

PIMCO NEW YORK MUNICIPAL INCOME FUND II
Form N-CSRS
February 02, 2012
Table of Contents

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21078

PIMCO New York Municipal Income Fund II
(Exact name of registrant as specified in charter)

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

10019
(Zip code)

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

(Name and address of agent for service)

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

Date of fiscal year end: May 31, 2012

Date of reporting period: November 30, 2011

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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.

Table of Contents

Item 1. REPORT TO SHAREHOLDERS

Semi-Annual Report

November 30, 2011

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

Table of Contents

Contents

<u>Letter to Shareholders</u>	2-3
<u>Fund Insights</u>	4
<u>Performance & Statistics</u>	5-6
<u>Schedules of Investments</u>	7-24
<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>Notes to Financial Statements</u>	30-40
<u>Financial Highlights</u>	41-43
<u>Annual Shareholder Meeting Results/Portfolio Manager Change/Proxy Voting Policies & Procedures</u>	44
<u>Matters Relating to the Trustees - Consideration of the Investment Management & Portfolio Management Agreements</u>	45-48

11.30.11 PIMCO Municipal Income Funds II Semi-Annual Report	1
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Table of Contents

Hans W. Kertess

Chairman

Brian S. Shlissel

President & CEO

Dear Shareholder,

Municipal bonds delivered solid returns for investors during the six-month period ended November 30, 2011. Contributing to gains was a gradually improving U.S. economy, an overall decline in the issuance of new bonds and continued demand for tax-advantaged investment products.

Six-Months in Review

For the six-month period ended November 30, 2011:

PIMCO Municipal Income Fund II advanced 9.84% on net asset value (NAV) and 10.69% on market price.

PIMCO California Municipal Income Fund II rose 8.63% on NAV and 5.91 % on market price.

PIMCO New York Municipal Income Fund II increased 6.62% on NAV and 6.22% on market price.

U.S. gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, rose at an annual rate of 1.3% between April and June 2011 and at 1.8% between July and September 2011. Growth in the final two months of the fiscal period was expected to be similarly modest.

The Federal Reserve (the Fed) maintained a cautious stance during the six-month period as they revealed that key interest rates would remain at historic lows at least through mid-2013. The Fed also launched a third quantitative easing program, dubbed Operation Twist, which entails the selling of \$400 billion in short-term U.S. debt and the purchase of a similar amount of longer-term debt. This move was intended to lower mortgage rates, already at the lowest levels in decades, in an attempt to bolster the housing market.

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The Fed warned of significant downside risks to the economic outlook, including strains in global financial markets. To a certain respect this referred to the deepening sovereign debt crisis in the European Union (E.U.). The crisis has raised fears that the Euro-zone group of nations may break up. The economic and political implications on the rest of the world, including the United States, are uncertain.

Another downside risk is America's burgeoning debt crisis. Standard & Poor's, (S&P), was so concerned about the inability of Congress and the White House to solve the nation's deepening fiscal problems that it downgraded the U.S. government's long-term credit rating from AAA to AA+. This concern was validated by the subsequent failure of a Congressional super committee to agree on \$1.2 trillion in spending cuts.

Table of Contents

Ironically, concerns regarding the level of U.S. debt did not hinder its reputation as a safe haven investment. In the wake of S&P's downgrade, investors bid up prices – the yield on the benchmark 10-year U.S. Treasury bond fell to a historic low of 1.72%. Since municipal bonds tend to correlate closely with comparable Treasury securities, they rallied as well.

In terms of issuance, the supply of new municipal bonds fell by approximately one-third during the six-month period ended November 30, 2011 compared to the same period in 2010.

Outlook

In addition to uncertainties surrounding the European and U.S. debt crisis, the Bush-era tax cuts are scheduled to expire on December 31, 2012. This possibility, combined with ongoing budget struggles at the state and local level, suggests that tax rates are likely to move higher. This bodes well for municipal bonds, which will continue to remain attractive for investors seeking reliable, tax-advantaged income.

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

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

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess

Chairman

Brian S. Shlissel

President & CEO

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

Table of Contents

PIMCO Municipal Income Funds II Fund Insights

November 30, 2011 (unaudited)

For the six-months ended November 30, 2011, PIMCO Municipal Income Fund II returned 9.84% on net asset value (NAV) and 10.69% on market price.

