>(1)</sup>	0.650% <sup>(1)</sup>
PIMCO California Municipal Income Fund	0.705% <sup>(1)</sup>	0.650% <sup>(1)</sup>
PIMCO California Municipal Income Fund II	0.705% <sup>(1)</sup>	0.650% <sup>(1)</sup>
PIMCO California Municipal Income Fund III	0.715% <sup>(1)</sup>	0.650% <sup>(1)</sup>
PIMCO New York Municipal Income Fund	0.770% <sup>(1)</sup>	0.650% <sup>(1)</sup>
PIMCO New York Municipal Income Fund II	0.735% <sup>(1)</sup>	0.650% <sup>(1)</sup>
PIMCO New York Municipal Income Fund III	0.860% <sup>(1)</sup>	0.650% <sup>(1)</sup>

<sup>(1)</sup> Management fees calculated based on the Fund's average daily net asset value (including daily net assets attributable to any preferred shares of the Fund that may be outstanding).

Prior to the close of business on September 5, 2014, in addition to the management fee paid to AGIFM, as described above, each Fund directly had borne expenses for other administrative services and costs, including expenses associated with various third-party service providers, such as audit, custodial, legal, transfer agency, printing and other services the Funds require. Effective beginning at the close of business on September 5, 2014, PIMCO (and not the Funds) bears such expenses with respect to each Fund pursuant to its management fee arrangements under the Agreement described above.

**Fund Expenses** Each Fund bears other expenses, which may vary and affect the total level of expenses paid by shareholders, such as (i) salaries and other compensation or expenses, including travel expenses of any of the Fund's executive officers and employees, if any, who are not officers, directors, shareholders, members, partners or employees of PIMCO or its subsidiaries or affiliates; (ii) taxes and governmental fees, if any, levied against the Fund; (iii) brokerage fees and commissions and other portfolio transaction expenses incurred by or for the Fund (including, without limitation, fees and expenses of outside legal counsel or third-party consultants retained in connection with reviewing, negotiating and structuring specialized loan and other investments made by the Fund, subject to specific or general authorization by the Fund's Board); (iv) expenses of the Fund's securities lending (if any), including any securities lending agent fees, as governed by a separate securities lending agreement; (v) costs, including interest expense, of borrowing money or engaging in other types of leverage financing, including, without limitation, through the use by the Fund of reverse repurchase agreements, tender option bonds, bank borrowings and credit facilities; (vi) costs, including dividend and/or interest expenses and other costs (including, without limitation, offering and related legal costs, fees to brokers, fees to auction agents, fees to transfer agents, fees to ratings agencies and fees to auditors associated with satisfying ratings agency requirements

for preferred shares or other securities issued by the Fund and other related requirements in the Fund's organizational documents) associated with the Fund's issuance, offering, redemption and maintenance of preferred shares, commercial paper or other senior securities for the purpose of incurring leverage; (vii) fees and expenses of any underlying funds or other pooled investment vehicles in which the Fund invests; (viii) dividend and interest expenses on short positions taken by the Fund; (ix) fees and expenses, including travel expenses, and fees and expenses of legal counsel retained for their benefit, of Trustees who are not officers, employees, partners, shareholders or members of PIMCO or its subsidiaries or affiliates; (x) extraordinary expenses, including extraordinary legal expenses, as may arise, including expenses incurred in connection with litigation, proceedings, other claims, and the legal obligations of the Fund to indemnify its Trustees, officers, employees, shareholders, distributors, and agents with respect thereto; (xi) organizational and offering expenses of the Fund, including with respect to share offerings, such as rights offerings and shelf offerings, following the Fund's initial offering, and expenses associated with tender offers and other share repurchases and redemptions; and (xii) expenses of the Fund which are capitalized in accordance with U.S. GAAP.

Each of the Trustees of the Funds who is not an interested person under Section 2(a)(19) of the Act, (the Independent Trustees ) also serves as a trustee of a number of other closed-end funds for which PIMCO serves as investment manager (together with the Funds, the PIMCO Closed-End Funds ), as well as PIMCO Managed Accounts Trust, an open-end investment company with multiple series for which PIMCO serves as investment manager ( PMAT and, together with the PIMCO Closed-End Funds, the PIMCO-Managed Funds ). In addition, each of the Independent Trustees also serves as a trustee of certain investment companies (together, the Allianz-Managed Funds ), for which Allianz Global Investors Fund Management ( AGIFM ), serves as investment adviser.

Prior to the close of business on September 5, 2014, each of the PIMCO-Managed Funds and Allianz-Managed Funds held joint meetings of their Boards of Trustees whenever possible, and each Trustee, other than any Trustee who was a director, officer, partner or employee of PIMCO, AGIFM or any entity controlling, controlled by or under common control with PIMCO or AGIFM, received annual compensation of \$250,000 for service on the Boards of all of the PIMCO-Managed Funds and Allianz-Managed Funds, payable quarterly. The Independent Chairman of the Boards received an additional \$75,000 annually, payable quarterly. The Audit Oversight Committee Chairman received an additional \$50,000 annually, payable quarterly. Trustees were also reimbursed for meeting-related expenses.

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During periods prior to September 5, 2014, each Trustee's compensation and other costs in connection with joint meetings were allocated among the PIMCO-Managed Funds and Allianz-Managed Funds, as applicable, on the basis of fixed percentages as between such groups of Funds. Trustee compensation and other costs were then further allocated pro rata among the individual funds within each grouping based on the complexity of issues relating to each such fund and relative time spent by the Trustees in addressing them, and on each such fund's relative net assets.

Subsequent to September 5, 2014, in connection with the new investment management agreement between the PIMCO-Managed Funds and PIMCO and the termination of the investment management agreement between the PIMCO-Managed Funds and AGIFM, each of the PIMCO-Managed Funds began holding, and are expected to continue to hold, joint meetings of their Boards of Trustees whenever possible, but will generally no longer hold joint meetings with the Allianz-Managed Funds. Under the new Board structure, each Independent Trustee receives annual compensation of \$225,000 for his or her service on the Boards of the PIMCO-Managed Funds, payable quarterly. The Independent Chairman of the Boards receives an additional \$75,000 per year, payable quarterly. The Audit Oversight Committee Chairman receives an additional \$50,000 annually, payable quarterly. Trustees are also reimbursed for meeting-related expenses.

Each Trustee's compensation for his or her service as a Trustee on the Boards of the PIMCO-Managed Funds and other costs in connection with joint meetings of such Funds are allocated among the PIMCO-Managed Funds, as applicable, on the basis of fixed percentages as between PMAT and the PIMCO Closed-End Funds. Trustee compensation and other costs will then be further allocated pro rata among the individual PIMCO-Managed Funds within each grouping based on each such PIMCO-Managed Fund's relative net assets.

**8. RELATED PARTY TRANSACTIONS**

The Manager is a related party. Fees payable to this party are disclosed in Note 7 and the accrued related party fee amounts are disclosed on the Statements of Assets and Liabilities.

Certain Funds are permitted to purchase or sell securities from or to certain related affiliated funds under specified conditions outlined in procedures adopted by the Board. The procedures have been designed to ensure that any purchase or sale of securities by the Funds from or to another fund or portfolio that are, or could be, considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the Act. Further, as defined under the procedures, each transaction is effected at the current market price.

During the periods ended December 31, 2015, the Funds below engaged in purchases and sales of securities pursuant to Rule 17a-7 of the Act (amounts in thousands):

<b>Fund Name</b>	<b>Purchases</b>	<b>Sales</b>
PIMCO Municipal Income Fund <sup>(1)</sup>	\$ 9,219	\$ 0
PIMCO Municipal Income Fund II <sup>(2)</sup>	10,204	8,128

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PIMCO California Municipal Income Fund <sup>(1)</sup>	8,076	9,496
PIMCO California Municipal Income Fund II <sup>(2)</sup>	2,043	5,152
PIMCO New York Municipal Income Fund <sup>(1)</sup>	0	1,192
PIMCO New York Municipal Income Fund II <sup>(2)</sup>	1,882	0

<sup>(1)</sup> Period from May 1, 2015 to December 31, 2015

<sup>(2)</sup> Period from June 1, 2015 to December 31, 2015

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

### 9. GUARANTEES AND INDEMNIFICATIONS

Under each Fund's organizational documents, each Trustee and officer is indemnified, to the extent permitted by the Act, against certain liabilities that may arise out of performance of their duties to the Funds. Additionally, in the normal course of business, the Funds enter into contracts that contain a variety of indemnification clauses. 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. However, the Funds have not had prior claims or losses pursuant to these contracts.

### 10. PURCHASES AND SALES OF SECURITIES

The length of time a Fund has held a particular security is not generally a consideration in investment decisions. A change in the securities held by a Fund is known as portfolio turnover. Each Fund may engage in frequent and active trading of portfolio securities to achieve its investment objective, particularly during periods of volatile market movements. High portfolio turnover involves correspondingly greater transaction costs to a Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also result in realization of taxable capital gains, including short-term capital gains (which are generally taxed at ordinary income tax rates). The transaction costs and tax effects associated with portfolio turnover may adversely affect a Fund's performance. The portfolio turnover rates are reported in the Financial Highlights.

