

PIMCO CALIFORNIA MUNICIPAL INCOME FUND II
Form N-CSR
August 02, 2010

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

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21077

PIMCO California Municipal Income Fund II

(Exact name of registrant as specified in charter)

1345 Avenue of the Americas, New York, New York

10105

(Address of principal executive offices)

(Zip code)

Lawrence G. Altadonna - 1345 Avenue of the Americas, New York, New York 10105

(Name and address of agent for service)

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

Date of fiscal year end: May 31, 2010

Date of reporting period: May 31, 2010

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-2001. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

ITEM 1. REPORT TO SHAREHOLDERS



Annual Report

May 31, 2010

PIMCO Municipal Income Fund II
PIMCO California Municipal Income Fund II
PIMCO New York Municipal Income Fund II

Contents

<u>Letter to Shareholders</u>	2 3
<u>Fund Insights/Performance & Statistics</u>	4 7
<u>Schedules of Investments</u>	8 25
<u>Statements of Assets and Liabilities</u>	26
<u>Statements of Operations</u>	27
<u>Statements of Changes in Net Assets</u>	28 29
<u>Statement of Cash Flows</u>	30
<u>Notes to Financial Statements</u>	31 40
<u>Financial Highlights</u>	41 43
<u>Report of Independent Registered Public Accounting Firm</u>	44
<u>Tax Information/Annual Shareholder Meetings Results</u>	45
<u>Changes to the Board of Trustees</u>	46
<u>Privacy Policy/Proxy Voting Policies & Procedures</u>	47
<u>Dividend Reinvestment Plan</u>	48
<u>Board of Trustees</u>	49 50
<u>Fund Officers</u>	51

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

Dear Shareholder:

Municipal bonds generally experienced solid gains during the past 12 months ended May 31, 2010, as the U.S. economy continued to recover from what was arguably the worst downturn since the 1930s. Real gross domestic product the output of U.S. goods and services grew for three consecutive quarters, expanding 2.2% and 5.6% respectively over the last half of 2009, and 3.0% during the first quarter of 2010. For most of the period, the improving economy encouraged certain investors to shift assets from the safe haven of U.S. Treasury bonds and into stocks and municipal securities. During May 2010, however, there was a partial reversal of this trend, driven largely by fiscal concerns in some European countries. This flight to safety dragged down stocks, but the \$2.8 trillion municipal bond market was largely unaffected, as evidenced by the municipal yield curve, which slightly moved.

Year in Review:

For the fiscal year ended May 31, 2010:

PIMCO Municipal Income Fund II returned 29.87% on net asset value (NAV) and 25.49% on market price.

PIMCO California Municipal Income Fund II returned 19.90% on NAV and 16.44% on market price.

PIMCO New York Municipal Income Fund II returned 23.22% on NAV and 19.92% on market price.

As bond prices and yields move in opposite directions, falling yields during much of the reporting period lifted prices higher across the entire yield curve. Municipal bonds with longer-term maturities generally produced better returns than shorter-term municipals, while lower-quality municipals fared better than their higher-quality counterparts.

Even with these solid gains, municipal bonds appear attractive investments, when compared to corporate bonds which in general experienced solid gains over much of the past year and low-yielding U.S. Treasury bonds.

The Road Ahead and the Case for Municipals

Three consecutive quarters of solid growth indicates that the U.S. economy is clearly on the mend. But caution is warranted. One area of concern: the fiscal situation in many states and local municipalities, which remains weak, and in some cases precarious. A joint report by the National Governors Association and the National Association of State Budget Officers warns that states despite two years of tax increases and budget cuts still face an estimated \$127 billion in budget gaps over the next two years. California is the best known example of this fiscal duress, but all

2 PIMCO Municipal Income Funds II Annual Report | 5.31.10

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

states, warns a second study (by the Pew Center for the States) are under varying degrees of pressure. Adding to this problem is the declining amount of municipal bond insurance that has been available, due to the downfall of several insurers during the recession. This has added to overall investment risk for municipal bonds though it should be pointed out that the historic default rate for municipals in general remains quite low, when compared to corporate bonds.

Challenging circumstances can present compelling opportunities for prudent municipal bond investors. From a simple supply-and-demand standpoint, fewer tax-exempt bonds are likely to come to market this year while demand for them is being driven by rising state taxes and the expiration in December of the Bush administration's tax cuts, which will push the top federal tax rate to 39.6%. More buy-and-hold investors are moving into the municipal market as well. This has helped reduce volatility, which in turn helped contribute to a steepening yield curve for municipals during the reporting period. Going forward, these trends may bode well for municipal securities.

Please refer to the following pages for specific information on the Funds. If you have any questions regarding the information provided, we encourage you to contact your financial advisor or call the Funds' shareholder servicing agent at (800) 254-5197. You may also find a wide range of information and resources on our Web site, www.allianzinvestors.com/closedendfunds.

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

Sincerely,

Hans W. Kertess
Chairman

Brian S. Shlissel
President & CEO

Receive this report
electronically and
eliminate paper mailings.
To enroll, go to
www.allianzinvestors.com/edelivery.

5.31.10 | PIMCO Municipal Income Funds II Annual Report **3**

PIMCO Municipal Income Fund II Fund Insights

May 31, 2010 (unaudited)

For the fiscal year ended May 31, 2010, PIMCO Municipal Income Fund II returned 29.87% on net asset value (NAV) and 25.49% on market price.

For the fiscal year ended May 31, 2010, PIMCO California Municipal Income Fund II returned 19.90% on NAV and 16.44% on market price.

For the fiscal year ended May 31, 2010, PIMCO New York Municipal Income Fund II returned 23.22% on NAV and 19.92% on market price.

High-quality municipal bond yields moved lower across the curve as the market continued to normalize during the reporting period. Treasury yields also moved lower, with a significant change toward the end of the period.

Municipal-to-U.S. Treasury yield ratios ended the fiscal period lower across the curve. The 10-year ratio decreased to 85.2% and the 30-year ratio decreased to 95.1%.

Tobacco securitization exposure contributed to returns, as this sector posted strong performance during the period and investors moved out on the risk spectrum, emerging from the global financial crisis.

Exposure to corporate-backed municipals added to returns as the sector posted strong performance, while utility exposure detracted as this sector underperformed the general municipal market.

Significant exposure to the health care sector contributed to returns as the sector outperformed, while special tax exposure was also a positive.

Exposure to longer maturity zero coupon municipals was positive for returns as their longer durations led them to outperform due to the downward movement in high-quality municipal yields. The Barclays Capital Zero Coupon Index returned 15.33% for the fiscal year.

Municipal II:

The municipal yield curve flattened as investors took advantage of higher yields further out on the yield curve. The Build America Bond supply removed much of the tax-exempt supply in longer maturities helping to move yields lower. 30-year maturity AAA General Obligation yields decreased 63 basis points while the two-year yield decreased 37 basis points for the same period. Significant exposure in longer maturity municipals helped performance as that portion of the curve outperformed.

Long municipals slightly underperformed the broader long-taxable market with the Barclays Capital Long Municipal Bond Index returning 13.53%. The Barclays Capital Long Government/Credit Index returned 15.11% and outperformed long Treasuries, as the Barclays Capital Long US Treasury Index returned 7.78%.

Municipal bond issuance ended 2009 with in excess of \$400 billion in issuance. 2010 year-to-date issuance remained elevated with \$167.64 billion issued 10% higher than the same period last year, approximately 25% coming from Build America Bonds.

California Municipal II:

An underweighting to California's General Obligation bonds negatively impacted performance as the bonds outperformed during the reporting period.

Municipal bonds within California outperformed the Barclays Capital Municipal Bond Index, returning 9.55% versus 8.56% during the period, respectively. The state continued to experience volatility due to uncertainty related to its budget-deficit situation as the end of the fiscal year neared. For calendar-year 2009, California led all other states with over \$72 billion in total bond issuance. It continues to lead in 2010 with \$25 billion in total issuance year-to-date, although this is 20% lower than the comparable period a year earlier.

The California portion of the Barclays Capital Long Municipal Index (22+) slightly outperformed the overall index, returning 13.58% versus 13.53%, respectively. The California municipal curve steepened with 30-year yields decreasing 70 basis points while two-year yields decreased 90 basis points. Significant exposure to longer maturities was positive for performance, as this portion of the curve outperformed.

4 PIMCO Municipal Income Funds II Annual Report | 5.31.10

PIMCO Municipal Income Fund II Fund Insights

May 31, 2010 (unaudited) (continued)

New York Municipal II:

Transportation exposure was positive for performance as this sector outperformed during the fiscal period.

Municipal bonds within New York slightly outperformed the Barclays Capital Municipal Bond Index, returning 8.81% versus 8.56%, respectively. In 2009, issuers in New York State issued \$44 billion in bonds, ranking second in the U.S. 2010 year-to-date issuance in New York was at \$13.3 billion at the end of May, 15% lower than the same period a year earlier.

The New York portion of the Barclays Capital Long Municipal Index (22+) underperformed the overall index, returning 13.15% versus 13.53%, respectively. The New York yield curve steepened slightly during the period with 30-year yields decreasing 65 basis points and two-year yields decreasing 71 basis points. New York funds also had significant positions in the longer portions of the curve, which helped performance as longer maturity holdings outperformed in New York.

5.31.10 | PIMCO Municipal Income Funds II Annual Report 5

PIMCO Municipal Income Funds II Performance & Statistics

May 31, 2010 (unaudited)

Municipal II:

Total Return⁽¹⁾:

	Market Price	NAV
1 Year	25.49%	29.87%
5 Year	0.67%	0.30%
Commencement of Operations (6/28/02) to 5/31/10	3.04%	3.20%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 5/31/10

NAV

Market Price

Market Price/NAV:

Market Price	\$11.12
NAV	\$10.77
Premium to NAV	3.25%
Market Price Yield ⁽²⁾	7.01%

**Moody's Ratings
(as a % of total investments)**

California Municipal II:

Total Return⁽¹⁾:

	Market Price	NAV
1 Year	16.44%	19.90%
5 Year	(1.86)%	(4.15)%

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

Commencement of Operations (6/28/02) to 5/31/10

1.05%

0.00%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 5/31/10

NAV

Market Price

Market Price/NAV:

Market Price	\$9.33
NAV	\$8.11
Premium to NAV	15.04%
Market Price Yield ⁽²⁾	7.44%

Moody's Ratings
(as a % of total investments)

PIMCO Municipal Income Funds II Performance & Statistics

May 31, 2010 (unaudited)

New York Municipal II:

Total Return⁽¹⁾:	Market Price	NAV
1 Year	19.92%	23.22%
5 Year	1.34%	0.71%
Commencement of Operations (6/28/02) to 5/31/10	3.14%	3.17%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 5/31/10

NAV

Market Price

Market Price/NAV:

Market Price	\$11.42
NAV	\$10.90
Premium to NAV	4.77%
Market Price Yield ⁽²⁾	6.96%

**Moody's Ratings
(as a % of total investments)**

- (1) **Past performance is no guarantee of future results.** Total return is calculated by determining the percentage change in net asset value (NAV) or market price (as applicable) in the specified period. The calculation assumes that all income dividends and capital gain distributions, if any, have been reinvested. Total return does not reflect broker commissions or sales charges. Total return for a period of more than one year represents the average annual total return.

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

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

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

- (2) Market Price Yield is determined by dividing the annualized current monthly per share dividend (comprised of net investment income) payable to common shareholders by the market price per common share at May 31, 2010.