For the six-months ended November 30, 2011, PIMCO California Municipal Income Fund II returned 8.63% on net asset value (NAV) and 5.91% on market price.

For the six-months ended November 30, 2011, PIMCO New York Municipal Income Fund II returned 6.62% on net asset value (NAV) and 6.22% on market price.

The municipal bond market produced positive returns during the six-month fiscal period ended November 30, 2011. The overall municipal market, as measured by the Barclays Capital Municipal Bond Index, posted positive returns during five of the six months in the reporting period. Factors supporting the market during the period included: robust investor demand as fear of mass defaults from earlier in the year were somewhat mitigated, as states experienced improving revenue and actively addressed structural budgetary issues; a sharp decline in new issuance of municipal securities; sharply declining interest rates due to several flights to quality.

During the reporting period, all three funds had a preference for revenue bonds versus general obligation bonds which was beneficial for results. California Municipal Income II also benefited from its allocation to general obligation bonds, given their solid results.

The Funds were rewarded for having exposure to tobacco bonds . This higher yielding sector outperformed the benchmark during the six-months ended November 30, 2011.

Exposure to health care was additive to the Funds performance as this sector outperformed the benchmarks. Municipal Income II and New York Municipal Income II benefited from exposure to the corporate-backed sector. California Municipal II s performance was enhanced by exposure to the education sector.

Shorter duration than that of their benchmarks detracted from the performance of each fund, as municipal yields declined during the reporting period. A steepening yield curve bias also adversely effected the Fund s results, as the municipal curve flattened during the six-month period.

Table of Contents

PIMCO Municipal Income Funds II Performance & Statistics

November 30, 2011 (unaudited)

Municipal II:

Total Return⁽¹⁾:	Market Price	NAV
Six Month	10.69%	9.84%
1 Year	13.66%	10.43%
5 Year	0.04%	0.01%
Commencement of Operations (6/28/02) to 11/30/11	3.80%	3.86%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 11/30/11

Market Price/NAV:

Market Price	\$11.15
NAV	\$10.71
Premium to NAV	4.11%
Market Price Yield ⁽²⁾	7.00%

Moody s Ratings

(as a % of total investments)

California Municipal II:

Total Return⁽¹⁾:	Market Price	NAV
Six Month	5.91%	8.63%
1 Year	15.70%	9.16%
5 Year	2.90%	4.89%
Commencement of Operations (6/28/02) to 11/30/11	2.28%	0.93%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 11/30/11

Market Price/NAV:

Market Price	\$9.35
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NAV	\$7.63
Premium to NAV	22.54%
Market Price Yield ⁽²⁾	7.52%

Moody's Ratings

(as a % of total investments)

Table of Contents**PIMCO Municipal Income Funds II Performance & Statistics**

November 30, 2011 (unaudited)

New York Municipal II:

Total Return⁽¹⁾:	Market Price	NAV
Six Month	6.22%	6.62%
1 Year	6.03%	6.70%
5 Year	0.13%	0.56%
Commencement of Operations (6/28/02) to 11/30/11	3.62%	3.36%

Market Price/NAV Performance:

Commencement of Operations (6/28/02) to 11/30/11

Market Price/NAV:

Market Price	\$11.17
NAV	\$10.36
Premium to NAV	7.82%
Market Price Yield ⁽²⁾	7.12%

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 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 in connection with the purchase or sale of Fund shares. Total return for a period of less than one year is not annualized. Total return for a period of more than one year represents the average annual total return.

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

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

(2) Market Price Yield is determined by dividing the annualized current monthly per common share dividend (comprised of net investment income) payable to common shareholders by the market price per common share at November 30, 2011.

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

November 30, 2011 (unaudited)