**Table of Contents****Notes to Financial Statements (Cont.)**

Purchases and sales of securities (excluding short-term investments) for the periods ended December 31, 2015, as indicated below, were as follows (amounts in thousands):

Fund Name	U.S. Government/Agency		All Other	
	Purchases	Sales	Purchases	Sales
PIMCO Municipal Income Fund <sup>(1)</sup>	\$ 0	\$ 0	\$ 80,206	\$ 79,649
PIMCO Municipal Income Fund II <sup>(2)</sup>	0	0	119,337	115,640
PIMCO Municipal Income Fund III <sup>(3)</sup>	0	0	13,034	11,800
PIMCO California Municipal Income Fund <sup>(1)</sup>	0	0	55,107	61,099
PIMCO California Municipal Income Fund II <sup>(2)</sup>	0	0	46,957	53,739
PIMCO California Municipal Income Fund III <sup>(3)</sup>	0	0	12,207	6,574
PIMCO New York Municipal Income Fund <sup>(1)</sup>	0	0	7,419	9,131
PIMCO New York Municipal Income Fund II <sup>(2)</sup>	0	0	20,907	14,523
PIMCO New York Municipal Income Fund III <sup>(3)</sup>	0	0	0	0

(1) Period from May 1, 2015 to December 31, 2015

(2) Period from June 1, 2015 to December 31, 2015

(3) Period from October 1, 2015 to December 31, 2015

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

**11. AUCTION-RATE PREFERRED SHARES**

Each series of Auction-Rate Preferred Shares ( ARPS ) outstanding of each Fund has a liquidation preference of \$25,000 per share plus any accumulated, unpaid dividends. Dividends are accumulated daily at an annual rate that is 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.

For the periods ended December 31, 2015, the annualized dividend rates on the ARPS ranged from:

Fund Name	Shares Issued and Outstanding	High	Low	As of December 31, 2015
<b>PIMCO Municipal Income Fund</b>				
Series A	1,520	0.430%	0.122%	0.430%
Series B	1,520	0.430%	0.077%	0.430%
Series C	1,520	0.430%	0.077%	0.430%
Series D	1,520	0.430%	0.099%	0.430%
Series E	1,520	0.430%	0.110%	0.430%
<b>PIMCO Municipal Income Fund II</b>				
Series A	2,936	0.430%	0.122%	0.430%
Series B	2,936	0.430%	0.077%	0.430%
Series C	2,936	0.430%	0.077%	0.430%
Series D	2,936	0.430%	0.099%	0.430%

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Series E	2,936	0.430%	0.110%	0.430%
<b>PIMCO Municipal Income Fund III</b>				
Series A	1,512	0.430%	0.133%	0.430%
Series B	1,512	0.430%	0.133%	0.430%
Series C	1,512	0.430%	0.133%	0.430%
Series D	1,512	0.430%	0.110%	0.430%
Series E	1,512	0.430%	0.110%	0.430%
<b>PIMCO California Municipal Income Fund</b>				
Series A	2,000	0.430%	0.122%	0.430%
Series B	2,000	0.430%	0.077%	0.430%
Series C	2,000	0.430%	0.110%	0.430%

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<b>Fund Name</b>	<b>Shares Issued and Outstanding</b>	<b>High</b>	<b>Low</b>	<b>As of December 31, 2015</b>
<b>PIMCO California Municipal Income Fund II</b>				
Series A	1,304	0.430%	0.122%	0.430%
Series B	1,304	0.430%	0.077%	0.430%
Series C	1,304	0.430%	0.077%	0.430%
Series D	1,304	0.430%	0.099%	0.430%
Series E	1,304	0.430%	0.110%	0.430%
<b>PIMCO California Municipal Income Fund III</b>				
Series A	2,500	0.430%	0.133%	0.430%
Series B	2,500	0.430%	0.110%	0.430%
<b>PIMCO New York Municipal Income Fund</b>				
Series A	1,880	0.430%	0.077%	0.430%
<b>PIMCO New York Municipal Income Fund II</b>				
Series A	1,580	0.430%	0.077%	0.430%
Series B	1,580	0.430%	0.110%	0.430%
<b>PIMCO New York Municipal Income Fund III</b>				
Series A	1,280	0.430%	0.133%	0.430%

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

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

Since mid-February 2008, holders of ARPS issued by the Funds have been directly impacted by a 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 ARPS holders have continued to receive dividends at the defined maximum rate, as defined for the Funds in the table below.

<b>Applicable %</b>	<b>Reference Rate</b>	<b>Maximum Rate</b>
110%*	The higher of 30-day AA Composite Commercial Paper Rates OR The Taxable Equivalent of the Short-Term Municipal Obligation Rate**	Maximum Rate for the Funds

\* 150% if all or part of the dividend consists of taxable income or capital gain.

\*\* Taxable Equivalent of the Short-Term Municipal Obligations Rate means 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 (defined as the maximum marginal regular Federal individual income tax rate applicable to an individual's or a corporation's ordinary income, whichever is greater).

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The maximum rate is a function of short-term interest rates and is 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 each Fund's common shareholders could be adversely affected.

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**Notes to Financial Statements (Cont.)**

**12. REGULATORY AND LITIGATION MATTERS**

The Funds are not named as defendants in any material litigation or arbitration proceedings and are not aware of any material litigation or claim pending or threatened against them.

PIMCO has received a Wells Notice from the staff of the U.S. Securities and Exchange Commission ( SEC ) that relates to the PIMCO Total Return Active Exchange-Traded Fund ( BOND ), a series of PIMCO ETF Trust. The notice indicates the staff's preliminary determination to recommend that the SEC commence a civil action against PIMCO stemming from a non-public investigation relating to BOND. A Wells Notice is neither a formal allegation of wrongdoing nor a finding that any law was violated.

This matter principally pertains to the valuation of smaller sized positions in non-agency mortgage-backed securities purchased by BOND between its inception on February 29, 2012 and June 30, 2012, BOND's performance disclosures for that period, and PIMCO's compliance policies and procedures related to these matters.

The Wells process provides PIMCO with the opportunity to demonstrate to the SEC staff why it believes its conduct was appropriate, in keeping with industry standards, and that no action should be taken. PIMCO believes that this matter is unlikely to have a material adverse effect on any Fund or on PIMCO's ability to provide investment management services to any Fund.

The foregoing speaks only as of the date of this report.

**13. FEDERAL INCOME TAX MATTERS**

Each Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code (the Code ) and distribute all of its taxable income and net realized gains, if applicable, to shareholders. Accordingly, no provision for Federal income taxes has been made.

The Funds may be subject to local withholding taxes, including those imposed on realized capital gains. Any applicable foreign capital gains tax is accrued daily based upon net unrealized gains, and may be following the sale of any applicable investments.

In accordance with U.S. GAAP, the Manager has reviewed the Funds' tax positions for all open tax years. As of December 31, 2015, the Funds have recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions they have taken or expect to take in future

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tax returns.

Each Fund files U.S. tax returns. While the statute of limitations remains open to examine the Funds' U.S. tax returns filed for the fiscal years from 2012-2014, no examinations are in progress or anticipated at this time. No Fund is aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

As of December 31, 2015, the components of distributable taxable earnings are as follows (amounts in thousands):

	Undistributed		Undistributed		Other	Qualified	
	Tax Exempt	Undistributed Ordinary	Long-Term	Net Tax Basis Unrealized	Book-to-Tax Accounting	Accumulated Capital	Post-October Loss Deferral
	Income	Income	Capital Gains	Appreciation/ (Depreciation) <sup>(1)</sup>	Differences <sup>(2)</sup>	Losses <sup>(3)</sup>	Capital <sup>(4)</sup>
							Ordinary <sup>(5)</sup>
PIMCO Municipal Income Fund	\$ 2,129	\$	\$	\$ 61,196	\$	\$ (55,033)	\$
PIMCO Municipal Income Fund II	26,677			115,247		(184,983)	
PIMCO Municipal Income Fund III	430			68,530		(139,120)	
PIMCO California Municipal Income Fund	13,194			48,627		(33,610)	(1)
PIMCO California Municipal Income Fund II				59,508	(1,268)	(176,464)	
PIMCO California Municipal Income Fund III	4,864			39,698		(106,086)	
PIMCO New York Municipal Income Fund	2,432			13,625		(20,315)	
PIMCO New York Municipal Income Fund II	274			20,082		(42,292)	(1)
PIMCO New York Municipal Income Fund III	911			8,379		(30,550)	

(1) Adjusted for open wash sale loss deferrals and inverse floater transactions. Also adjusted for differences between book and tax defaulted bond interest accrual.

(2) Represents differences in income tax regulations and financial accounting principles generally accepted in the United States of America, namely for distributions payable at fiscal year-end.

(3) Capital losses available to offset future net capital gains expire in varying amounts in the years shown below.

(4) Capital losses realized during the period November 1, 2015 through December 31, 2015, which the Funds elected to defer to the following taxable year pursuant to income tax regulations.

(5) Specified losses realized during the period November 1, 2015 through December 31, 2015, which the Funds elected to defer to the following taxable year pursuant to income tax regulations.

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As of December 31, 2015, the Funds had accumulated capital losses expiring in the following years (amounts in thousands). The Funds will resume capital gain distributions in the future to the extent gains are realized in excess of accumulated capital losses.

	Expiration of Accumulated Capital Losses			
	12/31/2016	12/31/2017	12/31/2018	12/31/2019
PIMCO Municipal Income Fund	\$ 891	\$ 49,232	\$	\$
PIMCO Municipal Income Fund II	7,955	164,802		
PIMCO Municipal Income Fund III	11,389	116,860	695	
PIMCO California Municipal Income Fund		23,867		
PIMCO California Municipal Income Fund II	18,401	157,995		
PIMCO California Municipal Income Fund III	9,243	89,815		
PIMCO New York Municipal Income Fund	3,099	16,947		
PIMCO New York Municipal Income Fund II	2,962	34,379		
PIMCO New York Municipal Income Fund III	3,264	26,936		

Under the Regulated Investment Company Modernization Act of 2010, a fund is permitted to carry forward any new capital losses for an unlimited period. Additionally, such 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 under previous law.