5.31.10 | PIMCO Municipal Income Funds II Annual Report 7

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
MUNICIPAL BONDS & NOTES 98.3%			
Alabama 1.1%			
\$ 10,000	Birmingham-Baptist Medical Centers Special Care Facs. Financing Auth. Rev., Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	Baa2/NR	\$ 8,809,100
1,235	Montgomery BMC Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/29, Ser. B (NPFGC)	A3/A	1,131,408
2,650	Tuscaloosa Public Educational Building Auth. Rev., Stillman College Project, 5.00%, 6/1/26, Ser. A	NR/BBB-	2,472,821
			12,413,329
Alaska 0.7%			
3,550	Housing Finance Corp. Rev., 5.25%, 6/1/32, Ser. C (NPFGC)	Aa2/AA	3,587,133
5,900	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	3,957,248
			7,544,381
Arizona 9.4%			
3,500	Health Facs. Auth. Rev., Banner Health, 5.00%, 1/1/35, Ser. A	NR/A+	3,475,360
2,860	5.50%, 1/1/38, Ser. D	NR/A+	2,940,080
5,000	Maricopa Cnty. Pollution Control Corp. Rev., 5.00%, 6/1/35, Ser. A	A1/A	5,003,900
29,700	Pima Cnty. Industrial Dev. Auth. Rev., 5.00%, 9/1/39 Salt River Project Agricultural Improvement & Power Dist. Rev., Ser. A (k), 5.00%, 1/1/37	Aa1/AA	29,735,640
41,100	5.00%, 1/1/37	Aa1/AA	42,491,235
10,000	5.00%, 1/1/39	Aa1/AA	10,512,000
10,500	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	A3/A	9,320,850
			103,479,065
Arkansas 0.2%			
13,000	Dev. Finance Auth. Rev., Arkansas Cancer Research Center Project, zero coupon, 7/1/46 (AMBAC)	Aa2/NR	2,006,550
California 5.3%			
6,000	Golden State Tobacco Securitization Corp. Rev., 5.00%, 6/1/33, Ser. A-1	Baa3/BBB	4,842,000
2,500	Los Angeles Department of Water & Power Rev., 5.00%, 7/1/39, Ser. A-1 (AMBAC)	Aa3/AA-	2,576,500
1,365	Lynwood Utility Auth. Rev., 5.00%, 6/1/29, Ser. A (AGC)	Aa3/AAA	1,385,748
2,000	Montebello Unified School Dist., GO, 5.00%, 8/1/33 (AGM)	Aa3/AAA	2,045,600
2,000	San Diego Cnty. Water Auth., CP, 5.00%, 5/1/38, Ser. 2008-A (AGM)	Aa2/AAA	2,048,480
2,000	Santa Clara Cnty. Financing Auth. Rev., 5.75%, 2/1/41, Ser. A (AMBAC)	A1/A+	2,108,900
10,500	State, GO, 6.00%, 4/1/38	A1/A-	11,342,310
4,305	Statewide Communities Dev. Auth. Rev.,		

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

California Baptist Univ., 9.00%, 11/1/17, Ser. B (a)(d)
8 PIMCO Municipal Income Funds II Annual Report | 5.31.10

NR/NR

3,700,492

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
California (continued)			
\$ 5,500	Methodist Hospital Project (FHA), 6.625%, 8/1/29	Aa2/AA	\$ 6,306,795
19,500	6.75%, 2/1/38	Aa2/AA	22,228,245
			58,585,070
Colorado 4.7%			
5,800	Aurora Rev., Children s Hospital Assoc., 5.00%, 12/1/40	A1/A+	5,804,524
11,250	City & Cnty. of Denver Airport Rev., 5.00%, 11/15/25, Ser. B (AGM)	Aa3/AAA	11,299,950
1,000	Denver Health & Hospital Auth. Rev., 5.625%, 12/1/40 (e) Health Facs. Auth. Rev., Ser. A,	NR/BBB	979,300
1,000	American Baptist Homes, 5.90%, 8/1/37	NR/NR	838,530
9,500	Catholic Health Initiatives, 5.50%, 3/1/32	WR/AA	9,948,210
500	Evangelical Lutheran, 6.125%, 6/1/38	A3/A-	512,505
18,305	Exempla, Inc., 5.625%, 1/1/33, (Pre-refunded @ \$101, 1/1/12) (c)	A1/A-	19,937,623
2,000	Housing & Finance Auth. Rev., Evergreen Country Day School, Inc. Project,		
1,430	5.875%, 6/1/37 (a)(d) Public Auth. for Colorado Energy Rev., 6.50%, 11/15/38	NR/BB A2/A	1,418,880 1,568,596
			52,308,118
Connecticut 0.1%			
1,250	Harbor Point Infrastructure Improvement Dist., Tax Allocation, 7.875%, 4/1/39, Ser. A	NR/NR	1,317,875
Delaware 0.1%			
1,000	State Economic Dev. Auth. Rev., Delmarva Power & Light Co., 5.40%, 2/1/31	Baa2/BBB	1,024,280
Florida 5.5%			
1,000	Brevard Cnty. Health Facs. Auth. Rev., Health First, Inc. Project, 7.00%, 4/1/39	A3/A-	1,106,640
600	Broward Cnty. Airport Rev., 5.375%, 10/1/29, Ser. O	A1/A+	630,720
8,500	Broward Cnty. Water & Sewer Rev., 5.25%, 10/1/34, Ser. A (k)	Aa2/AA	8,932,140
1,000	Clearwater Rev., 5.25%, 12/1/39, Ser. A	Aa3/AA-	1,056,640
3,000	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System, 5.625%, 11/15/37, Ser. B	A1/AA-	3,121,410
2,335	Hillsborough Cnty. Industrial Dev. Auth. Pollution Control Rev., Tampa Electric Co. Project, 5.50%, 10/1/23	Baa1/BBB	2,385,389
7,135	Jacksonville Health Facs. Auth. Rev., Ascension Health, 5.25%, 11/15/32, Ser. A	Aa1/AA	7,288,046
3,000	Leesburg Hospital Rev., Leesburg Regional Medical Center Project, 5.50%, 7/1/32	Baa1/BBB+	2,899,440
3,490	Miami-Dade Cnty. Airport Rev., 5.50%, 10/1/36, Ser. A	A2/A-	3,587,127
500	Sarasota Cnty. Health Facs. Auth. Rev., 5.75%, 7/1/37	NR/NR	410,040
7,900	State Board of Education, GO, 5.00%, 6/1/38, Ser. D (k)	Aa1/AAA	8,345,086
6,205	State Governmental Utility Auth. Rev., Barefoot Bay Utilities System, 5.00%, 10/1/29 (AMBAC)	WR/NR	6,215,610
5,000	Sumter Landing Community Dev. Dist. Rev.,		

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

4.75%, 10/1/35, Ser. A (NPFGC)

Baa1/A

4,157,000

5.31.10 | PIMCO Municipal Income Funds II Annual Report **9**

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
	Florida (continued)		
\$ 10,000	Tallahassee Rev., 5.00%, 10/1/37 (k)	Aa1/AA	\$ 10,270,900
1,500	Winter Springs Water & Sewer Rev., zero coupon, 10/1/29 (FGIC-NPFGC)	WR/A+	616,935
			61,023,123
	Georgia 0.2%		
2,775	Medical Center Hospital Auth. Rev., Spring Harbor Green Island Project, 5.25%, 7/1/37	NR/NR	2,231,294
	Illinois 12.9%		
2,435	Central Lake Cnty. JT Action Water Agcy. Rev., 5.125%, 5/1/28, Ser. A (AMBAC)	Aa2/NR	2,537,124
	Chicago, GO, Ser. C,		
10,000	5.00%, 1/1/34 (k)	Aa2/AA-	10,252,000
4,065	5.50%, 1/1/40 (FGIC-NPFGC)	Aa2/AA-	4,119,715
	Chicago, Special Assessment, Lake Shore East,		
3,162	6.625%, 12/1/22	NR/NR	3,033,876
6,700	6.75%, 12/1/32	NR/NR	6,267,850
1,250	Chicago Motor Fuel Tax Rev., 5.00%, 1/1/38, Ser. A (AGC)	Aa3/AAA	1,284,050
5,000	Cicero, GO, 5.25%, 12/1/31 (NPFGC)	Baa1/A	5,121,600
6,440	Cook Cnty., Capital Improvements, GO, 5.00%, 11/15/28, Ser. A (FGIC-NPFGC)	Aa2/AA	6,502,790
	Finance Auth. Rev.,		
2,500	Christian Homes, Inc., 5.75%, 5/15/31, Ser. A	NR/NR	1,962,225
250	Leafs Hockey Club Project, 6.00%, 3/1/37, Ser. A (b)(f)	NR/NR	62,725
1,000	Memorial Health Systems, 5.50%, 4/1/39	A1/A+	1,001,300
700	OSF Healthcare System, 7.125%, 11/15/37, Ser. A	A2/A	789,019
2,000	Provena Health, 6.00%, 5/1/28, Ser. A	Baa1/BBB+	2,017,700
1,500	Sedgebrook, Inc., 6.00%, 11/15/42, Ser. A (f)	NR/NR	547,455
	Health Facs. Auth. Rev., Elmhurst Memorial Healthcare,		
20,100	5.625%, 1/1/28	Baa1/NR	19,823,223
68,470	State Sports Facs. Auth. Rev., 5.50%, 6/15/30 (AMBAC) (l)	WR/A	70,612,426
	Village of Hillside, Tax Allocation, Mannheim Redev. Project,		
4,500	6.55%, 1/1/20	NR/NR	4,222,890
2,900	7.00%, 1/1/28	NR/NR	2,551,826
			142,709,794
	Indiana 0.5%		
	Finance Auth. Rev.,		
1,500	Duke Energy Indiana, Inc., 6.00%, 8/1/39, Ser. B	NR/A	1,625,100
2,500	United States Steel Corp., 6.00%, 12/1/26	Ba2/BB	2,558,450
2,250	Fort Wayne Pollution Control Rev., General Motors Corp. Project, 6.20%, 10/15/25 (f)	WR/NR	675,000
990	Vigo Cnty. Hospital Auth. Rev., Union Hospital, Inc., 5.80%, 9/1/47 (a)(d)	NR/NR	853,994
			5,712,544

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody's/S&P)*	Value
Iowa 4.2%			
\$ 250	Finance Auth. Rev., Deerfield Retirement Community, Inc., Ser. A, 5.50%, 11/15/27	NR/NR	\$ 188,110
1,075	5.50%, 11/15/37	NR/NR	743,449
4,500	Edgewater LLC Project, 6.75%, 11/15/42	NR/NR	4,167,720
850	Wedum Walnut Ridge LLC Project, 5.625%, 12/1/45, Ser. A (b)	NR/NR	544,034
46,000	Tobacco Settlement Auth. Rev., 5.60%, 6/1/34, Ser. B	Baa3/BBB	40,198,480
			45,841,793
Kansas 0.1%			
500	Dev. Finance Auth. Rev., Adventist Health, 5.75%, 11/15/38	A1/AA-	546,860
Kentucky 0.8%			
2,000	Economic Dev. Finance Auth. Rev., Baptist Healthcare Systems, Ser. A, 5.375%, 8/15/24	Aa3/NR	2,172,900
2,500	5.625%, 8/15/27	Aa3/NR	2,717,650
2,500	Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	2,525,425
1,000	Owensboro Medical Healthcare Systems, 6.375%, 6/1/40, Ser. A	Baa2/NR	1,029,470
			8,445,445
Louisiana 4.4%			
750	Local Gov't Environmental Facs. & Community Dev. Auth. Rev., Woman's Hospital Foundation, Ser. A, 5.875%, 10/1/40	A3/BBB+	736,905
1,000	6.00%, 10/1/44	A3/BBB+	999,900
3,300	Public Facs. Auth. Rev., Ochsner Clinic Foundation Project, 5.50%, 5/15/47, Ser. B	Baa1/NR	3,001,614
44,395	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	Baa3/BBB	43,515,979
			48,254,398
Maryland 0.5%			
1,000	Health & Higher Educational Facs. Auth. Rev., Adventist Healthcare, 5.75%, 1/1/25, Ser. A	Baa2/NR	1,017,050
1,010	King Farm Presbyterian Community, 5.30%, 1/1/37, Ser. A	NR/NR	725,099
4,050	Washington Cnty. Hospital, 6.00%, 1/1/43	NR/BBB-	4,116,218
			5,858,367
Massachusetts 6.5%			
4,610	Dev. Finance Agcy. Rev., Adventcare Project, 6.75%, 10/15/37, Ser. A	NR/NR	4,005,076
2,900	State College Building Auth. Rev., 5.50%, 5/1/39, Ser. A	Aa2/AA-	3,189,043
51,830	State Turnpike Auth. Rev., 5.00%, 1/1/37, Ser. A (NPFGC)	A3/A	51,998,966