Principal Amount (000s)		Value
MUNICIPAL BONDS & NOTES 98.1%		
Alabama 1.3%		
\$ 10,000	Birmingham-Baptist Medical Centers Special Care Facs. Financing Auth. Rev., Baptist Health Systems, Inc., 5.00%, 11/15/30, Ser. A	\$ 8,907,900
1,235	Montgomery BMC Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/29, Ser. B (NPFGC)	1,149,106
2,000	State Docks Department Rev., 6.00%, 10/1/40	2,117,700
2,650	Tuscaloosa Public Educational Building Auth. Rev., Stillman College Project, 5.00%, 6/1/26, Ser. A	2,172,231
		14,346,937
Alaska 0.3%		
5,900	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	3,700,598
Arizona 9.8%		
3,500	Health Facs. Auth. Rev., Banner Health, 5.00%, 1/1/35, Ser. A	3,519,880
2,860	5.50%, 1/1/38, Ser. D	2,967,307
29,700	Pima Cnty. Industrial Dev. Auth. Rev., 5.00%, 9/1/39	29,433,591
1,750	Pinal Cnty. Electric Dist. No. 3 Rev., 5.25%, 7/1/36	1,785,560
3,700	5.25%, 7/1/41	3,772,372
41,100	Salt River Project Agricultural Improvement & Power Dist. Rev., Ser. A (j), 5.00%, 1/1/37	42,488,769
10,000	5.00%, 1/1/39	10,541,100
11,400	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	10,469,190
1,500	Tuscon Electric Power Co., 5.25%, 10/1/40, Ser. A	1,473,645
		106,451,414
California 14.4%		
6,000	Bay Area Toll Auth. Rev., San Francisco Bay Area, 5.00%, 10/1/29	6,377,760
1,430	5.00%, 4/1/34, Ser. F-1	1,485,613
1,565	Foothill-Eastern Transportation Corridor Agcy. Rev., 5.875%, 1/15/26 (IBC-NPFGC) Golden State Tobacco Securitization Corp. Rev., Ser. A-1,	1,569,132
8,750	5.00%, 6/1/33	5,975,638
7,000	5.75%, 6/1/47	4,939,830
2,000	Hayward Unified School Dist., GO, 5.00%, 8/1/33 Health Facs. Financing Auth. Rev.,	1,986,780
1,500	Scripps Health, 5.00%, 11/15/36, Ser. A	1,518,585
6,300	Sutter Health, 5.00%, 11/15/42, Ser. A (IBC-NPFGC)	6,135,318
3,000	6.00%, 8/15/42, Ser. B	3,266,550

Table of Contents

PIMCO Municipal Income Fund II Schedule of Investments

November 30, 2011 (unaudited) (continued)

Principal Amount (000s)		Value
California (continued)		
\$ 1,500	Indian Wells Redev. Agcy., Tax Allocation, Whitewater Project, 4.75%, 9/1/34, Ser. A (AMBAC)	\$ 1,250,955
2,000	Los Angeles Community College Dist., GO, 5.00%, 8/1/32, Ser. A (FGIC-NPFGC)	2,086,860
4,000	Los Angeles Department of Water & Power Rev., 5.00%, 7/1/39, Ser. A-1 (AMBAC)	4,105,400
5,000	Los Angeles Unified School Dist., GO, 5.00%, 7/1/30, Ser. E (AMBAC)	5,196,850
1,365	Lynwood Utility Auth. Rev., 5.00%, 6/1/29, Ser. A (AGC)	1,408,857
2,000	Montebello Unified School Dist., GO, 5.00%, 8/1/33 (AGM)	2,076,660
1,750	M-S-R Energy Auth. Rev., 6.50%, 11/1/39, Ser. B	1,939,052
3,300	Municipal Finance Auth. Rev., Azusa Pacific Univ. Project, 7.75%, 4/1/31, Ser. B	3,544,002
650	Murrieta Valley Unified School Dist. Public Financing Auth., Special Tax, 4.75%, 9/1/36, Ser. A (AGC)	619,054
3,000	Newport Beach Rev., Hoag Memorial Hospital Presbyterian, 5.875%, 12/1/30	3,290,970
500	Peralta Community College Dist., GO, 5.00%, 8/1/39, Ser. C	507,590
2,000	San Diego Cnty. Water Auth., CP, 5.00%, 5/1/38, Ser. 2008-A (AGM)	2,046,100
3,300	San Marcos Unified School Dist., GO, 5.00%, 8/1/38, Ser. A	
David Gale	E D	E D C E
Morgan Gust	D D	D D C E
Karen H. Hogan	C C	C C C D
Robert F. Wulf	C C	E E E E

INTERESTED DIRECTOR/NOMINEE:

Donald F. Crumrine	E ⁽³⁾	E ⁽³⁾	E ⁽³⁾	E ⁽³⁾	E ⁽³⁾	E ⁽³⁾
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* Key to Dollar Ranges

- A. None
- B. \$1 - \$10,000
- C. \$10,001 - \$50,000
- D. \$50,001 - \$100,000
- E. over \$100,000

All Shares were valued as of January 23, 2015.