As of December 31, 2015, the Funds had the following post-effective capital losses with no expiration (amounts in thousands):

	Short-Term	Long-Term
PIMCO Municipal Income Fund	\$ 4,689	\$ 221
PIMCO Municipal Income Fund II	12,226	
PIMCO Municipal Income Fund III	7,978	2,198
PIMCO California Municipal Income Fund	9,743	
PIMCO California Municipal Income Fund II	68	
PIMCO California Municipal Income Fund III	6,921	107
PIMCO New York Municipal Income Fund	269	
PIMCO New York Municipal Income Fund II	4,336	615
PIMCO New York Municipal Income Fund III	350	

As of December 31, 2015, the aggregate cost and the net unrealized appreciation (depreciation) of investments for federal income tax purposes are as follows (amounts in thousands):

	Federal	Unrealized	Unrealized	Net Unrealized
				Appreciation/ (Depreciation) <sup>(6)</sup>
	Tax Cost	Appreciation	(Depreciation)	(Depreciation) <sup>(6)</sup>
PIMCO Municipal Income Fund	\$ 474,229	\$ 65,902	\$ (4,319)	\$ 61,583
PIMCO Municipal Income Fund II	1,055,578	118,590	(2,796)	115,794
PIMCO Municipal Income Fund III	514,515	71,267	(2,511)	68,756
PIMCO California Municipal Income Fund	397,353	48,735	(111)	48,624
PIMCO California Municipal Income Fund II	411,903	60,990	(1,480)	59,510

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PIMCO California Municipal Income Fund III	338,159	39,787	(91)	39,696
PIMCO New York Municipal Income Fund	133,410	14,129	(727)	13,402
PIMCO New York Municipal Income Fund II	191,192	20,766	(654)	20,112
PIMCO New York Municipal Income Fund III	81,637	8,562	(185)	8,377

<sup>(6)</sup> Primary differences, if any, between book and tax net unrealized appreciation/(depreciation) on investments are attributable to wash sale loss deferrals and inverse floater transactions for federal income tax purposes.

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**Notes to Financial Statements (Cont.)**

For the fiscal year ended December 31, 2015 and each Fund's respective previous fiscal year end, the Funds made the following tax basis distributions (amounts in thousands):

	Period from May 1, 2015 to December 31, 2015				Year Ended April 30, 2015				Year Ended April 30, 2014			
	Tax-Exempt		Long-Term		Tax-Exempt		Long-Term		Tax-Exempt		Long-Term	
	Income	Income	Capital Gain	Return of Capital <sup>(8)</sup>	Income	Income	Capital Gain	Return of Capital <sup>(8)</sup>	Income	Income	Capital Gain	Return of Capital <sup>(8)</sup>
	Distributions	Distributions	Distributions	Distributions	Distributions	Distributions	Distributions	Distributions	Distributions	Distributions	Distributions	Distributions
PIMCO Municipal Income Fund	\$ 15,511	\$ 1,282	\$	\$	\$ 24,027	\$ 981	\$	\$	\$ 24,500	\$ 473	\$	\$
PIMCO California Municipal Income Fund	11,447	205			17,057	291			17,010	325		
PIMCO New York Municipal Income Fund	3,547	21			5,295	28			5,238	82		
	Period from June 1, 2015 to December 31, 2015				Year Ended May 31, 2015				Year Ended May 31, 2014			
	Tax-Exempt		Long-Term		Tax-Exempt		Long-Term		Tax-Exempt		Long-Term	
	Income	Income	Capital Gain	Return of Capital <sup>(8)</sup>	Income	Income	Capital Gain	Return of Capital <sup>(8)</sup>	Income	Income	Capital Gain	Return of Capital <sup>(8)</sup>
	Distributions	Distributions <sup>(7)</sup>	Distributions <sup>(8)</sup>	Distributions <sup>(8)</sup>	Distributions	Distributions <sup>(7)</sup>	Distributions <sup>(8)</sup>	Distributions <sup>(8)</sup>	Distributions	Distributions <sup>(7)</sup>	Distributions <sup>(8)</sup>	Distributions <sup>(8)</sup>
PIMCO Municipal Income Fund II	\$ 27,797	\$ 463	\$	\$	\$ 47,405	\$ 755	\$	\$	\$ 47,167	\$ 855	\$	\$
PIMCO California Municipal Income Fund II	11,634	508			19,815	866			20,391	748		2,253
PIMCO New York Municipal Income Fund II	5,120	79			8,667	173			8,647	155		
	Period from October 1, 2015 to December 31, 2015				Year Ended September 30, 2015				Year Ended September 30, 2014			
	Tax-Exempt		Long-Term		Tax-Exempt		Long-Term		Tax-Exempt		Long-Term	
	Income	Income	Capital Gain	Return of Capital <sup>(8)</sup>	Income	Income	Capital Gain	Return of Capital <sup>(8)</sup>	Income	Income	Capital Gain	Return of Capital <sup>(8)</sup>
	Distributions	Distributions <sup>(7)</sup>	Distributions <sup>(8)</sup>	Distributions <sup>(8)</sup>	Distributions	Distributions <sup>(7)</sup>	Distributions <sup>(8)</sup>	Distributions <sup>(8)</sup>	Distributions	Distributions <sup>(7)</sup>	Distributions <sup>(8)</sup>	Distributions <sup>(8)</sup>
PIMCO Municipal Income Fund III	\$ 6,096	\$ 108	\$	\$	\$ 24,340	\$ 288	\$	\$	\$ 25,767	\$ 274	\$	\$
PIMCO California Municipal Income Fund III	4,009	42			15,897	185			15,884	148		
PIMCO New York Municipal Income Fund III	905	6			3,590	22			3,554	43		

<sup>(7)</sup> Includes short-term capital gains distributed, if any.

<sup>(8)</sup> A portion of the distributions made represents a tax return of capital. Return of capital distributions have been reclassified from undistributed net investment income to paid-in capital to more appropriately conform financial accounting to tax accounting.

**14. 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.

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On January 4, 2016, the following distributions were declared to common shareholders payable February 1, 2016, to shareholders of record on January 14, 2016:

PIMCO Municipal Income Fund	\$	0.08125 per common share
PIMCO Municipal Income Fund II	\$	0.06500 per common share
PIMCO Municipal Income Fund III	\$	0.06230 per common share
PIMCO California Municipal Income Fund	\$	0.07700 per common share
PIMCO California Municipal Income Fund II	\$	0.05375 per common share
PIMCO California Municipal Income Fund III	\$	0.06000 per common share
PIMCO New York Municipal Income Fund	\$	0.05700 per common share
PIMCO New York Municipal Income Fund II	\$	0.06625 per common share
PIMCO New York Municipal Income Fund III	\$	0.05250 per common share

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December 31, 2015

On February 1, 2016, the following distributions were declared to common shareholders payable March 1, 2016, to shareholders of record on February 11, 2016:

PIMCO Municipal Income Fund	\$	0.08125 per common share
PIMCO Municipal Income Fund II	\$	0.06500 per common share
PIMCO Municipal Income Fund III	\$	0.06230 per common share
PIMCO California Municipal Income Fund	\$	0.07700 per common share
PIMCO California Municipal Income Fund II	\$	0.05375 per common share
PIMCO California Municipal Income Fund III	\$	0.06000 per common share
PIMCO New York Municipal Income Fund	\$	0.05700 per common share
PIMCO New York Municipal Income Fund II	\$	0.06625 per common share
PIMCO New York Municipal Income Fund III	\$	0.05250 per common share

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

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**Report of Independent Registered Public Accounting Firm**

**To the Board of Trustees and Shareholders of**

**PIMCO Municipal Income Fund**

**PIMCO Municipal Income Fund II**

**PIMCO Municipal Income Fund III**

**PIMCO California Municipal Income Fund**

**PIMCO California Municipal Income Fund II**

**PIMCO California Municipal Income Fund III**

**PIMCO New York Municipal Income Fund**

**PIMCO New York Municipal Income Fund II**

**PIMCO New York Municipal Income Fund III**

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of PIMCO Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund, PIMCO California Municipal Income Fund II, PIMCO California Municipal Income Fund III, PIMCO New York Municipal Income Fund, PIMCO New York Municipal Income Fund II and PIMCO New York Municipal Income Fund III (the Funds) at December 31, 2015, the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements) are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2015 by correspondence with the custodian, agent banks and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Kansas City, Missouri

February 25, 2016

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**Glossary:** (abbreviations that may be used in the preceding statements)

(Unaudited)

**Counterparty Abbreviations:**

**SAL** Citigroup Global Markets, Inc.

**Currency Abbreviations:**

**USD (or \$)** United States Dollar

**Municipal Abbreviations:**

<b>ACA</b>	American Capital Access Holding Ltd.	<b>AMBAC</b>	American Municipal Bond Assurance Corp.	<b>IBC</b>	Insured Bond Certificate
<b>AGC</b>	Assured Guaranty Corp.	<b>FGIC</b>	Financial Guaranty Insurance Co.	<b>NPFGC</b>	National Public Finance Guarantee Corp.
<b>AGM</b>	Assured Guaranty Municipal	<b>FHA</b>	Federal Housing Administration		

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**Table of Contents****Shareholder Meeting Results**

The Funds held their annual meetings of shareholders on December 23, 2015. Common/Preferred shareholders voted as indicated below:

	<b>Affirmative</b>	<b>Withheld Authority</b>
<b>PIMCO California Municipal Income Fund</b>		
Re-election of Alan Rappaport Class I to serve until the annual meeting for the 2018 fiscal year	16,763,893	294,387
Re-election of Hans W. Kertess* Class I to serve until the annual Meeting for the 2018 fiscal year	4,495	174
Re-election of William B. Ogden, IV Class I to serve until the annual Meeting for the 2018 fiscal year	16,742,617	315,663

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. James A. Jacobson, Bradford K. Gallagher, John C. Maney and Craig A. Dawson and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

\* Preferred Share Trustee

	<b>Affirmative</b>	<b>Withheld Authority</b>
<b>PIMCO Municipal Income Fund</b>		
Re-election of Alan Rappaport Class I to serve until the annual meeting for the 2018 fiscal year	22,212,163	590,145
Re-election of Hans W. Kertess* Class I to serve until the annual Meeting for the 2018 fiscal year	6,476	150
Re-election of William B. Ogden, IV Class I to serve until the annual Meeting for the 2018 fiscal year	22,245,636	556,672

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. James A. Jacobson, Bradford K. Gallagher, John C. Maney and Craig A. Dawson and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