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

12,050	Water Res. Auth. Rev., 4.75%, 8/1/37, Ser. A (AGM) (k)	Aa1/AAA	12,051,446
			71,244,531
	Michigan 3.1%		
1,000	Detroit, GO, 5.25%, 11/1/35	Aa3/AA-	993,010
4,545	Garden City Hospital Finance Auth. Rev., 5.00%, 8/15/38, Ser. A	NR/NR	3,008,426

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody's/S&P)*	Value
Michigan (continued)			
\$ 800	Public Educational Facs. Auth. Rev., Bradford Academy, 6.50%, 9/1/37 (a)(d)	NR/BBB-	\$ 774,152
3,000	Royal Oak Hospital Finance Auth. Rev., William Beaumont Hospital, 8.25%, 9/1/39	A1/A	3,584,550
5,000	State Hospital Finance Auth. Rev., Ascension Health, 5.25%, 11/15/26, Ser. B	Aa1/AA	5,147,450
13,500	Oakwood Group, Ser. A, 5.75%, 4/1/32	A2/A	13,568,580
1,925	6.00%, 4/1/22	A2/A	1,969,930
6,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BBB	4,476,960
			33,523,058
Minnesota 0.6%			
280	Minneapolis, Tax Allocation, Grant Park Project, 5.35%, 2/1/30	NR/NR	236,034
1,500	Minneapolis Rev., Providence Project, 5.75%, 10/1/37, Ser. A	NR/NR	1,356,900
2,640	North Oaks Rev., Presbyterian Homes North Oaks, 6.00%, 10/1/33	NR/NR	2,584,613
1,530	6.125%, 10/1/39	NR/NR	1,508,320
500	Oronoco Rev., Wedum Shorewood Campus Project, 5.40%, 6/1/41	NR/NR	428,800
400	St. Louis Park Rev., Nicollett Health Services, 5.75%, 7/1/39	NR/A	397,184
			6,511,851
Mississippi 0.4%			
3,605	Business Finance Corp. Rev., System Energy Res., Inc. Project, 5.875%, 4/1/22	Ba1/BBB	3,618,555
740	Dev. Bank Special Obligation Rev., Capital Projects and Equipment Acquisition, 5.00%, 7/1/24, Ser. A-2 (AMBAC)	WR/NR	710,341
			4,328,896
Nevada 0.3%			
1,450	Clark Cnty., GO, 5.00%, 6/1/31 (FGIC-NPFGC)	Aaa/AA+	1,464,978
1,620	State, GO, 5.00%, 5/15/28, Ser. A (FGIC-NPFGC)	Aa1/NR	1,622,819
			3,087,797
New Hampshire 0.2%			
2,000	Business Finance Auth. Rev., Elliot Hospital, 6.125%, 10/1/39, Ser. A	Baa1/BBB+	2,037,480
360	Health & Education Facs. Auth. Rev., Catholic Medical Center, 6.125%, 7/1/32, Ser. A	Baa1/BBB+	363,654
			2,401,134
New Jersey 3.1%			
950	Burlington Cnty. Bridge Commission Rev., The Evergreens Project, 5.625%, 1/1/38	NR/NR	812,896

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

525	Economic Dev. Auth. Rev., Arbor Glen, 6.00%, 5/15/28, Ser. A	NR/NR	460,619
4,000	Kapkowski Road Landfill Project, Special Assessment, 5.75%, 10/1/21	Baa3/NR	4,093,280
11,405	5.75%, 4/1/31	Baa3/NR	11,431,460

12 PIMCO Municipal Income Funds II Annual Report | 5.31.10

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
New Jersey (continued)			
\$ 1,500	Health Care Facs. Financing Auth. Rev., St. Peters Univ. Hospital, 5.75%, 7/1/37	Baa2/BBB-	\$ 1,518,270
1,830	Trinitas Hospital, 5.25%, 7/1/30, Ser. A	Baa3/BBB-	1,649,251
3,300	State Educational Facs. Auth. Rev., Fairfield Dickinson Univ., 6.00%, 7/1/25, Ser. D	NR/NR	3,405,237
2,000	State Turnpike Auth. Rev., 5.25%, 1/1/40, Ser. E	A3/A+	2,115,900
13,150	Tobacco Settlement Financing Corp. Rev., 5.00%, 6/1/41, Ser. 1-A	Baa3/BBB	9,073,763
			34,560,676
New Mexico 0.6%			
2,000	Farmington Pollution Control Rev., 5.80%, 4/1/22, Ser. A	Baa3/BB+	2,001,820
3,000	5.80%, 4/1/22, Ser. C	Baa3/BB+	3,002,730
2,000	5.90%, 6/1/40, Ser. D (e)	Baa3/BB+	2,005,980
			7,010,530
New York 2.1%			
1,200	Erie Cnty. Industrial Dev. Agcy. Rev., Orchard Park, Inc. Project, 6.00%, 11/15/36, Ser. A	NR/NR	1,008,552
1,505	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.25%, 10/1/35	A1/A	1,509,078
10,000	5.25%, 10/1/35 (k)	A1/A	10,027,100
1,100	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	1,049,675
2,830	New York City Municipal Water Finance Auth. Water & Sewer Rev., 5.00%, 6/15/37, Ser. D (k)	Aa1/AAA	2,955,199
4,000	Second Generation Resolutions, 4.75%, 6/15/35, Ser. DD (k)	Aa2/AA+	4,059,640
2,000	5.00%, 6/15/39, Ser. GG-1	Aa2/AA+	2,105,380
250	Suffolk Cnty. Industrial Dev. Agcy. Rev., New York Institute of Technology, 5.00%, 3/1/26	Baa2/BBB+	254,415
			22,969,039
North Carolina 0.1%			
550	Medical Care Commission Rev., Salem towne, 5.10%, 10/1/30	NR/NR	498,850
1,000	Village at Brookwood, 5.25%, 1/1/32	NR/NR	722,660
			1,221,510
North Dakota 0.3%			
3,710	Stark Cnty. Healthcare Rev., Benedictine Living Communities, 6.75%, 1/1/33	NR/NR	3,663,217

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

Ohio 1.2%

1,000	Higher Educational Fac. Commission Rev., Univ. Hospital Health Systems, 6.75%, 1/15/39, Ser. 2009-A	A2/A	1,070,010
7,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	A1/AA-	7,568,700

5.31.10 | PIMCO Municipal Income Funds II Annual Report 13

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
Ohio (continued)			
\$ 1,000	Montgomery Cnty. Rev., Miami Valley Hospital, 6.25%, 11/15/39, Ser. A	Aa3/NR	\$ 1,050,100
550	State Rev.,		
3,000	Ashland Univ. Project, 6.25%, 9/1/24 (e)	Ba1/NR	550,016
	Cleveland Clinic Health System, 5.50%, 1/1/39, Ser. B	Aa2/AA-	3,143,970
			13,382,796
Oregon 0.2%			
1,000	Clackamas Cnty. Hospital Fac. Auth. Rev., Legacy Health System, 5.50%, 7/15/35, Ser. A	A2/A+	1,042,810
1,155	State Department of Administrative Services, CP, 5.25%, 5/1/39, Ser. A	Aa2/AA-	1,219,703
			2,262,513
Pennsylvania 4.2%			
750	Cumberland Cnty. Municipal Auth. Rev., Messiah Village Project, Ser. A, 5.625%, 7/1/28	NR/BBB-	656,932
670	6.00%, 7/1/35	NR/BBB-	599,241
3,250	Harrisburg Auth. Rev., Harrisburg Univ. of Science, 6.00%, 9/1/36, Ser. B	NR/NR	2,865,135
850	Higher Educational Facs. Auth. Rev., Edinboro Univ. Foundation, 6.00%, 7/1/43 (e)	Baa3/BBB-	852,499
750	Thomas Jefferson Univ., 5.00%, 3/1/40	A1/AA-	770,918
500	Luzerne Cnty. Industrial Dev. Auth. Rev., Pennsylvania American Water Co., 5.50%, 12/1/39	A2/A	515,280
5,000	Montgomery Cnty. Higher Education & Health Auth. Rev., Abington Memorial Hospital, Ser. A, 5.125%, 6/1/27	NR/A	5,019,900
3,750	5.125%, 6/1/32	NR/A	3,732,375
17,000	Philadelphia, GO, 5.25%, 12/15/32, Ser. A (AGM)	Aa3/AAA	17,675,070
11,600	Philadelphia Hospitals & Higher Education Facs. Auth. Rev., Temple Univ. Hospital, 6.625%, 11/15/23, Ser. A	Baa3/BBB	11,602,552
500	Philadelphia Water Rev., 5.25%, 1/1/36, Ser. A	A1/A	517,070
500	Pittsburgh & Allegheny Cnty. Sports & Exhibition Auth. Rev., 5.00%, 2/1/29 (AMBAC)	WR/NR	466,600
1,000	Westmoreland Cnty. Industrial Dev. Auth. Rev., Excelsa Health Project, 5.125%, 7/1/30 (e)	A3/NR	990,060
			46,263,632
Rhode Island 6.6%			
76,200	Tobacco Settlement Financing Corp. Rev., 6.25%, 6/1/42, Ser. A	Baa3/BBB	72,859,392
South Carolina 1.5%			
1,000	Greenwood Cnty. Rev., Self Regional Healthcare, 5.375%, 10/1/39	A2/A	1,009,050
	Jobs-Economic Dev. Auth. Rev., Ser. B,		

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

500	Anmed Health, 5.50%, 2/1/38 (AGC)	NR/AAA	524,170
13,850	Bon Secours Health System, 5.625%, 11/15/30	A3/A-	13,891,827
1,000	State Public Service Auth. Rev., 5.25%, 1/1/39, Ser. B	Aa2/AA-	1,069,740
			16,494,787