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- (1) This information has been furnished by each Director/Nominee as of January 23, 2015. Beneficial ownership is determined in accordance with Rule 16a-1(a)(2) under the 1934 Act.
- (2) The Directors, Nominees and executive officers of each Fund, as a group, own less than 1% of each Fund.
- (3) Includes Shares of the Fund held by Flaherty & Crumrine of which Mr. Crumrine is a shareholder.

Officers of the Funds

The following table provides information concerning each of the officers of the Funds.

Name, Address and Age	Current Position(s) Held with Funds	Term of Office and Length of Time Served*	Principal Occupation During Past Five Years
Robert M. Ettinger 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 56	President	PFD since 2002	Portfolio Manager of Flaherty & Crumrine; President of Flaherty & Crumrine until September 2014
		PFO since 2002	
		FFC since inception	
		FLC since inception	
R. Eric Chadwick 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 39	Chief Financial Officer, Vice President and Treasurer	PFD since 2004	Portfolio Manager of Flaherty & Crumrine; President of Flaherty & Crumrine since September 2014; Vice President of Flaherty & Crumrine until September 2014
		PFO since 2004	
		FFC since 2004	
		FLC since 2004	
		DFP since inception	

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Name, Address and Age	Current Position(s) Held with Funds	Term of Office and Length of Time Served*	Principal Occupation During Past Five Years
Chad C. Conwell 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 42	Chief Compliance Officer, Vice President and Secretary	PFD since 2005 PFO since 2005 FFC since 2005 FLC since 2005 DFP since inception	Executive Vice President of Flaherty & Crumrine since September 2014; Chief Compliance Officer and Chief Legal Officer of Flaherty & Crumrine; Vice President of Flaherty & Crumrine until September 2014
Bradford S. Stone 47 Maple Street Suite 403 Summit, NJ 07901 Age: 55	Vice President and Assistant Treasurer	PFD since 2003 PFO since 2003 FFC since 2003 FLC since inception DFP since inception	Portfolio Manager of Flaherty & Crumrine; Executive Vice President of Flaherty & Crumrine since September 2014; Vice President of Flaherty & Crumrine until September 2014
Roger Ko 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 40	Assistant Treasurer	PFD since 2014 PFO since 2014 FFC since 2014 FLC since 2014 DFP since 2014	Trader of Flaherty & Crumrine since September 2013; Director at Deutsche Bank Securities from 2009 to July 2013
Laurie C. Lodolo 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 51	Assistant Compliance Officer, Assistant Treasurer and Assistant Secretary	PFD since 2004 PFO since 2004 FFC since 2004 FLC since 2004 DFP since inception	Assistant Compliance Officer and Secretary of Flaherty & Crumrine
Linda M. Puchalski 301 E. Colorado Boulevard Suite 720 Pasadena, CA 91101 Age: 58	Assistant Treasurer	PFD since 2010 PFO since 2010 FFC since 2010 FLC since 2010 DFP since inception	Administrator of Flaherty & Crumrine

* Each officer serves until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Audit Committee

The role of each Fund's Audit Committee is to assist the Board of Directors in its oversight of: (i) the integrity of the Fund's financial statements and the independent audit thereof; (ii) the Fund's accounting and financial reporting policies and practices, and its internal control over financial reporting; (iii) the Fund's compliance with legal and regulatory requirements; and (iv) the independent auditor's qualifications, independence and performance. Each Fund's Audit Committee is also required to prepare an audit committee report pursuant to applicable laws and regulations for inclusion in the Fund's annual proxy statement. Each Audit Committee operates pursuant to a charter (the "Audit Committee Charter" or "Charter") that was most recently reviewed and approved by the Board of Directors of each Fund on January 20, 2015, and which is available at www.preferredincome.com. As set forth in the Charter, Fund management is responsible for the (i) preparation, presentation and integrity of each Fund's financial statements, (ii) maintenance of appropriate accounting and financial reporting principles and policies and (iii) maintenance of internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Funds' independent registered public accounting firm, KPMG LLP (the "independent accountants" or "KPMG"), is responsible for planning and carrying out proper audits and reviews of each Fund's financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America.

Audit Committee Report

In performing its oversight function, at a meeting held on January 20, 2015, each Audit Committee reviewed and discussed with Fund management and the independent accountants, the audited financial statements of the Fund as of and for the fiscal year ended November 30, 2014, and discussed the audit of such financial statements with the independent accountants.