\* Preferred Share Trustee

	<b>Affirmative</b>	<b>Withheld Authority</b>
<b>PIMCO New York Municipal Income Fund</b>		
Re-election of Alan Rappaport Class I to serve until the annual meeting for the 2018 fiscal year	6,793,547	353,843
Re-election of Hans W. Kertess* Class I to serve until the annual Meeting for the 2018 fiscal year	1,496	73
Re-election of William B. Ogden, IV Class I to serve until the annual Meeting for the 2018 fiscal year	6,793,547	353,843

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. James A. Jacobson, Bradford K. Gallagher, John C. Maney and Craig A. Dawson and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

\* Preferred Share Trustee

	<b>Affirmative</b>	<b>Withheld Authority</b>
<b>PIMCO California Municipal Income Fund II</b>		
Re-election of Alan Rappaport Class I to serve until the annual meeting for the 2018 fiscal year	26,436,475	1,085,518
Re-election of Hans W. Kertess* Class I to serve until the annual Meeting for the 2018 fiscal year	3,880	327
Re-election of William B. Ogden, IV Class I to serve until the annual Meeting for the 2018 fiscal year	26,379,308	1,142,685

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The other members of the Board of Trustees at the time of the meeting, namely, Messrs. James A. Jacobson, Bradford K. Gallagher, John C. Maney and Craig A. Dawson and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

\* Preferred Share Trustee

<b>PIMCO Municipal Income Fund II</b>		<b>Affirmative</b>	<b>Withheld Authority</b>
Re-election of Alan Rappaport	Class I to serve until the annual meeting for the 2018 fiscal year	53,864,657	1,428,703
Re-election of Hans W. Kertess*	Class I to serve until the annual Meeting for the 2018 fiscal year	11,229	497
Re-election of William B. Ogden, IV	Class I to serve until the annual Meeting for the 2018 fiscal year	53,821,846	1,471,514

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. James A. Jacobson, Bradford K. Gallagher, John C. Maney and Craig A. Dawson and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

\* Preferred Share Trustee

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(Unaudited)

	<b>Affirmative</b>	<b>Withheld Authority</b>
<b>PIMCO New York Municipal Income Fund II</b>		
Re-election of Alan Rappaport Class I to serve until the annual meeting for the 2018 fiscal year	9,120,483	336,830
Re-election of Hans W. Kertess* Class I to serve until the annual Meeting for the 2018 fiscal year	2,456	58
Re-election of William B. Ogden, IV Class I to serve until the annual Meeting for the 2018 fiscal year	9,108,302	349,011

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. James A. Jacobson, Bradford K. Gallagher, John C. Maney and Craig A. Dawson and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

\* Preferred Share Trustee

	<b>Affirmative</b>	<b>Withheld Authority</b>
<b>PIMCO California Municipal Income Fund III</b>		
Re-election of Alan Rappaport* Class I to serve until the annual meeting for the 2018 fiscal year	3,508	215
Re-election of Hans W. Kertess Class I to serve until the annual Meeting for the 2018 fiscal year	19,594,727	557,141
Re-election of William B. Ogden, IV Class I to serve until the annual Meeting for the 2018 fiscal year	19,640,838	511,030

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. James A. Jacobson, Bradford K. Gallagher, John C. Maney and Craig A. Dawson and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

\* Preferred Share Trustee

	<b>Affirmative</b>	<b>Withheld Authority</b>
<b>PIMCO Municipal Income Fund III</b>		
Re-election of Alan Rappaport* Class I to serve until the annual meeting for the 2018 fiscal year	5,779	103
Re-election of Hans W. Kertess Class I to serve until the annual Meeting for the 2018 fiscal year	28,068,714	867,931
Re-election of William B. Ogden, IV Class I to serve until the annual Meeting for the 2018 fiscal year	28,101,354	835,291

The other members of the Board of Trustees at the time of the meeting, namely, Messrs. James A. Jacobson, Bradford K. Gallagher, John C. Maney and Craig A. Dawson and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

\* Preferred Share Trustee

	<b>Affirmative</b>	<b>Withheld Authority</b>
<b>PIMCO New York Municipal Income Fund III</b>		
Re-election of Alan Rappaport* Class I to serve until the annual meeting for the 2018 fiscal year	1,129	3
Re-election of Hans W. Kertess Class I to serve until the annual Meeting for the 2018 fiscal year	4,741,619	267,567
Re-election of William B. Ogden, IV Class I to serve until the annual Meeting for the 2018 fiscal year	4,743,195	265,991

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The other members of the Board of Trustees at the time of the meeting, namely, Messrs. James A. Jacobson, Bradford K. Gallagher, John C. Maney and Craig A. Dawson and Ms. Deborah A. DeCotis continued to serve as Trustees of the Fund.

\* Preferred Share Trustee

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**Changes to Portfolio Managers**

(Unaudited)

Effective August 20, 2015, David Hammer joined Joseph Deane as co-Portfolio Manager of each Fund

Mr. Hammer is an Executive Vice President and Municipal Bond Portfolio Manager based in New York. He first joined PIMCO in 2012 as a Senior Vice President. In 2014, he joined Morgan Stanley as Managing Director, Head of Municipal Trading and Research, responsible for institutional and retail municipal trading, risk management and municipal credit research. Mr. Hammer re-joined PIMCO in 2015. Prior to first joining PIMCO in 2012, he was an Executive Director at Morgan Stanley, where he served as head of the high yield and distressed municipal bond trading group. Mr. Hammer holds a Bachelor's Degree from Syracuse University.

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**Investment Strategy Updates**

(Unaudited)

Effective October 6, 2015, each of PIMCO Municipal Income Fund, PIMCO California Municipal Income Fund and PIMCO New York Municipal Income Fund rescinded the following non-fundamental investment policy:

The staff of the SEC has taken the position that purchased over-the-counter (OTC) options and the assets used as cover for written OTC options are illiquid securities. Therefore, the Fund has adopted an investment policy pursuant to which it will not purchase or sell OTC options if, as a result of such transactions, the sum of: 1) the market value of OTC options currently outstanding which are held by the Fund, 2) the market value of the underlying securities covered by OTC call options currently outstanding which were sold by the Fund and 3) margin deposits on the Fund's existing OTC options on futures contracts, exceeds 15% of the net assets of the Fund, taken at market value, together with all other assets of the Fund which are illiquid or are otherwise not readily marketable. However, if an OTC option is sold by the Fund to a primary U.S. Government securities dealer recognized by the Federal Reserve Bank of New York and if the Fund has the unconditional contractual right to repurchase such OTC option from the dealer at a predetermined price, then the Fund will treat as illiquid such amount of the underlying securities equal to the repurchase price less the amount by which the option is in-the-money (i.e., current market value of the underlying securities minus the option's strike price). The repurchase price with the primary dealers is typically a formula price which is generally based on a multiple of the premium received for the

option, plus the amount by which the option is in-the-money. This policy is not a fundamental policy of the Fund and may be amended by the Trustees without the approval of shareholders. However, the Fund will not change or modify this policy prior to the change or modification by the SEC staff of its position.

Effective October 6, 2015, each Fund adopted the following non-fundamental investment policy:

The staff of the SEC has taken the position that purchased OTC options and the assets used as cover for written OTC options should generally be treated as illiquid. However, the staff of the SEC has also taken the position that the determination of whether a particular instrument is liquid should be made under guidelines and standards established by a fund's board of trustees. The SEC staff has provided examples of factors that may be taken into account in determining whether a particular instrument should be treated as liquid. Pursuant to policies adopted by the Fund's Board of Trustees, purchased OTC options and the assets used as cover for OTC options written by a Fund may be treated as liquid under certain circumstances, such as when PIMCO has the contractual right to terminate or close out the OTC option on behalf of a Fund within seven days. These policies are not fundamental policies of the Funds and may be changed or modified by the Board of Trustees without the approval of shareholders, provided that any such change or modification will be consistent with applicable positions of the SEC staff.

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**Table of Contents****Dividend Reinvestment Plan**

Each Fund has adopted a Dividend Reinvestment Plan (the Plan) which allows common shareholders to reinvest Fund distributions in additional common shares of the Fund. American Stock Transfer & Trust Company, LLC (the Plan Agent) serves as agent for common shareholders in administering the Plan. It is important to note that participation in the Plan and automatic reinvestment of Fund distributions does not ensure a profit, nor does it protect against losses in a declining market.

**Automatic enrollment/voluntary participation** Under the Plan, common shareholders whose shares are registered with the Plan Agent (registered shareholders) are automatically enrolled as participants in the Plan and will have all Fund distributions of income, capital gains and returns of capital (together, distributions) reinvested by the Plan Agent in additional common shares of a Fund, unless the shareholder elects to receive cash. Registered shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check and mailed directly to the shareholder of record (or if the shares are held in street or other nominee name, to the nominee) by the Plan Agent. Participation in the Plan is voluntary. Participants may terminate or resume their enrollment in the Plan at any time without penalty by notifying the Plan Agent online at [www.amstock.com](http://www.amstock.com), by calling (844) 33PIMCO (844-337-4626), by writing to the Plan Agent, American Stock Transfer & Trust Company, LLC, at P.O. Box 922, Wall Street Station, New York, NY 10269-0560, or, as applicable, by completing and returning the transaction form attached to a Plan statement. A proper notification will be effective immediately and apply to each Fund's next distribution if received by the Plan Agent at least three (3) days prior to the record date for the distribution; otherwise, a notification will be effective shortly following the Fund's next distribution and will apply to the Fund's next succeeding distribution thereafter. If you withdraw from the Plan and so request, the Plan Agent will arrange for the sale of your shares and send you the proceeds, minus a transaction fee and brokerage commissions.