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
Tennessee 0.7%			
\$ 1,750	Claiborne Cnty. Industrial Dev. Board Rev., Lincoln Memorial Univ. Project, 6.625%, 10/1/39	NR/NR	\$ 1,780,817
1,000	Johnson City Health & Educational Facs. Board Rev., Mountain States Health Alliance, 6.00%, 7/1/38	Baa1/BBB+	1,020,400
500	Sullivan Cnty. Health Educational & Housing Facs. Board Rev., Wellmont Health Systems Project, 5.25%, 9/1/36, Ser. C	NR/BBB+	448,275
3,000	Tennessee Energy Acquisition Corp. Rev., 5.00%, 2/1/23, Ser. C	Baa1/A	2,870,250
700	5.25%, 9/1/21, Ser. A	Ba3/BB+	691,173
700	5.25%, 9/1/22, Ser. A	Ba3/BB+	687,547
			7,498,462
Texas 13.0%			
130	Aubrey Independent School Dist., GO, 5.50%, 2/15/33 (PSF-GTD)	Aaa/NR	138,289
6,500	Brazos Cnty. Health Facs. Dev. Corp. Rev., 5.375%, 1/1/32	NR/A-	6,389,695
2,500	Dallas Rev., Dallas Civic Center, 5.25%, 8/15/38 (AGC)	Aa3/AAA	2,584,575
	Harris Cnty. Cultural Education Facs. Finance Corp. Rev., Texas Children s Hospital Project, 5.25%, 10/1/29	Aa2/AA	3,886,838
3,750	5.50%, 10/1/39	Aa2/AA	13,187,045
12,700	HFDC of Central Texas, Inc. Rev., Village at Gleannloch Farms, 5.50%, 2/15/37, Ser. A	NR/NR	530,327
700	Houston Airport Rev., 5.00%, 7/1/25, Ser. C (FGIC-NPFGC)	A2/A	5,502,860
5,500	Little Elm Independent School Dist., GO, 5.30%, 8/15/29, Ser. A (PSF-GTD)	NR/AAA	3,334,269
3,170	Municipal Gas Acquisition & Supply Corp. I Rev., 5.25%, 12/15/25, Ser. A	A2/A	435,604
450	6.25%, 12/15/26, Ser. D	A2/A	16,260,687
15,300	North Harris Cnty. Regional Water Auth. Rev., 5.25%, 12/15/33	A1/A+	10,613,944
10,300	5.50%, 12/15/38	A1/A+	10,697,477
	North Texas Tollway Auth. Rev., 4.75%, 1/1/29 (FGIC-NPFGC)	A2/A	6,249,750
6,250	5.625%, 1/1/33, Ser. B	A2/A-	5,239,850
5,000	5.75%, 1/1/33, Ser. F	A3/BBB+	1,259,220
1,200	6.25%, 1/1/39, Ser. A	A2/A-	1,376,162
1,250	Sabine River Auth. Pollution Control Rev., 5.20%, 5/1/28, Ser. C	Caa3/NR	1,004,300
2,000	San Antonio Electric & Gas Systems Rev., 5.00%, 2/1/32 (k)	Aa1/AA	10,565,900
10,000	State, Mobility Fund, GO (k), 4.75%, 4/1/35, Ser. A	Aaa/AA+	10,127,756
10,025	4.75%, 4/1/36	Aaa/AA+	17,703,175
17,500	State, Water Financial Assistance, GO, 5.00%, 8/1/36	Aaa/AA+	3,336,808
3,250	State Public Finance Auth. Rev., 5.875%, 12/1/36, Ser. A	Baa3/BBB-	978,320
1,000	State Turnpike Auth. Rev., 5.00%, 8/15/42, Ser. A (AMBAC)	Baa1/BBB+	8,886,660
8,880			

5.31.10 | PIMCO Municipal Income Funds II Annual Report 15

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

PIMCO Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
Texas (continued)			
\$ 3,000	Tarrant Cnty. Cultural Education Facs. Finance Corp. Rev., Baylor Health Care Systems Project, 6.25%, 11/15/29	Aa2/AA-	\$ 3,347,700
			143,637,211
Virginia 0.2%			
1,000	Fairfax Cnty. Industrial Dev. Auth. Rev., Inova Health Systems, 5.50%, 5/15/35, Ser. A	Aa2/AA+	1,076,030
2,050	James City Cnty. Economic Dev. Auth. Rev., United Methodist Homes, 5.50%, 7/1/37, Ser. A	NR/NR	1,260,586
			2,336,616
Washington 1.6%			
1,850	Central Puget Sound Regional Transit Auth. Rev., 4.75%, 2/1/28 (FGIC-NPFGC)	Aa1/AAA	1,850,185
1,300	Health Care Facs. Auth. Rev., Multicare Health Systems, 6.00%, 8/15/39, Ser. B (AGC)	Aa3/AAA	1,396,798
1,000	Seattle Cancer Care Alliance, 7.375%, 3/1/38	A3/NR	1,119,820
13,000	Virginia Mason Medical Center, 6.125%, 8/15/37, Ser. A	Baa2/BBB	13,468,650
			17,835,453
Wisconsin 1.1%			
90	Health & Educational Facs. Auth. Rev., Froedert & Community Health, 5.375%, 10/1/30	NR/AA-	91,378
1,000	Prohealth Care, Inc., 6.625%, 2/15/39	A1/A+	1,087,670
10,000	State Rev., 6.00%, 5/1/36, Ser. A	Aa3/AA-	11,021,300
			12,200,348
	Total Municipal Bonds & Notes (cost \$1,051,682,519)		1,084,595,735
VARIABLE RATE NOTES (h) 1.7%			
Florida 0.2%			
1,830	Highlands Cnty. Health Facs. Auth. Rev., Adventist Health System, 5.00%, 11/15/31, Ser. C	A1/AA-	1,830,805
Illinois 1.0%			
5,000	Chicago, GO, 1.00%, 1/1/34, Ser. 3190 (a)(d)(e)(g)	NR/NR	5,377,950
5,000	State, GO, 8.03%, 4/1/27, Ser. 783 (AGC) (a)(d)(g)	Aa3/NR	5,280,200
			10,658,150
Texas 0.3%			
3,335	JPMorgan Chase Putters/Drivers Trust Rev., 1.00%, 5/15/18, Ser. 3709 (a)(d)(e)(g)	NR/AAA	3,929,631

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

2,000	West Virginia 0.2% Economic Dev. Auth. Rev., Appalachia Power, 5.375%, 12/1/38, Ser. A	Baa2/BBB	1,998,540
	Total Variable Rate Notes (cost \$18,111,759)		18,417,126
	Total Investments (cost \$1,069,794,278) 100.0%		\$ 1,103,012,861

16 PIMCO Municipal Income Funds II Annual Report | 5.31.10

PIMCO California Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody's/S&P)*	Value
CALIFORNIA MUNICIPAL BONDS & NOTES 91.1%			
\$ 2,000	Alhambra Rev., Atherton Baptist Homes, 7.625%, 1/1/40, Ser. A	NR/NR	\$ 2,093,100
5,300	Assoc. of Bay Area Gov't Finance Auth. for Nonprofit Corps. Rev., Odd Fellows Home of California, 5.20%, 11/15/22, Ser. A (CA Mtg. Ins.)	NR/A-	5,387,503
2,000	Bay Area Gov't Assoc. Lease Rev., Capital Projects, 5.00%, 7/1/32, Ser. 2002-1 (AMBAC)	WR/AA	2,061,500
5,000	Bay Area Toll Auth. Rev., San Francisco Bay Area, Ser. F-1, 5.00%, 4/1/34	Aa3/AA	5,159,750
20,000	5.00%, 4/1/39 (k)	Aa3/AA	20,532,800
1,000	Chula Vista Rev., San Diego Gas & Electric, 5.875%, 2/15/34, Ser. B	Aa3/A+	1,110,940
3,035	City & Cnty. of San Francisco, Airports Commission Rev., 4.50%, 5/1/28, Ser. 2 (NPFGC)	A1/A	2,936,939
300	Capital Improvement Projects, CP, 5.25%, 4/1/31, Ser. A	Aa3/AA-	308,730
1,410	Community College Financing Auth. Rev., 5.00%, 8/1/27, Ser. A (AMBAC)	WR/NR	1,378,148
1,110	Corona-Norco Unified School Dist. No. 98-1, Special Tax, 5.10%, 9/1/25 (AMBAC)	WR/NR	1,102,940
	Corona-Norco Unified School Dist. Public Financing Auth., Special Tax, Ser. A,		
305	5.65%, 9/1/16	NR/NR	309,133
160	5.75%, 9/1/17	NR/NR	161,322
530	6.00%, 9/1/20	NR/NR	535,470
1,000	6.00%, 9/1/25	NR/NR	1,000,720
4,150	6.10%, 9/1/32	NR/NR	4,065,506
9,760	Coronado Community Dev. Agcy., Tax Allocation, 4.875%, 9/1/35 (AMBAC)	NR/AA-	8,841,194
3,000	Dinuba Financing Auth. Rev., Public Works Projects, 5.10%, 8/1/32 (NPFGC)	Baa1/A	3,077,730
8,300	El Dorado Irrigation Dist. & El Dorado Water Agcy., CP, 5.75%, 8/1/39, Ser. A (AGC)	Aa3/AAA	8,708,443
1,500	Foothill-Eastern Transportation Corridor Agcy. Rev., 5.875%, 1/15/27 (IBC-NPFGC)	Baa1/A	1,530,390
1,440	Fremont Community Facs. Dist. No. 1, Special Tax, Pacific Commons, 5.30%, 9/1/30	NR/NR	1,243,915
	Golden State Tobacco Securitization Corp. Rev.,		
13,885	5.00%, 6/1/45 (AMBAC-TCRS)	A2/A-	12,705,608
1,500	5.00%, 6/1/45, Ser. A	A2/BBB+	1,357,425
6,000	5.00%, 6/1/45, Ser. A (FGIC-TCRS)	A2/A-	5,489,460
4,500	5.75%, 6/1/47, Ser. A-1	Baa3/BBB	3,283,605
500	Hartnell Community College Dist., GO, zero coupon, 8/1/34, Ser. 2002-D (I)	Aa2/AA-	239,055
	Health Facs. Financing Auth. Rev.,		
	Adventist Health System, Ser. A,		
500	5.00%, 3/1/33	NR/A	477,090
250	5.75%, 9/1/39	NR/A	255,912