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In addition, each Audit Committee discussed with the independent accountants the accounting principles applied by the Fund and such other matters brought to the attention of the Audit Committee by the independent accountants required by Auditing Standard No. 16, as adopted by the Public Company Accounting Oversight Board. Each Audit Committee also received from the independent accountants the written disclosures and statements required by the SEC's independence rules, delineating relationships between the independent accountants and the Funds and discussed the impact that any such relationships might have on the objectivity and independence of the independent accountants.

As set forth above, and as more fully set forth in each Fund's Audit Committee Charter, the Audit Committee has significant duties and powers in its oversight role with respect to the Fund's financial reporting procedures, internal control systems, and the independent audit process.

The members of each Audit Committee are not, and do not represent themselves to be, professionally engaged in the practice of auditing or accounting and are not employed by the Fund for accounting, financial management or internal control. Moreover, the Audit Committee relies on and makes no independent verification of the facts presented to it or representations made by Fund management or the independent accountants. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that Fund management has maintained appropriate accounting and financial reporting principles and policies, or internal controls and procedures, designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not provide assurance that the audit of each Fund's financial statements has been carried out in accordance with generally accepted accounting standards or that the financial statements are presented in accordance with generally accepted accounting principles.

Based on its consideration of the audited financial statements and the discussions referred to above with Fund management and the independent accountants, and subject to the limitations on the responsibilities and role of the Audit Committee set forth in the Charter and those discussed above, the Audit Committee of each Fund recommended to that Fund's Board that the audited financial statements be included in the Fund's Annual Report for the fiscal year ended November 30, 2014.

This report was submitted by the Audit Committee of each Fund's Board of Directors

David Gale
Morgan Gust
Karen H. Hogan
Robert F. Wulf (Chairman)

January 20, 2015

Each Audit Committee was established in accordance with Section 3(a)(58)(A) of the 1934 Act. Each Audit Committee met four times in connection with its Board of Directors' regularly scheduled meetings during the fiscal year ended November 30, 2014. Each Audit Committee is composed entirely of each Fund's Independent Directors who are also independent (as such term is defined by the NYSE under the listing standards applicable to closed-end funds, as may be modified or supplemented (the NYSE Listing Standards)), namely Ms. Hogan and Messrs. Gale, Gust and Wulf.

Nominating and Governance Committee

Each Board of Directors has a Nominating and Governance Committee composed entirely of each Fund's Independent Directors who are also independent (as such term is defined by the NYSE Listing Standards), namely Ms. Hogan and Messrs. Gale, Gust and Wulf. The Nominating and Governance Committee of each Fund met twice during the fiscal year ended November 30, 2014.

The Nominating and Governance Committee is responsible for identifying individuals believed to be qualified to become Board members; for recommending to the Board such nominees to stand for election as Directors at each Fund's annual meeting of shareholders and to fill any vacancies on the Board; and for overseeing the Board's governance practices. Each Fund's Nominating and Governance Committee has a charter which is available on its website, www.preferredincome.com.

Each Fund's Nominating and Governance Committee believes that it is in the best interest of each Fund and its shareholders to obtain highly qualified candidates to serve as members of the Board. The Nominating and Governance Committees have not established a formal process for identifying candidates where a vacancy exists on the Board. In nominating candidates, each Nominating and Governance Committee shall take into consideration such factors as it deems appropriate, including educational background; business, professional training or practice (e.g., accounting or law); public service or academic positions; experience from service as a board member (including the Boards of the Funds) or as an executive of investment funds, public companies or significant private or not-for-profit entities or other organizations; and other life experiences. Each Fund's Nominating and Governance Committee may consider whether a potential nominee's professional experience, education, skills, and other individual qualities and attributes, including gender, race or national origin, would provide beneficial diversity of skills, experience or perspective to the Board's membership and collective attributes. Each Fund's Nominating and Governance Committee will consider Director candidates recommended by shareholders and submitted in accordance with applicable law and procedures as described in this Joint Proxy Statement. (See "Submission of Shareholder Proposals" 2016 Annual Meetings below.)

Other Board-Related Matters

Shareholders who wish to send communications to the Board should send them to the address of their Fund(s) and to the attention of the Board. All such communications will be directed to the Board's attention.

The Funds do not have a formal policy regarding Board member attendance at the Annual Meeting of Shareholders. However, all of the Directors of each Fund attended the April 17, 2014 Annual Meetings of Shareholders.