**How shares are purchased under the Plan** For each Fund distribution, the Plan Agent will acquire common shares for participants either (i) through receipt of newly issued common shares from each Fund (newly issued shares) or (ii) by purchasing common shares of the Fund on the open market (open market purchases). If, on a distribution payment date, the net asset value per common shares of each Fund (NAV) is equal to or less than the market price per common shares plus estimated brokerage commissions (often referred to as a market premium), the Plan Agent will invest the distribution amount on behalf of participants in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per common share on the payment date. If the NAV is greater than the

market price per common shares plus estimated brokerage commissions (often referred to as a market discount) on a distribution payment date, the Plan agent will instead attempt to invest the distribution amount through open market purchases. If the Plan Agent is unable to invest the full distribution amount in open market purchases, or if the market discount shifts to a market premium during the purchase period, the Plan Agent will invest any un-invested portion of the distribution in newly issued shares at a price equal to the greater of (i) NAV or (ii) 95% of the market price per share as of the last business day immediately prior to the purchase date (which, in either case, may be a price greater or lesser than the NAV per common shares on the distribution payment date). No interest will be paid on distributions awaiting reinvestment. Under the Plan, the market price of common shares on a particular date is the last sales price on the exchange where the shares are listed on that date or, if there is no sale on the exchange on that date, the mean between the closing bid and asked quotations for the shares on the exchange on that date.

The NAV per common share on a particular date is the amount calculated on that date (normally at the close of regular trading on the New York Stock Exchange) in accordance with each Fund's then current policies.

**Fees and expenses** No brokerage charges are imposed on reinvestments in newly issued shares under the Plan. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases. There are currently no direct service charges imposed on participants in the Plan, although each Fund reserves the right to amend the Plan to include such charges. The Plan Agent imposes a transaction fee (in addition to brokerage commissions that are incurred) if it arranges for the sale of your common shares held under the Plan.

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Shares held through nominees In the case of a registered shareholder such as a broker, bank or other nominee (together, a nominee ) that holds common shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of common shares certified by the nominee/record shareholder as representing the total amount registered in such shareholder's name and held for the account of beneficial owners who are to participate in the Plan. If your common shares are held through a nominee and are not registered with the Plan Agent, neither you nor the nominee will be participants in or have distributions reinvested under the Plan. If you are a beneficial owner of common shares and wish to participate in the Plan, and your nominee is unable or unwilling to become a registered shareholder and a Plan participant on your behalf, you may request that your nominee arrange to have all or a portion of your shares re-registered with the Plan Agent in your

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name so that you may be enrolled as a participant in the Plan. Please contact your nominee for details or for other possible alternatives. Participants whose shares are registered with the Plan Agent in the name of one nominee firm may not be able to transfer the shares to another firm and continue to participate in the Plan.

Tax consequences Automatically reinvested dividends and distributions are taxed in the same manner as cash dividends and distributions i.e., automatic reinvestment in additional shares does not relieve shareholders of, or defer the need to pay, any income tax that may be payable (or that is required to be withheld) on Fund dividends and distributions. The Funds and the Plan Agent reserve the right to amend or terminate the Plan. Additional information about the Plan, as well as a copy of the full Plan itself, may be obtained from the Plan Agent, American Stock Transfer & Trust Company, LLC, at P.O. Box 922, Wall Street Station, New York, NY 10269-0560; telephone number: (844) 33-PIMCO (844-337-4626); website: [www.amstock.com](http://www.amstock.com).

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**Table of Contents****Management of the Funds**

The chart below identifies Trustees and Officers of the Funds. Unless otherwise indicated, the address of all persons below is c/o Pacific Investment Management Company LLC, 1633 Broadway, New York, New York 10019.

**Trustees**

<b>Name And Year of Birth</b>	<b>Position(s) Held with the Funds</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During the Past 5 Years</b>	<b>Number of Portfolios in Fund Complex Overseen by Trustee</b>	<b>Other Directorships Held by Trustee During the Past 5 Years</b>
<b>Independent Trustees</b>					
<b>Hans W. Kertess</b> 1939	Chairman of the Board, Trustee	Trustee of PMF, PCQ and PNF since 2001, of PML, PCK and PNI since 2002 and of PMX, PZC and PYN since 2003, expected to stand for re-election at the annual meeting of shareholders during the 2018 fiscal year for each Fund.	President, H. Kertess & Co., a financial advisory company; and Senior Adviser (formerly Managing Director), Royal Bank of Canada Capital Markets (since 2004).	91	None
<b>Deborah A. DeCotis</b> 1952	Trustee	Trustee of the Funds since 2011, expected to stand for re-election at the annual meeting of shareholders during the 2016 fiscal year for PMF, PCQ, PNF, PCK, PNI and PML and during the 2017 fiscal year for PMX, PZC and PYN.	Advisory Director, Morgan Stanley & Co., Inc. (since 1996); Circle Financial Group (since 2009); and Member, Council on Foreign Relations (since 2013). Formerly, Trustee, Stanford University (2010-2015); Co-Chair Special Projects Committee, Memorial Sloan Kettering (2005-2015); Director, Helena Rubenstein Foundation (1997-2010); Principal, LaLoop LLC, a retail accessories company (1999-2014); and Director, Armor Holdings (2002-2010).	91	None
<b>Bradford K. Gallagher</b> 1944	Trustee	Trustee of the Funds since 2010, expected to stand for re-election at the annual meeting of shareholders during the 2017 fiscal year for PMF, PCQ, PNF, PCK, PNI and PML and during the 2016 fiscal year for PMX, PCZ and PYN.	Retired. Founder, Spyglass Investments LLC, a private investment vehicle (since 2001). Formerly, Partner, New Technology Ventures Capital Management LLC, a venture capital fund (2011-2013); Chairman and Trustee, Atlantic Maritime Heritage Foundation (2007-2012); Founder, President and CEO, Cypress Holding Company and Cypress Tree Investment Management Company (1995-2001); and Chairman and Trustee, The Common Fund (2005-2014).	91	Formerly, Chairman and Trustee of Grail Advisors ETF Trust (2009-2010) and Trustee of Nicholas-Applegate Institutional Funds (2007-2010).
<b>James A. Jacobson</b> 1945	Trustee	Trustee of the Funds since 2009, expected to stand for re-election at the annual meeting of shareholders during the 2016 fiscal year for each Fund.	Retired. Trustee (since 2002) and Chairman of Investment Committee (since 2007), Ronald McDonald House of New York; Trustee, New Jersey City University (since 2014). Formerly, Vice Chairman and Managing Director, Spear, Leeds & Kellogg Specialists, LLC, a specialist firm on the New York Stock Exchange	91	Trustee, Alpine Mutual Funds Complex consisting of 18 funds.

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<b>William B. Ogden, IV</b> 1945	Trustee	Trustee of the Funds since 2006, expected to stand for re-election at the annual meeting of shareholders during the 2018 fiscal year for each Fund.	(2003-2008). Retired. Formerly, Asset Management Industry Consultant; and Managing Director, Investment Banking Division of Citigroup Global Markets Inc.	91	None
<b>Alan Rappaport</b> 1953	Trustee	Trustee of the Funds since 2010, expected to stand for re-election at the annual meeting of shareholders during the 2018 fiscal year for each Fund.	Advisory Director (formerly Vice Chairman), Roundtable Investment Partners (since 2009); Adjunct Professor, New York University Stern School of Business (since 2011); Lecturer, Stanford University Graduate School of Business (since 2013); Member of Board of Overseers, NYU Langone Medical Center (since 2015); and Director, Victory Capital Holdings, Inc., an asset management firm (since 2013). Formerly, Trustee, American Museum of Natural History (2005-2015); Trustee, NYU Langone Medical Center (2007-2015); Vice Chairman, US Trust (formerly Chairman and President of Private Bank of Bank of America, the predecessor entity of US Trust) (2001-2008).	91	None

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(Unaudited)

<b>Name And Year of Birth</b>	<b>Position(s) Held with the Funds</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During the Past 5 Years</b>	<b>Number of Portfolios in Fund Complex Overseen by Trustee</b>	<b>Other Directorships Held by Trustee During the Past 5 Years</b>
<b>Interested Trustees</b>					
<b>Craig A. Dawson*</b> 1968	Trustee	Trustee of the Funds since 2014, expected to stand for re-election at the annual meeting of shareholders during the 2017 fiscal year for each Fund.	Managing Director and Head of Strategic Business Management, PIMCO (since 2014). Director of a number of PIMCO's European investment vehicles and affiliates (since 2008). Formerly, head of PIMCO's Munich office and head of European product management for PIMCO.	25	None
<b>John C. Maney**</b> 1959	Trustee	Trustee of the Funds since 2006, expected to stand for re-election at the annual meeting of shareholders during the 2017 fiscal year for each Fund.	Managing Director of Allianz Asset Management of America L.P. (since January 2005) and a member of the Management Board and Chief Operating Officer of Allianz Asset Management of America L.P. (since November 2006). Formerly, Member of the Management Board of Allianz Global Investors Fund Management LLC (2007-2014) and Managing Director of Allianz Global Investors Fund Management LLC (2011-2014).	25	None

\* Mr. Dawson is an interested person of the Funds, as defined in Section 2(a)(19) of the Act, due to his affiliation with PIMCO and its affiliates. Mr. Dawson's address is 650 Newport Center Drive, Newport Beach, CA 92660.

\*\* Mr. Maney is an interested person of the Funds, as defined in Section 2(a)(19) of the Act, due to his affiliation with Allianz Asset Management of America L.P. and its affiliates. Mr. Maney's address is 650 Newport Center Drive, Newport Beach, CA 92660.