5.31.10 | PIMCO Municipal Income Funds II Annual Report 17

PIMCO California Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
\$ 3,000	Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	A2/A	\$ 3,171,780
1,200	Children s Hospital of Los Angeles, 5.25%, 7/1/38 (AGM)	Aa3/AAA	1,194,708
500	Children s Hospital of Orange Cnty., 6.50%, 11/1/38, Ser. A	NR/A	538,225
1,500	Scripps Health, 5.00%, 11/15/36, Ser. A	A1/AA-	1,501,080
175	Infrastructure & Economic Dev. Bank Rev., 5.25%, 2/1/38	A1/A+	176,304
1,000	Irvine Unified School Dist., Special Tax, 6.70%, 9/1/35	NR/NR	1,045,090
1,000	Lancaster Redev. Agcy., Tax Allocation, 6.875%, 8/1/39	NR/A	1,117,660
500	Lancaster Redev. Agcy. Rev., Capital Improvements Projects, 5.90%, 12/1/35	NR/A	498,625
5,300	Livermore-Amador Valley Water Management Agcy. Rev., 5.00%, 8/1/31, Ser. A (AMBAC)	Aa2/NR	5,323,956
7,500	Long Beach Bond Finance Auth. Rev., Long Beach Natural Gas, 5.50%, 11/15/37, Ser. A	A2/A	7,242,450
10,000	Long Beach Unified School Dist., GO, 5.25%, 8/1/33, Ser. A (k)	Aa2/AA-	10,473,200
2,685	Los Angeles, Equipment & Real Property Project, CP, 5.00%, 10/1/27, Ser. AU (NPFGC)	A2/A+	2,699,445
4,895	Los Angeles, Real Property Project, CP, 5.00%, 2/1/27, Ser. T (NPFGC)	A1/A+	4,906,258
10,000	Los Angeles Community College Dist., GO, 5.00%, 8/1/33, Ser. F-1 (k)	Aa1/AA	10,330,900
15,000	Los Angeles Department of Water & Power Rev., 4.75%, 7/1/30, Ser. A-2 (AGM) (k)	Aa3/AAA	15,331,950
16,950	5.125%, 7/1/41, Ser. A (FGIC-NPFGC-TCRS)	Aa2/AA	17,059,666
11,000	Los Angeles Unified School Dist., GO, 5.00%, 1/1/34, Ser. I	Aa2/AA-	11,192,390
7,295	Manteca Redev. Agcy., Tax Allocation, 5.00%, 10/1/32 (AGM)	Aa3/AAA	7,140,784
10,000	5.00%, 10/1/36 (AMBAC)	WR/A	8,888,400
5,330	Manteca Unified School Dist. No. 89-2, Special Tax, 5.00%, 9/1/29, Ser. C (NPFGC)	Baa1/A	5,336,289
4,000	Merced Cnty., Juvenile Justice Correctional Fac., CP, 5.00%, 6/1/32 (AMBAC)	A1/NR	4,040,760
5,000	Metropolitan Water Dist. of Southern California Rev., 5.00%, 7/1/37, Ser. A (k)	Aa1/AAA	5,233,201
4,700	Moreno Valley Unified School Dist. Community Facs. Dist. No. 2004-6, Special Tax, 5.20%, 9/1/36	NR/NR	3,746,276
1,400	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	NR/A	1,548,050
5,000	Oakland Unified School Dist., Alameda Cnty., GO, 6.125%, 8/1/29, Ser. A	A1/BBB+	5,389,950
4,750	Palomar Pomerado Health, CP, 6.75%, 11/1/39	Baa2/NR	5,091,240
10,000	Placentia-Yorba Linda Unified School Dist., CP, 5.00%, 10/1/32 (FGIC-NPFGC)	A1/A+	10,181,700
3,510	Riverside, CP, 5.00%, 9/1/33 (AMBAC)	WR/A+	3,434,184
	Riverside Unified School Dist. Community Facs. School Dist. No. 15, Special Tax, Ser. A, 5.25%, 9/1/30	NR/NR	879,670
1,000	5.25%, 9/1/35	NR/NR	839,780

18 PIMCO Municipal Income Funds II Annual Report | 5.31.10

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

PIMCO California Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
\$ 2,230	Roseville Redev. Agcy., Tax Allocation, Ser. B (NPFGC), 5.00%, 9/1/27	A2/A	\$ 2,232,364
3,365	5.00%, 9/1/32	A2/A	3,191,635
1,985	5.00%, 9/1/33	A2/A	1,867,905
7,500	San Bernardino Community College Dist., GO, 6.25%, 8/1/33, Ser. A	Aa2/AA-	8,464,125
4,300	San Diego Cnty. Water Auth., CP, 5.00%, 5/1/29, Ser. A (NPFGC)	Aa2/AA+	4,400,276
11,000	San Diego Public Facs. Financing Auth. Rev., 5.00%, 8/1/32 (NPFGC)	Aa3/A+	11,131,780
4,000	5.25%, 8/1/38, Ser. A	Aa2/AA-	4,208,360
1,000	5.25%, 5/15/39, Ser. A	Aa3/A+	1,047,970
1,500	Fire & Life Safety Facs. Project, 5.00%, 4/1/32, Ser. B (NPFGC)	A2/A	1,430,895
2,800	San Diego Regional Building Auth. Rev., Cnty. Operations Center & Annex, 5.375%, 2/1/36, Ser. A	Aa3/AA+	2,961,588
5,000	San Diego Unified School Dist., GO, 4.75%, 7/1/27, Ser. D-2 (AGM)	Aa1/AAA	5,151,250
14,970	San Jose Libraries, Parks & Public Safety Projects, GO, 5.00%, 9/1/32 (NPFGC) (k)	Aaa/AAA	15,316,405
1,150	San Jose Unified School Dist., GO, 5.00%, 8/1/27, Ser. A (AGM)	Aa2/AAA	1,187,122
1,260	Santa Cruz Cnty., CP, 5.25%, 8/1/32	A1/NR	1,299,753
1,500	Santa Cruz Cnty. Redev. Agcy., Tax Allocation, Live Oak/Soquel Community, 7.00%, 9/1/36, Ser. A State, GO,	A1/A	1,677,330
2,500	5.00%, 9/1/31	A1/A-	2,486,850
7,000	5.00%, 4/1/38	A1/A-	6,804,840
11,000	6.00%, 4/1/38	A1/A-	11,882,420
3,000	State Public Works Board Rev., 5.75%, 10/1/30, Ser. G-1	A2/BBB+	3,084,750
2,000	California State Univ., 6.00%, 11/1/34, Ser. J	Aa3/BBB+	2,107,120
7,915	Regents Univ., 5.00%, 3/1/33, Ser. A	Aa2/AA-	8,015,837
3,455	Statewide Communities Dev. Auth. Rev., Bentley School, 6.75%, 7/1/32 (a)(b)(m) (acquisition cost \$3,533,895; purchased 9/19/02-10/7/03)	NR/NR	3,149,578
1,800	Catholic Healthcare West, 5.50%, 7/1/31, Ser. D	A2/A	1,845,468
1,800	5.50%, 7/1/31, Ser. E	A2/A	1,845,468
250	Huntington Park Charter School Project, Ser. A, 5.15%, 7/1/30	NR/NR	192,938
1,250	5.25%, 7/1/42	NR/NR	905,625
500	International School of the Peninsula Project, 5.00%, 11/1/29	NR/NR	368,310
2,770	Kaiser Permanente, 5.50%, 11/1/32, Ser. A	WR/A+	2,791,578
1,000	Lancer Student Housing Project, 7.50%, 6/1/42	NR/NR	1,014,990
9,700	Los Angeles Jewish Home, 5.50%, 11/15/33 (CA St. Mtg.)	NR/A-	9,377,378

5.31.10 | PIMCO Municipal Income Funds II Annual Report 19

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

PIMCO California Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody's/S&P)*	Value
\$ 2,000	Methodist Hospital Project (FHA), 6.25%, 8/1/24	Aa2/AA	\$ 2,276,360
2,400	6.625%, 8/1/29	Aa2/AA	2,752,056
8,800	6.75%, 2/1/38	Aa2/AA	10,031,208
3,700	St. Joseph, 5.75%, 7/1/47, Ser. A (FGIC)	A1/AA-	3,754,686
1,365	Windrush School, 5.50%, 7/1/37	NR/NR	1,081,981
1,480	Statewide Financing Auth. Tobacco Settlement Rev., 5.625%, 5/1/29, Ser. A	Baa3/NR	1,473,947
4,500	Tobacco Securitization Agcy. Rev., Alameda Cnty., 6.00%, 6/1/42	Baa3/NR	3,590,640
1,800	Stanislaus Cnty., 5.875%, 6/1/43, Ser. A	Baa3/NR	1,481,616
1,000	Tustin Unified School Dist., Special Tax, 6.00%, 9/1/40, Ser. 2006-1	NR/BBB	1,010,560
5,500	Univ. of California Rev., 4.75%, 5/15/35, Ser. F (AGM) (k)	Aa1/AAA	5,519,525
5,000	4.75%, 5/15/35, Ser. G (FGIC-NPFGC) (k)	Aa1/AA	4,999,850
5,650	4.75%, 5/15/38, Ser. B	Aa2/AA-	5,496,433
10,000	Ventura Cnty. Community College Dist., GO, 5.00%, 8/1/27, Ser. A (NPFGC) (k)	Aa2/AA	10,338,400
5,000	5.50%, 8/1/33, Ser. C	Aa2/AA	5,264,750
1,555	Ventura Unified School Dist., GO, 5.00%, 8/1/32, Ser. F (AGM)	Aa3/AAA	1,567,238
	Total California Municipal Bonds & Notes (cost \$404,252,640)		432,989,457

OTHER MUNICIPAL BONDS & NOTES 3.6%

New York 0.7%

1,250	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.25%, 10/1/35	A1/A	1,253,388
1,900	New York City Municipal Water Finance Auth. Water & Sewer Rev., 5.00%, 6/15/37, Ser. D (k)	Aa1/AAA	1,984,056
			3,237,444

Puerto Rico 2.9%

2,200	Aqueduct & Sewer Auth. Rev., 6.00%, 7/1/38, Ser. A	Baa1/BBB-	2,326,654
4,000	Electric Power Auth. Rev., 5.25%, 7/1/40, Ser. XX	A3/BBB+	4,037,240
2,505	Public Buildings Auth. Gov't Facs. Rev., 5.00%, 7/1/36, Ser. I (GTD)	A3/BBB-	2,472,535
1,600	Sales Tax Financing Corp. Rev., Ser. A, 5.00%, 8/1/40 (AGM) (k)	Aa3/AAA	1,629,360
3,000	5.50%, 8/1/42	A1/A+	3,141,720
			13,607,509

Total Other Municipal Bonds & Notes (cost \$15,605,685) 16,844,953

CALIFORNIA VARIABLE RATE NOTES (a)(d)(g)(h) 3.4%

6,035	Desert Community College Dist., GO,
-------	-------------------------------------

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

4,000	7.86%, 8/1/32, Ser. 3016-1 (AGC) Los Angeles Community College Dist., GO, 11.43%, 8/1/33, Ser. 3096	NR/AAA NR/AA	6,349,484 4,392,520
-------	---	-----------------	------------------------

20 PIMCO Municipal Income Funds II Annual Report | 5.31.10

PIMCO California Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
\$ 5,000	San Diego Community College Dist., GO, 9.786%, 2/1/17	NR/AA+	\$ 5,582,200
	Total California Variable Rate Notes (cost \$14,955,154)		16,324,204
CORPORATE BONDS & NOTES (j) 0.7%			
	Financial Services 0.7%		
3,540	International Lease Finance Corp., 5.40%, 2/15/12 (cost \$2,983,802)	B1/BB+	3,309,900
SHORT-TERM INVESTMENTS 1.2%			
	Corporate Notes (j) 1.0%		
	Financial Services 1.0%		
5,000	SLM Corp., 0.476%, 7/26/10, FRN (cost \$4,937,145)	Ba1/BBB-	4,974,810
700	California Variable Rate Demand Notes (h)(i) 0.2% Health Facs. Financing Auth. Rev., Adventist Health System, 0.25%, 6/1/10, Ser. B (cost \$700,000)	VMIG1/NR	700,000
	Total Short-Term Investments (cost \$5,637,145)		5,674,810
	Total Investments (cost \$443,434,426) 100.0%		\$ 475,143,324