Board Compensation

Each Director of each Fund who is not a director, officer or employee of Flaherty & Crumrine or any of its affiliates receives from each Fund a fee of \$9,000 per annum plus \$750 for each in-person Board or Audit Committee meeting attended, \$500 for each in-person Nominating and Governance Committee meeting attended, and \$250 for each telephone meeting attended. In addition, the Audit Committee Chairman receives from each Fund an annual fee of \$3,000. Each Director of each Fund is reimbursed for travel and out-of-pocket expenses associated with attending Board and committee meetings. During the fiscal year ended November 30, 2014, the Board of Directors for each of PFD, PFO, FFC, FLC and DFP held six meetings (two of which were telephone meetings). Each Director of each Fund attended at least 75% of the meetings of Directors and of any Committee of which he or she is a member. The aggregate remuneration paid to the Directors of each Fund for the fiscal year ended November 30, 2014 is set forth below:

	Annual Director Fees	Board Meeting and Committee Meeting Fees	Travel and Out-of-Pocket Expenses*
PFD	\$36,000	\$33,000	\$2,811
PFO	\$36,000	\$33,000	\$2,811
FFC	\$36,000	\$33,000	\$2,811
FLC	\$36,000	\$33,000	\$2,811
DFP	\$36,000	\$32,000	\$2,811

* Includes reimbursement for travel and out-of-pocket expenses for both interested and Independent Directors.

The following table sets forth additional information regarding the compensation of each Fund's Directors for the fiscal year/period ended November 30, 2014. No executive officer or person affiliated with a Fund received compensation from a Fund during the fiscal year/period ended November 30, 2014 in excess of \$60,000. Directors and executive officers of the Funds do not receive pension or retirement benefits from the Funds.

COMPENSATION TABLE

Name of Person and Position	Aggregate Compensation from each Fund	Total Compensation from the Funds and Fund Complex Paid to Directors*
Donald F. Crumrine Director, Chairman of the Board and Chief Executive Officer	\$0	\$0 (5)
David Gale Director	\$ 16,500 PFD \$ 16,500 PFO \$ 16,500 FFC \$ 16,500 FLC \$ 16,250 DFP	\$ 82,250 (5)
Morgan Gust Director, Nominating and Governance Committee Chairman	\$ 16,500 PFD \$ 16,500 PFO \$ 16,500 FFC \$ 16,500 FLC \$ 16,250 DFP	\$ 82,250 (5)
Karen H. Hogan Director	\$ 16,500 PFD \$ 16,500 PFO \$ 16,500 FFC \$ 16,500 FLC \$ 16,250 DFP	\$ 82,250 (5)
Robert F. Wulf Director, Audit Committee Chairman	\$ 19,500 PFD \$ 19,500 PFO \$ 19,500 FFC \$ 19,500 FLC \$ 19,250 DFP	\$ 97,250 (5)

* Represents the total compensation paid for the fiscal year/period ended November 30, 2014 to such persons by the Funds, which are considered part of the same fund complex because they have a common adviser. The parenthetical number represents the total number of investment company directorships held by the Director or Nominee in the fund complex as of November 30, 2014.

Required Vote

The election of Messrs. Crumrine and Wulf as Directors of PFD, the election of Mr. Gale as a Director of PFO, the election of Mr. Gust and Ms. Hogan as Directors of FFC and FLC, and the election of Mr. Gale and Ms. Hogan as Directors of DFP, will require the affirmative vote of a plurality of the votes cast by holders of the Shares of each such Fund at the Annual Meeting in person or by proxy.

Independent Registered Public Accounting Firm

KPMG, Two Financial Center, 60 South Street, Boston, Massachusetts 02111, has been selected to serve as each Fund's independent accountants for each Fund's fiscal year ending November 30, 2015. KPMG acted as the independent accountants for each Fund for the fiscal year ended November 30, 2014. The Funds know of no direct financial or material indirect financial interest of KPMG in the Funds. A representative of KPMG will not be present at the Annual Meetings, but will be available by telephone to respond to appropriate questions and will have an opportunity to make a statement, if asked.

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Set forth in the table below are audit fees and non-audit related fees billed to each Fund by KPMG for professional services for the fiscal year/period ended November 30, 2013 and fiscal year ended November 30, 2014, as applicable.