**Table of Contents****Management of the Funds (Cont.)**

(Unaudited)

**Officers**

<b>Name, Address and Year of Birth</b>	<b>Position(s) Held with Funds</b>	<b>Term of Office and Length of Time Served</b>	<b>Principal Occupation(s) During Past 5 Years*</b>
<b>Peter G. Strelow</b> <sup>1</sup> 1970	President	Since 2014	Managing Director, PIMCO. President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Youse Guia</b> <sup>1</sup>  1972	Chief Compliance Officer	Since 2014	Senior Vice President and Deputy Chief Compliance Officer, PIMCO. Chief Compliance Officer, PIMCO-Managed Funds. Formerly, Head of Compliance, Allianz Global Investors U.S. Holdings LLC and Chief Compliance Officer of the Allianz Funds, Allianz Multi-Strategy Trust, Allianz Global Investors Sponsored Closed-End Funds, Premier Multi-Series VIT and The Korea Fund, Inc.
<b>Joshua D. Ratner</b> 1976	Vice President, Secretary and Chief Legal Officer	Since 2014	Executive Vice President and Senior Counsel, PIMCO. Chief Legal Officer, PIMCO Investments LLC. Vice President, Secretary and Chief Legal Officer, PIMCO-Managed Funds. Vice President Senior Counsel, Secretary, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Stacie D. Ancill</b> <sup>1</sup> 1969	Vice President	Since 2015	Senior Vice President, PIMCO. Vice President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Eric D. Johnson</b>  1970	Vice President	Since 2014	Executive Vice President, PIMCO. Vice President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>William G. Galipeau</b> <sup>1</sup> 1974	Treasurer	Since 2014	Executive Vice President, PIMCO. Treasurer, PIMCO-Managed Funds. Vice President, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Vice President, Fidelity Investments.
<b>Erik C. Brown</b> <sup>1</sup>  1967	Assistant Treasurer	Since 2015	Executive Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Jason J. Nagler</b>  1982	Assistant Treasurer	Since 2015	Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Head of Mutual Fund Reporting, GMO, and Assistant Treasurer, GMO Trust and GMO Series Trust Funds.
<b>Trent W. Walker</b> <sup>1</sup> 1974	Assistant Treasurer	Since 2014	Executive Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds. Treasurer, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
<b>Vadim Avdeychik</b> 1979	Assistant Secretary	Since 2015	Vice President and Counsel, PIMCO. Assistant Secretary, PIMCO-Managed Funds. Formerly, Associate, Willkie Farr and Gallagher LLP and ERISA Enforcement Advisor, Employee Benefits Security Administration.
<b>Ryan G. Leshaw</b> <sup>1</sup> 1980	Assistant Secretary	Since 2014	Senior Vice President and Senior Counsel, PIMCO. Assistant Secretary, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Associate, Willkie Farr & Gallagher LLP.

<sup>(1)</sup> The address of these officers is Pacific Investment Management Company LLC, 650 Newport Center Drive, Newport Beach, California 92660.



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### **Privacy Policy<sup>1</sup>**

(Unaudited)

The Funds<sup>2</sup> consider customer privacy to be a fundamental aspect of their relationships with shareholders and are committed to maintaining the confidentiality, integrity and security of their current, prospective and former shareholders' non-public personal information. The Funds have developed policies that are designed to protect this confidentiality, while allowing shareholder needs to be served.

### **Obtaining Personal Information**

In the course of providing shareholders with products and services, the Funds and certain service providers to the Funds, such as the Funds investment adviser or sub-adviser ( "Adviser" ), may obtain non-public personal information about shareholders, which may come from sources such as account applications and other forms, from other written, electronic or verbal correspondence, from shareholder transactions, from a shareholder's brokerage or financial advisory firm, financial advisor or consultant, and/or from information captured on applicable websites.

### **Respecting Your Privacy**

As a matter of policy, the Funds do not disclose any non-public personal information provided by shareholders or gathered by the Funds to non-affiliated third parties, except as required or permitted by law or as necessary for such third parties to perform their agreements with respect to the Funds. As is common in the industry, non-affiliated companies may from time to time be used to provide certain services, such as preparing and mailing prospectuses, reports, account statements and other information, conducting research on shareholder satisfaction and gathering shareholder proxies. The Funds or their affiliates may also retain non-affiliated companies to market Fund shares or products which use Fund shares and enter into joint marketing arrangements with them and other companies. These companies may have access to a shareholder's personal and account information, but are permitted to use this information solely to provide the specific service or as otherwise permitted by law. In most cases, the shareholders will be clients of a third party, but the Funds may also provide a shareholder's personal and account information to the shareholder's respective brokerage or financial advisory firm and/or financial advisor or consultant.

### **Sharing Information with Third Parties**

The Funds reserve the right to disclose or report personal or account information to non-affiliated third parties in limited circumstances where the Funds believe in good faith that disclosure is required under law, to cooperate with regulators or law enforcement authorities, to protect their rights or property, or upon reasonable request by any fund advised by PIMCO in which a shareholder has invested. In addition, the Funds may disclose information about a shareholder or a shareholder's accounts to a non-affiliated third party at the shareholder's request or with the consent of the shareholder.

### **Sharing Information with Affiliates**

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The Funds may share shareholder information with their affiliates in connection with servicing shareholders' accounts, and subject to applicable law may provide shareholders with information about products and services that the Funds or their Adviser or its affiliates ( Service Affiliates ) believe may be of interest to such shareholders. The information that the Funds may share may include, for example, a shareholder's participation in the Funds or in other investment programs sponsored by a Service Affiliate, a shareholder's ownership of certain types of accounts (such as IRAs), information about the Funds' experiences or transactions with a shareholder, information captured on applicable websites, or other data about a shareholder's accounts, subject to applicable law. The Funds' Service Affiliates, in turn, are not permitted to share shareholder information with non-affiliated entities, except as required or permitted by law.

### **Procedures to Safeguard Private Information**

The Funds take seriously the obligation to safeguard shareholder non-public personal information. In addition to this policy, the Funds have implemented procedures that are designed to restrict access to a shareholder's non-public personal information to internal personnel who need to know that information to perform their jobs, such as servicing shareholder accounts or notifying shareholders of new products or services. Physical, electronic and procedural safeguards are in place to guard a shareholder's non-public personal information.

### **Information Collected from Websites**

Websites maintained by the Funds or their service providers may use a variety of technologies to collect information that help the Funds and their service providers understand how the website is used. Information collected from your web browser (including small files stored on your device that are commonly referred to as cookies ) allow the websites to recognize your web browser and help to personalize and improve your user experience and enhance navigation of the website. In addition, the Funds or their Service Affiliates may use third parties to place advertisements for the Funds on other websites, including banner advertisements. Such third parties may collect anonymous information through the use of cookies or action tags (such as web beacons). The information these third parties collect is generally limited to technical and web navigation information, such as your IP address, web pages visited and browser type, and does not include personally identifiable information such as name, address, phone number or email address.

You can change your cookie preferences by changing the setting on your web browser to delete or reject cookies. If you delete or reject cookies, some website pages may not function properly.

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**Privacy Policy<sup>1</sup> (Cont.)**

(Unaudited)

**Changes to the Privacy Policy**

From time to time, the Funds may update or revise this privacy policy. If there are changes to the terms of this privacy policy, documents containing the revised policy on the relevant website will be updated.

<sup>1</sup> Effective as of September 5, 2014.

<sup>2</sup> When distributing this Policy, a Fund may combine the distribution with any similar distribution of its investment adviser's privacy policy. The distributed, combined policy may be written in the first person (i.e., by using "we" instead of "the Funds").

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**General Information**

**Investment Manager**

Pacific Investment Management Company LLC

1633 Broadway

New York, NY 10019

**Custodian**

State Street Bank and Trust Company

801 Pennsylvania Avenue

Kansas City, MO 64105

**Transfer Agent, Dividend Paying Agent and Registrar**

American Stock Transfer & Trust Company, LLC

6201 15th Avenue

Brooklyn, NY 11219

**Legal Counsel**

Ropes & Gray LLP

Prudential Tower

800 Boylston Street

Boston, MA 02199

**Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP

1100 Walnut Street, Suite 1300

Kansas City, MO 64106

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This report is submitted for the general information of the shareholders of PIMCO Municipal Income Fund, PIMCO California Municipal Income Fund, PIMCO New York Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO California Municipal Income Fund II, PIMCO New York Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III and PIMCO New York Municipal Income Fund III.

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**Item 2. Code of Ethics.**

As of the end of the period covered by this report, the Registrant has adopted a code of ethics (the Code ) that applies to the Registrant's principal executive officer and principal financial & accounting officer. The Registrant did not grant any waivers, including implicit waivers, from any provisions of the Code to the principal executive officer or principal financial & accounting officer during the period covered by this report.

A copy of the Code is included as an exhibit to this report.

**Item 3. Audit Committee Financial Expert.**

(a) The Board of Trustees has determined that James A. Jacobson, who serves on the Board's Audit Oversight Committee, qualifies as an audit committee financial expert as such term is defined in the instructions to this Item 3. The Board has also determined that Mr. Jacobson is independent as such term is interpreted under this Item 3.

**Table of Contents****Item 4. Principal Accountant Fees and Services.**

(a)	<u>Fiscal Year Ended</u>	<u>Audit Fees</u>
	December 31, 2015	\$ 28,712
	May 31, 2015	\$ 28,548
(b)	<u>Fiscal Year Ended</u>	<u>Audit-Related Fees</u>
	December 31, 2015	\$ 8,584
	May 31, 2015	\$ 8,583
(c)	<u>Fiscal Year Ended</u>	<u>Tax Fees</u>
	December 31, 2015	\$ 8,500
	May 31, 2015	\$ 15,450
(d)	<u>Fiscal Year Ended</u>	<u>All Other Fees</u> <sup>(1)</sup>
	December 31, 2015	\$
	May 31, 2015	\$

**Audit Fees** represents fees billed for each of the last two fiscal years for professional services rendered for the audit and review of the Registrant's annual financial statements for those fiscal years or services that are normally provided by the accountant in connection with statutory or regulatory filings or engagements for those fiscal years.

**Audit-Related Fees** represents fees billed for each of the last two fiscal years for assurance and related services that are reasonably related to the performance of the audit or review of the Registrant's financial statements, but not reported under **Audit Fees** above, and that include accounting consultations, agreed-upon procedure reports (inclusive of annual review of basic maintenance testing associated with the Preferred Shares), attestation reports and comfort letters for those fiscal years.