5.31.10 | PIMCO Municipal Income Funds II Annual Report 21

PIMCO New York Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
NEW YORK MUNICIPAL BONDS & NOTES 84.8%			
\$ 1,000	Chautauqua Cnty. Industrial Dev. Agcy. Rev., Dunkirk Power Project, 5.875%, 4/1/42	Baa3/BB+	\$ 1,029,240
2,400	Erie Cnty. Industrial Dev. Agcy. Rev., Orchard Park, Inc. Project, 6.00%, 11/15/36, Ser. A	NR/NR	2,017,104
3,000	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.25%, 10/1/35	A1/A	3,008,130
4,120	5.25%, 10/1/35 (k)	A1/A	4,131,165
3,500	5.50%, 10/1/37	A1/A	3,662,505
500	Long Island Power Auth. Rev., 5.00%, 9/1/34, Ser. A (AMBAC)	A3/A-	510,300
	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/30, Ser. A (AGM)	Aa3/AAA	1,903,169
1,850	5.00%, 11/15/34, Ser. B	NR/AA	2,098,220
2,000	5.25%, 11/15/31, Ser. E	A2/A	8,251,760
7,000	5.35%, 7/1/31, Ser. B	Aa3/AAA	7,208,950
5,000	5.50%, 11/15/39, Ser. A	NR/AA	5,388,200
2,870	Mortgage Agcy. Rev., 4.75%, 10/1/27, Ser. 128	Aa1/NR	2,904,009
2,400	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	2,290,200
4,000	New York City, GO, 5.00%, 3/1/33, Ser. I	Aa2/AA	4,099,600
	New York City Health & Hospital Corp. Rev., Ser. A, 5.375%, 2/15/26	A1/A+	1,119,294
1,100	5.45%, 2/15/26	A1/A+	2,038,160
	New York City Industrial Dev. Agcy. Rev., Eger Harbor Project, 4.95%, 11/20/32, Ser. A (GNMA)	NR/AA+	992,940
1,415	Liberty Interactive Corp., 5.00%, 9/1/35	Ba2/BB+	1,252,134
1,500	Queens Baseball Stadium, 6.50%, 1/1/46 (AGC)	Aa3/AAA	1,671,930
1,190	Staten Island Univ. Hospital Project, 6.45%, 7/1/32, Ser. C	Ba2/NR	1,182,991
1,500	United Jewish Appeal Federation Project, 5.00%, 7/1/27, Ser. A	Aa1/NR	1,567,365
	Yankee Stadium, 5.00%, 3/1/31 (FGIC)	Baa3/BBB-	2,774,750
2,750	5.00%, 3/1/36 (NPFGC)	Baa1/A	2,315,616
2,400	7.00%, 3/1/49 (AGC)	Aa3/AAA	5,680,962
4,900	New York City Municipal Water Finance Auth. Water & Sewer Rev., 5.25%, 6/15/40, Ser. EE	Aa2/AA+	1,618,530
1,500	Second Generation Resolutions, 5.00%, 6/15/39, Ser. GG-1	Aa2/AA+	526,345
	New York City Transitional Finance Auth. Rev., 5.00%, 11/1/27, Ser. B	Aaa/AAA	9,415,440
9,000	5.25%, 1/15/39, Ser. S-3	Aa3/AA-	5,342,500
5,000	New York City Trust for Cultural Res. Rev., Julliard School, 5.00%, 1/1/34, Ser. A	Aa2/AA	2,882,196
2,700	Wildlife Conservation Society, 5.00%, 2/1/34 (FGIC-NPFGC)	Aa3/AA-	7,011,280
6,785	Port Auth. of New York & New Jersey Rev., 5.00%, 4/15/32, Ser. 125 (AGM)	Aa2/AAA	3,706,596
3,600	State Dormitory Auth. Rev., 5.00%, 3/15/38, Ser. A	NR/AAA	3,167,820
3,000	5.50%, 5/15/31, Ser. A (AMBAC)	Aa3/AA-	8,400,859
7,490	Catholic Health of Long Island, 5.10%, 7/1/34	A3/BBB+	2,592,382
2,600			

22 PIMCO Municipal Income Funds II Annual Report | 5.31.10

PIMCO New York Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
\$ 2,000	Kaleida Health Hospital, 5.05%, 2/15/25 (FHA)	NR/NR	\$ 2,034,920
5,300	Lenox Hill Hospital, 5.50%, 7/1/30	Ba1/NR	5,118,634
1,320	Long Island Univ., 5.25%, 9/1/28 (Radian)	Baa3/NR	1,326,204
	Memorial Sloan-Kettering Cancer Center,		
2,750	5.00%, 7/1/35, Ser. 1	Aa2/AA	2,845,810
2,000	5.00%, 7/1/36, Ser. A-1	Aa2/AA	2,086,300
2,100	New York Univ., 5.00%, 7/1/38, Ser. A	Aa3/AA-	2,209,599
1,000	New York Univ. Hospital Center, 5.625%, 7/1/37, Ser. B	Baa2/BBB	1,026,040
5,850	North General Hospital, 5.00%, 2/15/25	NR/AA-	5,960,448
600	North Shore-Long Island Jewish Health System,		
	5.50%, 5/1/37, Ser. A	Baa1/A-	620,022
5,000	Rochester General Hospital, 5.00%, 12/1/35 (Radian)	WR/NR	4,758,000
	Teachers College,		
4,270	5.00%, 7/1/32 (NPFGC)	A1/NR	4,332,897
3,000	5.50%, 3/1/39	A1/NR	3,161,430
3,000	Yeshiva Univ., 5.125%, 7/1/34 (AMBAC)	Aa3/NR	3,089,310
5,000	State Environmental Facs. Corp. Rev., 5.125%, 6/15/38, Ser. A	Aa1/AA+	5,391,400
1,000	State Thruway Auth. Rev., 4.75%, 1/1/29, Ser. G (AGM)	Aa3/AAA	1,025,340
6,000	State Urban Dev. Corp. Rev., 5.00%, 3/15/36, Ser. B-1 (k)	NR/AAA	6,367,260
	Triborough Bridge & Tunnel Auth. Rev.,		
710	5.00%, 1/1/32, Ser. A (FGIC-TCRS)	Aa2/AA-	727,182
5,000	5.25%, 11/15/34, Ser. A-2 (k)	Aa2/AA-	5,403,350
150	Troy Rev., Rensselaer Polytechnic Institute,		
	5.125%, 9/1/40, Ser. A	A3/A	153,045
1,815	Ulster Cnty. Industrial Dev. Agcy. Rev., 6.00%, 9/15/37, Ser. A	NR/NR	1,454,668
2,000	Warren & Washington Cntys. Industrial Dev. Agcy. Rev.,		
	Glens Falls Hospital Project, 5.00%, 12/1/35, Ser. A (AGM)	Aa3/AAA	2,022,980
600	Yonkers Industrial Dev. Agcy. Rev., Sarah Lawrence		
	College Project, 6.00%, 6/1/41, Ser. A	NR/BBB+	627,558
	Total New York Municipal Bonds & Notes (cost \$167,411,741)		175,505,039

OTHER MUNICIPAL BONDS & NOTES 10.1%

California 0.5%			
1,000	Health Facs. Financing Auth. Rev., Catholic Healthcare West,		
	6.00%, 7/1/39, Ser. A	A2/A	1,057,260
Florida 1.0%			
1,000	Clearwater Rev., 5.25%, 12/1/39, Ser. A	Aa3/AA-	1,056,640
1,000	Miami-Dade Cnty. Airport Rev., 5.50%, 10/1/36, Ser. A	A2/A-	1,027,830
			2,084,470
Louisiana 0.5%			
1,000	East Baton Rouge Sewerage Commission Rev.,		
	5.25%, 2/1/39, Ser. A	Aa2/AA-	1,078,530
Puerto Rico 7.6%			
4,600	Aqueduct & Sewer Auth. Rev., 6.00%, 7/1/38, Ser. A	Baa1/BBB-	4,864,822
5,675	Children s Trust Fund Rev., 5.625%, 5/15/43	Baa3/BBB	5,109,430

5.31.10 | PIMCO Municipal Income Funds II Annual Report 23

PIMCO New York Municipal Income Fund II Schedule of Investments

May 31, 2010

Principal Amount (000s)		Credit Rating (Moody s/S&P)*	Value
	Puerto Rico (continued)		
\$ 14,250	Sales Tax Financing Corp. Rev., Ser. A, zero coupon, 8/1/54 (AMBAC)	Aa2/AA-	\$ 901,312
12,900	zero coupon, 8/1/56	Aa2/AA-	673,380
2,000	5.00%, 8/1/40 (AGM) (k)	Aa3/AAA	2,036,700
1,000	5.50%, 8/1/42	A1/A+	1,047,240
1,000	5.75%, 8/1/37	A1/A+	1,074,280
			15,707,164
	U.S. Virgin Islands 0.5%		
1,000	Public Finance Auth. Rev., 6.00%, 10/1/39, Ser. A	Baa3/NR	1,056,180
	Total Other Municipal Bonds & Notes (cost \$21,457,216)		20,983,604
	NEW YORK VARIABLE RATE NOTES (a)(d)(g)(h) 3.0%		
5,000	JPMorgan Chase Putters/Drivers Trust Rev., 7.814%, 7/1/33, Ser. 3382	Aa1/NR	5,558,800
500	8.26%, 6/15/31, Ser. 3223	NR/AA+	600,480
	Total New York Variable Rate Notes (cost \$5,393,662)		6,159,280
	SHORT-TERM INVESTMENTS 2.1%		
	Corporate Notes (j) 2.1%		
	Financial Services 2.1%		
4,300	American General Finance Corp., 4.625%, 9/1/10 (cost \$3,992,309)	B2/B	4,278,500
	Total Investments (cost \$198,254,928) 100.0%		\$ 206,926,423

PIMCO Municipal Income Funds II Notes to Schedule of Investments

May 31, 2010

Notes to Schedule of Investments:

* Unaudited.

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$21,335,299, representing 1.9% of total investments in PIMCO Municipal Income Fund II, \$19,473,782, representing 4.1% of total investments in PIMCO California Municipal Income Fund II and \$6,159,280, representing 3.0% of total investments in PIMCO New York Municipal Income Fund II.
- (b) Illiquid.
- (c) Pre-refunded bonds are collateralized by U.S. Government or other eligible securities which are held in escrow and used to pay principal and interest and retire the bonds at the earliest refunding date (payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate).
- (d) 144A Exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, typically only to qualified institutional buyers. Unless otherwise indicated, these securities are not considered to be illiquid.
- (e) When-issued or delayed-delivery. To be settled/delivered after May 31, 2010.
- (f) In default.
- (g) Inverse Floater The interest rate shown bears an inverse relationship to the interest rate on another security or the value of an index. The interest rate disclosed reflects the rate in effect on May 31, 2010.
- (h) Variable Rate Notes Instruments whose interest rates change on specified date (such as a coupon date or interest payment date) and/or whose interest rates vary with changes in a designated base rate (such as the prime interest rate). The interest rate disclosed reflects the rate in effect on May 31, 2010.
- (i) Maturity date shown is date of next put.
- (j) All or partial amount segregated for the benefit of the counterparty as collateral for reverse repurchase agreements.
- (k) Residual Interest Bonds held in Trust Securities represent underlying bonds transferred to a separate securitization trust established in a tender option bond transaction in which the Fund acquired the residual interest certificates. These securities serve as collateral in a financing transaction.
- (l) Step Bond Coupon is a fixed rate for an initial period then resets at a specific date and rate.
- (m) Restricted. The aggregate acquisition cost of such securities is \$3,533,895 in California Municipal Fund II. The aggregate market value of \$3,149,578 represents 0.7% of total investments in California Municipal Fund II.