Fund	Fiscal Year/Period Ended	Audit-Related			
	November 30	Audit Fees	Fees	Tax Fees*	All Other Fees
PFD	2013	\$46,350	\$0	\$8,910	\$0
	2014	\$47,500	\$0	\$8,910	\$0
PFO	2013	\$46,350	\$0	\$8,910	\$0
	2014	\$47,500	\$0	\$8,910	\$0
FFC	2013	\$46,350	\$0	\$8,910	\$0
	2014	\$47,500	\$0	\$8,910	\$0
FLC	2013	\$46,350	\$0	\$8,910	\$0
	2014	\$47,500	\$0	\$8,910	\$0
DFP	2013	\$46,350	\$0	\$8,910	\$54,500**
	2014	\$47,500	\$0	\$8,910	\$0

* Tax Fees are those fees billed to each Fund by KPMG in connection with tax consulting services, including primarily the review of each Fund's income tax returns.

** All Other Fees are those fees billed to DFP by KPMG in connection with the Seed Audit of the Fund.

Each Fund's Audit Committee Charter requires that the Audit Committee pre-approve all audit and non-audit services to be provided by the independent accountants to the Fund, and all non-audit services to be provided by the independent accountants to the Fund's investment adviser and any entity controlling, controlled by or under common control with the Funds' investment adviser (affiliates) that provide on-going services to each Fund, if the engagement relates directly to the operations and financial reporting of each Fund, or to establish detailed pre-approval policies and procedures for such services in accordance with applicable laws. All of the audit and non-audit services described above for which KPMG billed each Fund fees for the fiscal year/period ended November 30, 2013 and the fiscal year ended November 30, 2014, as applicable, were pre-approved by the Audit Committee.

For each Fund's fiscal year/period ended November 30, 2013 and fiscal year ended November 30, 2014, KPMG did not provide any non-audit services (or bill any fees for such services) to the Funds' investment adviser or any affiliates.

OTHER MATTERS TO COME BEFORE THE ANNUAL MEETINGS

Each Fund does not intend to present any other business at the relevant Annual Meeting, nor is any Fund aware that any shareholder intends to do so. If, however, any other matters are properly brought before the Annual Meeting, the persons named in the accompanying form of proxy will vote thereon in accordance with their judgment.

ADDITIONAL INFORMATION

Investment Adviser, Administrator and Servicing Agent

Flaherty & Crumrine serves as the investment adviser to each Fund, and its business address is 301 E. Colorado Boulevard, Suite 720, Pasadena, California 91101. BNY Mellon acts as the administrator to each Fund and is located at 4400 Computer Drive, Westborough, Massachusetts 01581. Destra Capital Investments LLC acts as the servicing agent to FFC, FLC and DFP and is located at One North Wacker Drive, 48th Floor, Chicago, Illinois 60606.

Compliance with the Securities Exchange Act of 1934

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Section 16(a) of the 1934 Act and Section 30(h) of the 1940 Act require each Fund's Directors and executive officers, certain persons affiliated with Flaherty & Crumrine and persons who beneficially own more than 10% of a registered class of a Fund's securities to file reports of ownership and changes of ownership with the SEC and the NYSE and to furnish each Fund with copies of such forms they file. Based solely upon its review of the copies of such forms received by it and written representations from certain of such persons, each Fund believes that during 2014 all such filing requirements applicable to such persons were met in a timely manner.

Submission of Shareholder Proposals - 2016 Annual Meetings

All proposals by shareholders of each Fund that are intended to be presented at each Fund's next Annual Meeting of Shareholders to be held in 2016 must be received by the relevant Fund for consideration for inclusion in the relevant Fund's proxy statement relating to the meeting no later than November 12, 2015, and must satisfy the requirements of federal securities laws.

Each Fund's bylaws require shareholders wishing to nominate Directors or make proposals to be voted on at the Fund's annual meeting to provide timely advance notice of the proposal in writing. To be considered timely, any such advance notice must be in writing delivered to or mailed and received at the principal executive offices of the Fund at the address set forth on the first page of this Joint Proxy Statement not earlier than the 150th day nor later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the proxy statement for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, notice by the shareholder to be timely must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made.

Any such notice by a shareholder shall set forth the information required by the Fund's bylaws with respect to each matter the shareholder proposes to bring before the annual meeting.