**Tax Fees** represents fees billed for each of the last two fiscal years for professional services related to tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews, and tax distribution and analysis reviews. The amounts under **Tax Fees** shown above have been updated from amounts shown in prior filings of this report, as applicable, due to changes in how certain fees are categorized for these purposes.

**All Other Fees** represents fees, if any, billed for other products and services rendered by the principal accountant to the Registrant other than those reported above under **Audit Fees**, **Audit-Related Fees** and **Tax Fees** for the last two fiscal years.

<sup>(1)</sup>There were no **All Other Fees** for the last two fiscal years.

## (e) Pre-approval policies and procedures

(1) The Registrant's Audit Oversight Committee has adopted pre-approval policies and procedures (the **Procedures**) to govern the Audit Oversight Committee's pre-approval of (i) all audit services and permissible non-audit services to be provided to the Registrant by its independent accountant, and (ii) all permissible non-audit services to be provided by such independent accountant to the Registrant's investment adviser and to any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant (collectively, the

Service Affiliates ) if the services provided directly relate to the Registrant's operations and financial reporting. In accordance with the Procedures, the Audit Oversight Committee is responsible for the engagement of the independent accountant to certify the Registrant's financial statements for each fiscal year. With respect to the pre-approval of non-audit services provided to the Registrant and its Service Affiliates, the Procedures provide that the Audit Oversight Committee may annually pre-approve a list of types or categories of non-audit services that may be provided to the Registrant or its Service Affiliates, or the Audit Oversight Committee may pre-approve such services on a project-by-project basis as they arise. Unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Oversight Committee if it is to be provided by the independent accountant. The Procedures also permit the Audit Oversight Committee to delegate authority to one or more of its members to pre-approve any proposed non-audit services that have not been previously pre-approved by the Audit Oversight Committee, subject to the ratification by the full Audit Oversight Committee no later than its next scheduled meeting.

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(2) With respect to the services described in paragraphs (b) through (d) of this Item 4, no amount was approved by the Audit Oversight Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

f) Not applicable.

g)

Entity	Aggregate Non-Audit Fees Billed to Entity*	
	December 31, 2015	May 31, 2015
PIMCO California Municipal Income Fund II	\$ 17,084	\$ 24,033
Pacific Investment Management Company LLC ( PIMCO )	9,180,305	9,316,931
Allianz Global Investors Fund Management LLC	0	62,690
Total	\$ 9,197,389	\$ 9,403,654

\*The amounts have been updated from amounts shown in prior filings of this report, as applicable, due to changes in how certain fees are categorized for these purposes.

h) The Registrant's Audit Oversight Committee has considered whether the provision of non-audit services that were rendered to the Registrant's investment adviser, and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the Registrant which were not pre-approved (not requiring pre-approval) is compatible with maintaining the principal accountant's independence.

**Item 5. Audit Committee of Listed Registrants.**

The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The audit committee is comprised of:

Deborah A. DeCotis;

Bradford K. Gallagher;

James A. Jacobson;

Hans W. Kertess;

William B. Ogden, IV; and

Alan Rappaport.

**Item 6. Schedule of Investments.**

The Schedule of Investments is included as part of the reports to shareholders under Item 1.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

PIMCO has adopted written proxy voting policies and procedures ( Proxy Policy ) as required by Rule 206(4)-6 under the Advisers Act. In addition to covering the voting of equity securities, the Proxy Policy also applies generally to voting and/or consent rights of fixed income securities, including but not limited to, plans of reorganization, and waivers and consents under applicable indentures. The Proxy Policy does not apply, however, to consent rights that primarily entail decisions to buy or sell investments, such as tender or exchange offers, conversions, put options, redemption and Dutch auctions. The Proxy Policy is designed and implemented in a manner reasonably expected to ensure that voting and consent rights (collectively, proxies ) are exercised in the best interests of accounts.

With respect to the voting of proxies relating to equity securities, PIMCO has selected an unaffiliated third party proxy research and voting service ( Proxy Voting Service ), to assist it in researching and voting proxies. With respect to each proxy received, the Proxy Voting Service researches the financial implications of the proposals and provides a recommendation to PIMCO as to how to vote on each proposal based on the Proxy Voting Service s research of the individual facts and circumstances and the Proxy Voting Service s application of its research findings to a set of guidelines that have been approved by PIMCO. Upon the recommendation of the applicable portfolio managers, PIMCO may determine to override any recommendation made by the Proxy Voting Service. In the event that the Proxy Voting Service does not provide a recommendation with respect to a proposal, PIMCO may determine to vote on the proposals directly.

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With respect to the voting of proxies relating to fixed income securities, PIMCO's fixed income credit research group (the Credit Research Group) is responsible for researching and issuing recommendations for voting proxies. With respect to each proxy received, the Credit Research Group researches the financial implications of the proxy proposal and makes voting recommendations specific for each account that holds the related fixed income security. PIMCO considers each proposal regarding a fixed income security on a case-by-case basis taking into consideration any relevant contractual obligations as well as other relevant facts and circumstances at the time of the vote. Upon the recommendation of the applicable portfolio managers, PIMCO may determine to override any recommendation made by the Credit Research Group. In the event that the Credit Research Group does not provide a recommendation with respect to a proposal, PIMCO may determine to vote the proposal directly.

PIMCO may determine not to vote a proxy for an equity or fixed income security if: (1) the effect on the applicable account's economic interests or the value of the portfolio holding is insignificant in relation to the account's portfolio; (2) the cost of voting the proxy outweighs the possible benefit to the applicable account, including, without limitation, situations where a jurisdiction imposes share blocking restrictions which may affect the ability of the portfolio managers to effect trades in the related security; or (3) PIMCO otherwise has determined that it is consistent with its fiduciary obligations not to vote the proxy.

In the event that the Proxy Voting Service or the Credit Research Group, as applicable, does not provide a recommendation or the portfolio managers of a client account propose to override a recommendation by the Proxy Voting Service, or the Credit Research Group, as applicable, PIMCO will review the proxy to determine whether there is a material conflict between PIMCO and the applicable account or among PIMCO-advised accounts. If no material conflict exists, the proxy will be voted according to the portfolio managers' recommendation. If a material conflict does exist, PIMCO will seek to resolve the conflict in good faith and in the best interests of the applicable client account, as provided by the Proxy Policy. The Proxy Policy permits PIMCO to seek to resolve material conflicts of interest by pursuing any one of several courses of action. With respect to material conflicts of interest between PIMCO and a client account, the Proxy Policy permits PIMCO to either: (i) convene a committee to assess and resolve the conflict (the Proxy Conflicts Committee); or (ii) vote in accordance with protocols previously established by the Proxy Policy, the Proxy Conflicts Committee and/or other relevant procedures approved by PIMCO's Legal and Compliance department with respect to specific types of conflicts. With respect to material conflicts of interest between one or more PIMCO-advised accounts, the Proxy Policy permits PIMCO to: (i) designate a PIMCO portfolio manager who is not subject to the conflict to determine how to vote the proxy if the conflict exists between two accounts with at least one portfolio manager in common; or (ii) permit the respective portfolio managers to vote the proxies in accordance with each client account's best interests if the conflict exists between client accounts managed by different portfolio managers.

PIMCO will supervise and periodically review its proxy voting activities and the implementation of the Proxy Policy. PIMCO's Proxy Policy, and information about how PIMCO voted a client's proxies, is available upon request.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.**

(a)(1)

As of February 26, 2016, the following individuals have primary responsibility for the day-to-day implementation of the PIMCO California Municipal Income Fund II (the Fund):

**Joseph Deane**

Mr. Deane has been the portfolio manager for the Fund since July 2011. Mr. Deane is an executive vice president in the New York office and head of municipal bond portfolio management. Prior to joining PIMCO in 2011, he was co-head of the tax-exempt department at Western Asset (WAMCO). Mr. Deane was previously a managing director and head of tax-exempt investments from 1993-2005 at Smith Barney/Citigroup Asset Management. Earlier in his career, he held senior portfolio management positions with Shearson and E.F. Hutton.

**Table of Contents****David Hammer**

Mr. Hammer has been a portfolio manager of the Fund since August 2015. Mr. Hammer is an executive vice president and municipal bond portfolio manager in the New York office. He rejoined PIMCO in 2015 from Morgan Stanley, where he was managing director and head of municipal trading, risk management and research. Previously at PIMCO, he was a senior vice president and municipal bond portfolio manager, and prior to joining PIMCO in 2012, he was an executive director and head of the high yield and distressed municipal bond trading group at Morgan Stanley.

(a)(2)

The following summarizes information regarding each of the accounts, excluding the Fund, managed by the Portfolio Managers as of December 31, 2015, including accounts managed by a team, committee, or other group that includes a Portfolio Manager. Unless mentioned otherwise, the advisory fee charged for managing each of the accounts listed below is not based on performance.

PM	Registered Investment Companies		Other Pooled Investment Vehicles		Other Accounts	
	#	AUM (\$million)	#	AUM (\$million)	#	AUM (\$million)
<b>Joseph Deane</b>	19	5,316.31	0	0.00	13	1,778.35
<b>David Hammer</b>	19	5,340.44	0	0.00	0	0.00

From time to time, potential and actual conflicts of interest may arise between a portfolio manager's management of the investments of the Fund, on the one hand, and the management of other accounts, on the other. Potential and actual conflicts of interest may also arise as a result of PIMCO's other business activities and PIMCO's possession of material non-public information about an issuer. Other accounts managed by a portfolio manager might have similar investment objectives or strategies as the Fund, track the same index as the Fund or otherwise hold, purchase, or sell securities that are eligible to be held, purchased or sold by the Fund. The other accounts might also have different investment objectives or strategies than the Fund. Potential and actual conflicts of interest may also arise as a result of PIMCO serving as investment adviser to accounts that invest in the Fund. In this case, such conflicts of interest could in theory give rise to incentives for PIMCO to, among other things, vote proxies of the Fund in a manner beneficial to the investing account but detrimental to the Fund. Conversely, PIMCO's duties to the Fund, as well as regulatory or other limitations applicable to the Fund, may affect the courses of action available to PIMCO-advised accounts (including certain funds) that invest in the Fund in a manner that is detrimental to such investing accounts.