Glossary:

AGC insured by Assured Guaranty Corp.
AGM insured by Assured Guaranty Municipal Corp.
AMBAC insured by American Municipal Bond Assurance Corp.
CA Mtg. Ins. insured by California Mortgage Insurance
CA St. Mtg. insured by California State Mortgage
CP Certificates of Participation
FGIC insured by Financial Guaranty Insurance Co.
FHA insured by Federal Housing Administration
FRN Floating Rate Note. The interest rate disclosed reflects the rate in effect on May 31, 2010.
GNMA insured by Government National Mortgage Association
GO General Obligation Bond
GTD Guaranteed
IBC Insurance Bond Certificate
NPFGC insured by National Public Finance Guarantee Corp.
NR Not Rated
PSF Public School Fund
Radian insured by Radian Guaranty, Inc.
TCRS Temporary Custodian Receipts
WR Withdrawn Rating

See accompanying Notes to Financial Statements | 5.31.10 | PIMCO Municipal Income Funds II Annual Report 25

PIMCO Municipal Income Funds II Statements of Assets and Liabilities

May 31, 2010

	Municipal II	California Municipal II	New York Municipal II
Assets:			
Investments, at value (cost \$1,069,794,278, \$443,434,426 and \$198,254,928, respectively)	\$1,103,012,861	\$475,143,324	\$206,926,423
Cash	282,872	1,193	502,710
Interest receivable	17,891,854	7,200,421	2,877,265
Receivable for investments sold	562,500		
Prepaid expenses and other assets	47,706	44,637	22,066
Total Assets	1,121,797,793	482,389,575	210,328,464
Liabilities:			
Payable for floating rate notes issued	89,161,972	54,305,833	9,186,395
Payable for investments purchased	14,955,208		
Dividends payable to common and preferred shareholders	3,924,855	1,960,287	718,692
Investment management fees payable	557,629	229,237	107,990
Interest payable	221,905	125,332	14,409
Interest payable for reverse repurchase agreements		2,904	1,742
Payable for reverse repurchase agreements		7,890,123	3,860,325
Accrued expenses and other liabilities	387,366	2,060,254	277,910
Total Liabilities	109,208,935	66,573,970	14,167,463
Preferred Shares (\$25,000 liquidation preference per share applicable to an aggregate of 14,680, 6,520 and 3,160 shares issued and outstanding, respectively)	367,000,000	163,000,000	79,000,000
Net Assets Applicable to Common Shareholders	\$645,588,858	\$252,815,605	\$117,161,001
Composition of Net Assets Applicable to Common Shareholders:			
Common Stock:			
Par value (\$0.00001 per share)	\$600	\$312	\$108
Paid-in-capital in excess of par	849,293,428	431,650,819	152,127,023
Undistributed (dividends in excess of) net investment income	9,284,682	(1,960,287)	1,108,502

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

Accumulated net realized loss on investments	(246,204,471)	(208,564,341)	(44,767,239)
Net unrealized appreciation of investments	33,214,619	31,689,102	8,692,607
Net Assets Applicable to Common Shareholders	\$645,588,858	\$252,815,605	\$117,161,001
Common Shares Issued and Outstanding	59,969,244	31,170,312	10,753,476
Net Asset Value Per Common Share	\$10.77	\$8.11	\$10.90

26 PIMCO Municipal Income Funds II Annual Report | 5.31.10 | See accompanying Notes to Financial Statements

PIMCO Municipal Income Funds II Statements of Operations

Year ended May 31, 2010

	Municipal II	California Municipal II	New York Municipal II
Investment Income:			
Interest	\$ 60,731,519	\$ 27,159,527	\$ 12,164,754
Expenses:			
Investment management fees	6,272,962	2,615,689	1,229,594
Interest expense	839,327	546,314	110,837
Auction agent fees and commissions	588,626	275,803	138,991
Custodian and accounting agent fees	128,169	91,798	62,992
Trustees' fees and expenses	99,765	42,701	19,195
Shareholder communications	97,100	38,150	18,451
Audit and tax services	77,964	51,015	41,459
Legal fees	56,104	7,793	9,000
New York Stock Exchange listing fees	48,326	25,134	21,520
Transfer agent fees	35,572	35,705	34,885
Insurance expense	31,553	14,528	6,816
Miscellaneous	40,438	11,356	3,826
Total expenses	8,315,906	3,755,986	1,697,566
Less: investment management fees waived	(36,532)	(15,844)	(7,361)
custody credits earned on cash balances	(536)	(160)	(110)
Net expenses	8,278,838	3,739,982	1,690,095
Net Investment Income	52,452,681	23,419,545	10,474,659
Realized and Change in Unrealized Gain (Loss)			
Net realized gain (loss) on Investments	151,024	(2,327,882)	(770,215)
Net change in unrealized appreciation/depreciation of Investments	103,180,602	23,246,648	13,497,488
Net realized and change in unrealized gain on investments	103,331,626	20,918,766	12,727,273

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

Net Increase in Net Assets Resulting from Investment Operations	155,784,307	44,338,311	23,201,932
Dividends on Preferred Shares from Net Investment Income	(1,651,157)	(777,175)	(363,065)
Net Increase in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	\$ 154,133,150	\$ 43,561,136	\$ 22,838,867

See accompanying Notes to Financial Statements | 5.31.10 | PIMCO Municipal Income Funds II Annual Report 27

PIMCO Municipal Income Funds II **Statements of Changes in Net Assets**
Applicable to Common Shareholders

	Municipal II	
	Year ended May 31,	
	2010	2009
Investment Operations:		
Net investment income	\$ 52,452,681	\$ 60,464,037
Net realized gain (loss) on investments, futures contracts and swaps	151,024	(169,917,405)
Net change in unrealized appreciation/depreciation of investments and futures contracts	103,180,602	(122,853,789)
Net increase (decrease) in net assets resulting from investment operations	155,784,307	(232,307,157)
Dividends on Preferred Shares from Net Investment Income		
	(1,651,157)	(11,200,932)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	154,133,150	(243,508,089)
Dividends and Distributions to Common Shareholders from:		
Net investment income	(46,637,024)	(46,297,957)
Return of Capital		
Total dividends and distributions to common shareholders	(46,637,024)	(46,297,957)
Capital Share Transactions:		
Reinvestment of dividends	4,046,441	4,112,714
Total increase (decrease) in net assets applicable to common shareholders	111,542,567	(285,693,332)
Net Assets Applicable to Common Shareholders:		
Beginning of year	534,046,291	819,739,623
End of year (including undistributed (dividends in excess of) net investment income of \$9,284,682 and \$5,090,783; \$(1,960,287) and \$(2,178,470); \$1,108,502 and \$(467,589); respectively)	\$ 645,588,858	\$ 534,046,291
Common Shares Issued in Reinvestment of Dividends and Distributions	400,876	419,882

PIMCO Municipal Income Funds **Statements of Changes in Net Assets**
Applicable to Common Shareholders (continued)

	California Municipal II		New York Municipal II	
	Year ended May 31,		Year ended May 31,	
	2010	2009	2010	2009
Investment Operations:				
Net investment income	\$ 23,419,545	\$ 26,314,683	\$ 10,474,659	\$ 10,661,737
Net realized gain (loss) on investments, futures contracts and swaps	(2,327,882)	(157,389,702)	(770,215)	(34,859,903)
Net change in unrealized appreciation/depreciation of investments and futures contracts	23,246,648	(17,820,169)	13,497,488	(9,038,410)
Net increase (decrease) in net assets resulting from investment operations	44,338,311	(148,895,188)	23,201,932	(33,236,576)
Dividends on Preferred Shares from Net Investment Income	(777,175)	(5,697,951)	(363,065)	(2,025,371)
Net increase (decrease) in net assets applicable to common shareholders resulting from investment operations	43,561,136	(154,593,139)	22,838,867	(35,261,947)
Dividends and Distributions to Common Shareholders from:				
Net investment income	(24,003,858)	(24,711,497)	(8,524,998)	(8,466,985)
Return of Capital		(1,187,791)		
Total dividends and distributions to common shareholders	(24,003,858)	(25,899,288)	(8,524,998)	(8,466,985)
Capital Share Transactions:				
Reinvestment of dividends	1,843,810	2,137,595	721,255	754,665
Total increase (decrease) in net assets applicable to common shareholders	21,401,088	(178,354,832)	15,035,124	(42,974,267)
Net Assets Applicable to Common Shareholders:				
Beginning of year	231,414,517	409,769,349	102,125,877	145,100,144
End of year (including undistributed (dividends in excess of) net investment income of \$9,284,682 and \$5,090,783; \$(1,960,287) and \$(2,178,470); \$1,108,502 and \$(467,589); respectively)	\$ 252,815,605	\$ 231,414,517	\$ 117,161,001	\$ 102,125,877
Common Shares Issued in Reinvestment of Dividends and Distributions				
	220,172	229,213	68,673	70,913

See accompanying Notes to Financial Statements | 5.31.10 | PIMCO Municipal Income Funds II Annual Report 29

PIMCO California Municipal Income Fund II Statement of Cash Flows

Year ended May 31, 2010

Decrease in Cash from:

Cash flows provided by operating activities:

Net increase in net assets resulting from investment operations \$ 44,338,311

Adjustments to reconcile net increase in net assets resulting

from investment operations to net cash provided by operating activities:

Purchases of long-term investments (46,468,767)

Proceeds from sales of long-term investments 40,723,593

Sales of short-term portfolio investments, net 14,757,503

Net change in unrealized appreciation/depreciation of investments (23,415,667)

Net realized loss on investments 2,327,882

Net amortization on investments (1,779,669)

Decrease in receivable for investments sold 349,600

Increase in interest receivable (635,231)

Increase in prepaid expenses and other assets (22,579)

Increase in investment management fees payable 28,025

Decrease in interest payable for reverse repurchase agreements (4,332)

Increase in accrued expenses and other liabilities 1,343

Net cash provided by operating activities* 30,200,012

Cash flows used for financing activities:

Decrease in payable for reverse repurchase agreements (10,515,877)

Cash dividends paid (excluding reinvestment of dividends of \$1,843,810) (23,155,407)

Cash receipts on issuance of floating rate notes 3,300,000

Net cash used for financing activities (30,371,284)

Net decrease in cash (171,272)

Cash at beginning of year 172,465

Cash at end of year \$ 1,193

A Statement of Cash Flows is not required for Municipal II and New York Municipal II.

* Included in operating expenses is cash paid for interest on reverse repurchase agreements of \$86,065.

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2010

1. Organization and Significant Accounting Policies

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

Under normal market conditions, Municipal II invests substantially all of its assets in a portfolio of municipal bonds, the interest from which is exempt from federal income taxes. Under normal market conditions, California Municipal II invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal and California state income taxes. Under normal market conditions, New York Municipal II invests substantially all of its assets in municipal bonds which pay interest that is exempt from federal, New York State and New York City income taxes. The Funds will generally seek to avoid investing in bonds generating interest income which could potentially subject individuals to alternative minimum tax. The issuers' abilities to meet their obligations may be affected by economic and political developments in a specific state or region. There is no guarantee that the Funds will meet their stated objectives.

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

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

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

(a) Valuation of Investments

Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services.

Portfolio securities and other financial instruments for which market quotations are not readily available or for which a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to procedures established by the Board of Trustees, or persons acting at their discretion pursuant to procedures established by the Board of Trustees. The Funds' investments are valued daily using prices supplied by an independent pricing service or dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the mean between the last quoted bid and ask price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. Independent pricing services use information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the original term to maturity exceeded 60 days.

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

5.31.10 | PIMCO Municipal Income Funds II Annual Report 31

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2010

1. Organization and Significant Accounting Policies (continued)

(b) Fair Value Measurements

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

Level 1 quoted prices in active markets for identical investments that the Funds have the ability to access

Level 2 valuations based on other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.) or quotes from inactive exchanges

Level 3 valuations based on significant unobservable inputs (including the Funds' own assumptions in determining the fair value of investments)

An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation technique used.