Householding

Please note that only one annual or semi-annual report or Joint Proxy Statement may be delivered to two or more shareholders of a Fund who share an address, unless the Fund has received instructions to the contrary. To request a separate copy of an annual report or semi-annual report or this Joint Proxy Statement, or for instructions regarding how to request a separate copy of these documents or regarding how to request a single copy if multiple copies of these documents are received, shareholders should contact BNY Mellon C/O Computershare, P.O. Box 30170, College Station, Texas 77842-3170 or by phone at 1-866-351-7446.

Voting Results

Each Fund will advise its shareholders of the voting results of the matters voted upon at its Annual Meeting in its next Semi-Annual Report to Shareholders.

Broker Non-Votes and Abstentions

A proxy which is properly executed and returned accompanied by instructions to withhold authority to vote represents a broker non-vote (i.e., shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or the persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter). Proxies that withhold authority or broker non-votes (collectively, abstentions) will be counted as Shares that are present and entitled to vote at the meeting for purposes of determining the presence of a Quorum.

With respect to Proposal 1 for the Annual Meetings, abstentions do not constitute a vote for directors.

NOTICE TO BANKS, BROKER/DEALERS AND VOTING TRUSTEES AND THEIR NOMINEES

Please advise the Funds whether other persons are the beneficial owners of Fund Shares for which proxies are being solicited from you, and, if so, the number of copies of the Joint Proxy Statement and other soliciting material you wish to receive in order to supply copies to the beneficial owners of Fund Shares.

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE RELEVANT MEETINGS ARE THEREFORE URGED TO COMPLETE, SIGN, DATE AND RETURN ALL PROXY CARDS AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

EVERY SHAREHOLDER S VOTE IS IMPORTANT

EASY VOTING OPTIONS:

VOTE BY MAIL
Vote, sign and date this Proxy
Card and return in the
postage-paid envelope


VOTE IN PERSON
Attend Shareholder Meeting
301 East Colorado Blvd., Suite 720
Pasadena, California
on April 21, 2015

Please fold along the perforation, detach and return the bottom portion in the enclosed envelope.

PROXY FLAHERTY & CRUMRINE PREFERRED SECURITIES INCOME FUND INCORPORATED PROXY
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 21, 2015

THIS PROXY IS BEING SOLICITED BY THE BOARD OF DIRECTORS. The undersigned holder of shares of Common Stock of Flaherty & Crumrine Preferred Securities Income Fund Incorporated, a Maryland corporation (the Fund), hereby appoints Robert M. Ettinger and Chad C. Conwell, proxies for the undersigned, each with full powers of substitution and revocation, to represent the undersigned and to vote on behalf of the undersigned all shares of Common Stock which the undersigned is entitled to vote at the Annual Meeting of Shareholders of the Fund to be held at the offices of Flaherty & Crumrine Incorporated, 301 East Colorado Boulevard, Suite 720, Pasadena, California 91101 at 8:00 a.m. PT, on April 21, 2015, and any adjournments or postponements thereof (the Meeting).

The undersigned hereby acknowledges receipt of the Notice of Annual Meeting and Joint Proxy Statement and hereby instructs said proxies to vote said shares as indicated hereon. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Meeting. A majority of the proxies present and acting at the Meeting in person or by substitute (or, if only one shall be so present, then that one) shall have and may exercise all of the power and authority of said proxies hereunder. The undersigned hereby revokes any proxy previously given.


Note: Please sign this proxy exactly as your name(s) appear(s) on the books of the Fund. For joint owners, either party may sign. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation, the signature should be that of an authorized officer who should state his or her title.

Signature and Title, if applicable

Signature (if held jointly)

Date

PLEASE SIGN, DATE AND RETURN THE PROXY PROMPTLY USING THE ENCLOSED ENVELOPE.

EVERY SHAREHOLDER S VOTE IS IMPORTANT

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on April 21, 2015.
The Joint Proxy Statement and Proxy Card for this meeting are available at:
www.preferredincome.com

Please fold along the perforation, detach and return the bottom portion in the enclosed envelope.

Using a **black ink** pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas. Example:

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE NOMINEES LISTED.

1. Election of Directors:

FOR ALL WITHHOLD ALL FOR ALL EXCEPT

01 Morgan Gust 02 Karen H. Hogan

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark the box **FOR ALL EXCEPT** and write the nominee s number on the line provided below.

2. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Change of Address Please print new address below.

PLEASE SIGN AND DATE ON THE REVERSE SIDE