Because PIMCO is affiliated with Allianz, a large multi-national financial institution, conflicts similar to those described below may occur between the Fund and other accounts managed by PIMCO and PIMCO's affiliates or accounts managed by those affiliates. Those affiliates (or their clients), which generally operate autonomously from PIMCO, may take actions that are adverse to the Fund or other accounts managed by PIMCO. In many cases, PIMCO will not be in a position to mitigate those actions or address those conflicts, which could adversely affect the performance of the Fund or other accounts managed by PIMCO.

Knowledge and Timing of Fund Trades. A potential conflict of interest may arise as a result of the portfolio manager's day-to-day management of the Fund. Because of their positions with the Fund, the portfolio managers know the size, timing and possible market impact of the Fund's trades. It is theoretically possible that the portfolio managers could use this information to the advantage of other accounts they manage and to the possible detriment of the Fund.

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Investment Opportunities. A potential conflict of interest may arise as a result of the portfolio manager's management of a number of accounts with varying investment guidelines. Often, an investment opportunity may be suitable for both the Fund and other accounts managed by the portfolio manager, but may not be available in sufficient quantities for both the Fund and the other accounts to participate fully. In addition, regulatory issues applicable to PIMCO or the Fund or other accounts may result in the Fund not receiving securities that may otherwise be appropriate for it. Similarly, there may be limited opportunity to sell an investment held by the Fund and another account. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities on a fair and equitable basis over time.

Under PIMCO's allocation procedures, investment opportunities are allocated among various investment strategies based on individual account investment guidelines and PIMCO's investment outlook. PIMCO has also adopted additional procedures to complement the general trade allocation policy that are designed to address potential conflicts of interest due to the side-by-side management of the Fund and certain pooled investment vehicles, including investment opportunity allocation issues.

Conflicts potentially limiting the Fund's investment opportunities may also arise when the Fund and other PIMCO clients invest in different parts of an issuer's capital structure, such as when the Fund owns senior debt obligations of an issuer and other clients own junior tranches of the same issuer. In such circumstances, decisions over whether to trigger an event of default, over the terms of any workout, or how to exit an investment may result in conflicts of interest. In order to minimize such conflicts, a portfolio manager may avoid certain investment opportunities that would potentially give rise to conflicts with other PIMCO clients or PIMCO may enact internal procedures designed to minimize such conflicts, which could have the effect of limiting the Fund's investment opportunities. Additionally, if PIMCO acquires material non-public confidential information in connection with its business activities for other clients, a portfolio manager may be restricted from purchasing securities or selling securities for the Fund. Moreover, the Fund or other accounts managed by PIMCO may invest in a transaction in which one or more other funds or accounts managed by PIMCO are expected to participate, or already have made or will seek to make, an investment. Such funds or accounts may have conflicting interests and objectives in connection with such investments, including, for example and without limitation, with respect to views on the operations or activities of the issuer involved, the targeted returns from the investment, and the timeframe for, and method of, exiting the investment. When making investment decisions where a conflict of interest may arise, PIMCO will endeavor to act in a fair and equitable manner as between the Fund and other clients; however, in certain instances the resolution of the conflict may result in PIMCO acting on behalf of another client in a manner that may not be in the best interest, or may be opposed to the best interest, of the Fund.

Performance Fees. A portfolio manager may advise certain accounts with respect to which the advisory fee is based entirely or partially on performance. Performance fee arrangements may create a conflict of interest for the portfolio manager in that the portfolio manager may have an incentive to allocate the investment opportunities that he or she believes might be the most profitable to such other accounts instead of allocating them to the Fund. PIMCO has adopted policies and procedures reasonably designed to allocate investment opportunities between the Fund and certain pooled investment vehicles on a fair and equitable basis over time.

(a)(3)

As of December 31, 2015, the following explains the compensation structure of the individuals who have primary responsibility for day-to-day portfolio management of the Fund:

**Portfolio Manager Compensation**

PIMCO has adopted a Total Compensation Plan for its professional level employees, including its portfolio managers, that is designed to pay competitive compensation and reward performance, integrity and teamwork consistent with the firm's mission statement. The Total Compensation Plan includes an incentive component that rewards high performance standards, work ethic and consistent individual and team contributions to the firm. The compensation of portfolio managers consists of a base salary and discretionary performance bonuses, and may include an equity or long term incentive component.

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Certain employees of PIMCO, including portfolio managers, may elect to defer compensation through PIMCO's deferred compensation plan. PIMCO also offers its employees a non-contributory defined contribution plan through which PIMCO makes a contribution based on the employee's compensation. PIMCO's contribution rate increases at a specified compensation level, which is a level that would include portfolio managers.

### **Key Principles on Compensation Philosophy include:**

PIMCO's pay practices are designed to attract and retain high performers.

PIMCO's pay philosophy embraces a corporate culture of rewarding strong performance, a strong work ethic and meritocracy.

PIMCO's goal is to ensure key professionals are aligned to PIMCO's long-term success through equity participation.

PIMCO's Discern and Differentiate discipline is exercised where individual performance rating is used for guidance as it relates to total compensation levels.

### **The Total Compensation Plan consists of the following components:**

**Base Salary** Base salary is determined based on core job responsibilities, positions/levels and market factors. Base salary levels are reviewed annually, when there is a significant change in job responsibilities or position, or a significant change in market levels.

**Performance Bonus** Performance bonuses are designed to reward individual performance. Each professional and his or her supervisor will agree upon performance objectives to serve as a basis for performance evaluation during the year. The objectives will outline individual goals according to pre-established measures of the group or department success. Achievement against these goals as measured by the employee and supervisor will be an important, but not exclusive, element of the bonus decision process. Award amounts are determined at the discretion of the Compensation Committee (and/or certain senior portfolio managers, as appropriate) and will also consider firm performance.

**Long-term Incentive Compensation** PIMCO has a Long Term Incentive Plan ( LTIP ) which is awarded to key professionals. Employees who reach a total compensation threshold are delivered their annual compensation in a mix of cash and long-term incentive awards. PIMCO incorporates a progressive allocation of long-term incentive awards as a percentage of total compensation, which is in line with market practices. The LTIP provides participants with cash awards that appreciate or depreciate based on PIMCO's operating earnings over a rolling three-year period. The plan provides a link between longer term company performance and participant pay, further motivating participants to make a long term commitment to PIMCO's success. Participation in LTIP is contingent upon continued employment at PIMCO.

**Equity Compensation** Equity allows key professionals to participate in the long-term growth of the firm. The M Unit program provides mid-to-senior level employees with the potential to acquire an equity stake in PIMCO over their careers and to better align employee incentives with the firm's long-term results. In the program, options are awarded and vest over a number of years and may convert into PIMCO equity which shares in the profit distributions of the firm. M Units are non-voting common equity of PIMCO and provide a mechanism for individuals to build a significant equity stake in PIMCO over time.

In addition, the following non-exclusive list of qualitative criteria may be considered when specifically determining the total compensation for portfolio managers:

3-year, 2-year and 1-year dollar-weighted and account-weighted, pre-tax investment performance as judged against the applicable benchmarks for each account managed by a portfolio manager (including the Funds) and relative to applicable industry peer groups;

Appropriate risk positioning that is consistent with PIMCO's investment philosophy and the Investment Committee/CIO approach to the generation of alpha;

Amount and nature of assets managed by the portfolio manager;

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Consistency of investment performance across portfolios of similar mandate and guidelines (reward low dispersion);

Generation and contribution of investment ideas in the context of PIMCO's secular and cyclical forums, portfolio strategy meetings, Investment Committee meetings, and on a day-to-day basis;

Absence of defaults and price defaults for issues in the portfolios managed by the portfolio manager;

Contributions to asset retention, gathering and client satisfaction;

Contributions to mentoring, coaching and/or supervising; and

Personal growth and skills added.

A portfolio manager's compensation is not based directly on the performance of any Fund or any other account managed by that portfolio manager.

***Profit Sharing Plan.*** Portfolio managers who are Managing Directors of PIMCO receive compensation from a non-qualified profit sharing plan consisting of a portion of PIMCO's net profits. Portfolio managers who are Managing Directors receive an amount determined by the Compensation Committee, based upon an individual's overall contribution to the firm.

(a)(4)

The following summarizes the dollar range of securities of the Fund the Portfolio Managers beneficially owned as of December 31, 2015:

<b>Portfolio Manager</b>	<b>Dollar Range of Equity Securities of the Fund Owned as of December 31, 2015</b>
<b>Joseph Deane</b>	None
<b>David Hammer</b>	None

**Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

None.

**Item 10. Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures by which shareholders may recommend nominees to the Fund's Board of Trustees since the Fund last provided disclosure in response to this item.

**Item 11. Controls and Procedures.**

- (a) The principal executive officer and principal financial & accounting officer have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the 1940 Act) provide reasonable assurances that material information relating to the Registrant is made known to them by the appropriate persons, based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report.
  
- (b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 12. Exhibits.**

- (a)(1) Exhibit 99.CODE Code of Ethics pursuant to Section 406 of the Sarbanes-Oxley Act of 2002.
- (a)(2) Exhibit 99.CERT Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (b) Exhibit 99.906CERT Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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**Signatures**

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

PIMCO California Municipal Income Fund II

By: /s/ PETER G. STRELOW

Peter G. Strelow  
President (Principal Executive Officer)

Date: February 26, 2016

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

By: /s/ PETER G. STRELOW

Peter G. Strelow  
President (Principal Executive Officer)

Date: February 26, 2016

By: /s/ WILLIAM G. GALIPEAU

William G. Galipeau  
Treasurer (Principal Financial & Accounting Officer)

Date: February 26, 2016