The valuation techniques used by the Funds to measure fair value during the year ended May 31, 2010 maximized the use of observable inputs and minimized the use of unobservable inputs.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A summary of the inputs used at May 31, 2010 in valuing each Fund's assets and liabilities is listed below:

Municipal II:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/10
Investments in Securities Assets				
Municipal Bonds & Notes		\$ 1,084,595,735		\$ 1,084,595,735
Variable Rate Notes		18,417,126		18,417,126
Total Investments in Securities		\$ 1,103,012,861		\$ 1,103,012,861

California Municipal II:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/10
Investments in Securities Assets				
California Municipal Bonds & Notes		\$ 432,989,457		\$ 432,989,457
Other Municipal Bonds & Notes		16,844,953		16,844,953
California Variable Rate Notes		16,324,204		16,324,204
Corporate Bonds & Notes		3,309,900		3,309,900
Short-Term Investments		5,674,810		5,674,810
Total Investments in Securities		\$ 475,143,324		\$ 475,143,324

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2010

1. Organization and Significant Accounting Policies (continued)New York Municipal II:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 5/31/10
Investments in Securities Assets				
New York Municipal Bonds & Notes		\$ 175,505,039		\$ 175,505,039
Other Municipal Bonds & Notes		20,983,604		20,983,604
New York Variable Rate Notes		6,159,280		6,159,280
Short-Term Investments		4,278,500		4,278,500
Total Investments in Securities		\$ 206,926,423		\$ 206,926,423

In January 2010, the Financial Accounting Standards Board released ASU 2010-06, Improving Disclosures about Fair Value Measurements. ASU 2010-06 is effective for annual and interim reporting periods beginning after December 15, 2009. The Funds' management is in the process of reviewing ASU 2010-06 to determine future applicability.

(c) Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Securities purchased and sold on a when-issued or delayed-delivery basis may be settled a month or more after the trade date. Realized gains and losses on investments are determined on an identified cost basis. Interest income adjusted for the accretion of discounts and amortization of premiums is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized, respectively, to interest income over the lives of the respective securities.

(d) Federal Income Taxes

The Funds intend to distribute all of their taxable income and to comply with the other requirements of the U.S. Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required. The Funds may become subject to excise tax to the extent of the distributions to shareholders.

Accounting for uncertainty in income taxes establishes for all entities, including pass-through entities such as the Funds, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Funds' management has determined that its evaluation has resulted in no material impact to the Funds' financial statements at May 31, 2010. The Funds' federal tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

(e) Dividends and Distributions Common Stock

The Funds declare dividends from net investment income monthly to common shareholders. Distributions of net realized capital gains, if any, are paid at least annually. The Funds record dividends and distributions to their shareholders on the ex-dividend date. The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These book-tax differences are considered either temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal income tax treatment. Temporary differences do not require reclassification. To the extent dividends and/or distributions exceed current and accumulated earnings and profits for federal income tax purposes, they are reported as dividends and/or distributions of paid-in-capital in excess of par.

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2010

1. Organization and Significant Accounting Policies (continued)**(f) Reverse Repurchase Agreements**

In a reverse repurchase agreement, the Funds sell securities to a bank or broker-dealer and agree to repurchase the securities at a mutually agreed upon date and price. Generally, the effect of such a transaction is that the Funds can recover and reinvest all or most of the cash invested in portfolio securities involved during the term of the reverse repurchase agreement and still be entitled to the returns associated with those portfolio securities. Such transactions are advantageous if the interest cost to the Funds of the reverse repurchase transaction is less than the returns they obtain on investments purchased with the cash. To the extent a Fund does not cover its positions in reverse repurchase agreements (by segregating liquid assets at least equal in amount to the forward purchase commitment), the Fund's uncovered obligations under the agreements will be subject to the Fund's limitations on borrowings. Reverse repurchase agreements involve leverage risk and also the risk that the market value of the securities that the Funds are obligated to repurchase under an agreement may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Funds' use of the proceeds of the agreement may be restricted pending determination by the other party, or their trustee or receiver, whether to enforce the Funds' obligation to repurchase the securities.

(g) Inverse Floating Rate Transactions Residual Interest Municipal Bonds (RIBs) / Residual Interest Tax Exempt Bonds (RITEs)

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

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

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

The Funds' restrictions on borrowings do not apply to the secured borrowings deemed to have occurred for accounting purposes. Inverse Floaters held by the Funds are exempt from registration under Rule 144A of the Securities Act of 1933.

In addition to general market risks, the Funds' investments in Inverse Floaters may involve greater risk and volatility than an investment in a fixed rate bond, and the value of Inverse Floaters may decrease significantly when market interest rates increase. Inverse Floaters have varying degrees of liquidity, and the market for these securities may be volatile. These securities tend to underperform the market for fixed rate bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates decline or remain relatively stable. Although volatile, Inverse Floaters typically offer the potential for yields exceeding the yields available on fixed rate bonds with comparable credit quality, coupon, call provisions and maturity. Trusts in which Inverse Floaters may be held could be terminated due to market, credit or other events beyond the Funds' control, which could require the Funds to reduce leverage and dispose of portfolio investments at inopportune times and prices.

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2010

1. Organization and Significant Accounting Policies (continued)

(h) When-Issued/Delayed-Delivery Transactions

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

(i) Custody Credits on Cash Balances

The Funds benefit from an expense offset arrangement with their custodian bank, whereby uninvested cash balances earn credits which reduce monthly custodian and accounting agent expenses. Had these cash balances been invested in income-producing securities, they would have generated income for the Funds.

(j) Interest Expense

Interest expense relates primarily to the Funds' liability in connection with floating rate notes held by third parties in conjunction with Inverse Floater transactions and reverse repurchase agreements. Interest expense on reverse repurchase agreements is recorded as it is incurred.

2. Principal Risks

In the normal course of business, the Funds trade financial instruments and enter into financial transactions where risk of potential loss exists due to, among other things, changes in the market (market risk) or failure of the other party to a transaction to perform (counterparty risk). The Funds also are exposed to various risks such as, but not limited to, interest rate and credit 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 the Funds is likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Fixed income securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Duration is used primarily as a measure of the sensitivity of a fixed income security's market price to interest rate (i.e. yield) movements.

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

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

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2010

3. Investment Manager/Sub-Adviser

Each Fund has an Investment Management Agreement (each an "Agreement") with the Investment Manager. Subject to the supervision of the Funds' Board of Trustees, the Investment Manager is responsible for managing, either directly or through others selected by it, each Fund's investment activities, business affairs and administrative matters. Pursuant to the Agreements, the Investment Manager receives an annual fee, payable on a monthly basis, at an annual rate of 0.65% of each Fund's average daily net assets, inclusive of net assets attributable to any Preferred Shares that may be outstanding. In order to reduce each Fund's expenses, the Investment Manager contractually agreed to waive a portion of its investment management fees for each Fund at the annual rate of 0.05% of each Fund's average daily net assets, inclusive of net assets attributable to any Preferred Shares that may be outstanding, through June 30, 2009. For the year ended May 31, 2010, each Fund paid investment management fees at an annualized effective rate of 0.646% of each Fund's average daily net assets, inclusive of net assets attributable to any Preferred Shares that may be outstanding.

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

4. Investments in Securities

Purchases and sales of investments, other than short-term securities, for the year ended May 31, 2010, were:

	Municipal II	California Municipal II	New York Municipal II
Purchases	\$ 85,910,992	\$ 46,468,767	\$ 13,917,347
Sales	67,438,171	40,723,593	10,615,964

(a) Open reverse repurchase agreements at May 31, 2010 were:

Counterparty	Rate	Trade Date	Maturity Date	Principal & Interest	Principal
<u>California Municipal II:</u>					
Bank of America	0.65%	5/7/10	6/8/10	\$ 3,159,548	\$ 3,158,123
Barclays Capital	0.45%	5/7/10	6/8/10	4,733,479	4,732,000
					\$ 7,890,123

New York Municipal II:

Bank of America	0.65%	5/7/10	6/8/10	\$ 3,862,067	\$ 3,860,325
-----------------	-------	--------	--------	--------------	--------------

The weighted average daily balance of reverse repurchase agreements outstanding during the year ended May 31, 2010 for Municipal II, California Municipal II and New York Municipal II was \$6,255,095, \$10,969,994 and \$4,530,595 at a weighted average interest rate of 0.75%, 0.73% and 0.75%, respectively. The total market value of underlying collateral (refer to the Schedules of Investments for positions segregated as collateral for reverse repurchase agreements) for open reverse repurchase agreements at May 31, 2010 was \$8,284,710 and \$4,278,500 for California Municipal II and New York Municipal II, respectively. There were no open reverse repurchase agreements for Municipal II at May 31, 2010.

New York Municipal II received \$89,159 in principal value of U.S. government agency securities as collateral for reverse repurchase agreements outstanding. Collateral received as securities cannot be pledged.

5. Income Tax Information

Municipal II:

Edgar Filing: PIMCO CALIFORNIA MUNICIPAL INCOME FUND II - Form N-CSR

The tax character of dividends paid were:

	Year ended May 31, 2010	Year ended May 31, 2009
Ordinary Income	\$ 1,208,531	\$ 5,154,570
Tax Exempt Income	\$ 47,079,650	\$ 52,344,319

36 PIMCO Municipal Income Funds II Annual Report | 5.31.10

PIMCO Municipal Income Funds II Notes to Financial Statements

May 31, 2010

5. Income Tax Information (continued)

At May 31, 2010, distributable earnings of \$9,284,682 was comprised entirely from tax exempt income.

In accordance with U.S. Treasury regulations, Municipal II elected to defer realized capital losses of \$220,751 arising after October 31, 2009. Such losses are treated as arising on June 1, 2010.

At May 31, 2010, Municipal II had a capital loss carryforward of \$246,038,393 (\$6,389,744 of which will expire in 2012, \$54,505,416 of which will expire in 2013, \$4,473,237 of which will expire in 2014, \$7,912,932, of which will expire in 2015, \$7,955,461, of which will expire in 2017, and \$164,801,603 of which will expire in 2018), available as a reduction, to the extent provided in the regulations, of any future net realized capital gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be distributed.

For the year ended May 31, 2010, permanent book-tax differences were primarily attributable to the differing treatment of inverse floater transactions and federal excise tax. These adjustments were to increase undistributed net investment income by \$29,399, decrease accumulated net realized loss by \$2,500, and decrease paid-in-capital by \$31,899.

California Municipal II:

The tax character of dividends paid were:

	Year ended May 31, 2010	Year ended May 31, 2009
Ordinary Income	\$ 3,653,860	\$ 6,111,678
Tax Exempt Income	\$ 21,127,173	\$ 24,297,770
Return of Capital	\$	\$ 1,187,791

At May 31, 2010, there were no distributable earnings.

At May 31, 2010, California Municipal II had a capital loss carryforward of \$207,026,377 (\$3,919,943 of which will expire in 2012, \$16,328,922 of which will expire in 2013, \$5,531,398 of which will expire in 2015, \$4,849,597 of which will expire in 2016, \$18,401,113 of which will expire in 2017 and \$157,995,404 of which will expire in 2018), available as a reduction, to the extent provided in the regulations, of any future net realized capital gains. To the extent that these losses are used to offset future realized capital gains, such gains will not be distributed.

For the year ended May 31, 2010, permanent book-tax differences were primarily attributable to the differing treatment of inverse floater transactions and taxable overdistributions. These adjustments were to decrease dividends in excess of net investment income by \$1,579,671, decrease accumulated net realized loss by \$169,020, and decrease paid in capital by \$1,748,691.