

FOREST OIL CORP  
Form 425  
May 06, 2014

Filed by Sabine Oil & Gas LLC

Pursuant to Rule 425 of the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: Forest Oil Corporation

Commission File No.: 001-13515

**On May 6, 2014, Sabine Oil & Gas LLC and Forest Oil Corporation issued the following joint press release:**

## **SABINE OIL & GAS AND FOREST OIL ANNOUNCE DEFINITIVE MERGER AGREEMENT**

*Complementary acreage positions create an industry leader in East Texas*

**HOUSTON, TEXAS and DENVER, COLORADO May 6, 2014** Sabine Oil & Gas LLC ( Sabine ) and Forest Oil Corporation (NYSE:FST) ( Forest ), today announced the signing of a definitive merger agreement under which Sabine and Forest will combine their businesses in an all-stock transaction. Sabine and Forest 's highly complementary asset portfolios will create one of the industry 's largest East Texas players, benefiting from drilling program optimization and economies of scale. The combination is also strengthened by a sizable collective Eagle Ford position, as well as Granite Wash, Permian and Arkoma positions that provide optionality for development and monetization.

Upon completion of the combination transaction, Sabine unit holders will own approximately 73.5 percent of the new combined entity and Forest shareholders will own approximately 26.5 percent. The combined entity, named Sabine Oil & Gas Corporation, will be a newly formed parent company expected to list on the New York Stock Exchange under the symbol SABO . The combined entity will be headquartered in Houston, Texas, and be led by Sabine 's current executive management team. The transaction is expected to be tax-free to Forest 's shareholders.

David Sambrooks, Sabine 's President and CEO, commented, "We are excited about this highly complementary combination, and the value creation it will bring to Sabine and Forest equity holders. Since Sabine began in 2007, we have focused on building a significant asset base in East Texas and with this combination we have created a leading industry position in this highly economic, multi-play basin. Sabine has had a successful track record of ~30% CAGR production and cash flow growth since its inception and industry-leading well results in all of our operating areas. We look forward to applying this operational expertise over the new combined asset base.

Patrick R. McDonald, President and CEO of Forest commented, "We believe that this transaction creates a great opportunity for Forest shareholders to participate in the upside potential gained from a larger and better capitalized entity with a more robust suite of opportunities, and a broader portfolio upon which to execute its capital plan and strategy. Forest 's asset portfolio is an excellent complement with Sabine 's asset portfolio and we have confidence that Sabine 's management team is equipped to deliver exceptional shareholder value through the enhanced opportunities

that are embedded in Forest's assets.

In addition to a top-tier 207,000 net acreage position in East Texas, the combination of assets creates a 65,000 net acreage position in the Eagle Ford. The complementary nature of Sabine's and Forest's assets present considerable opportunities to generate savings through operating synergies, benefits of scale, and optimized capital allocation.

The combined company will have estimated proved reserves of 1.5 trillion cubic feet equivalent (71% gas) (as of December 31, 2013), and estimated production of 345 million cubic feet equivalent (65% gas) for 2014, giving it a leading position among its peers in production and cash flow growth.

The enhanced financial strength and flexibility of the combined company will allow it to de-lever its balance sheet through optimized capital programs. Further, the combined company's size and scope, in addition to the expected synergies, is expected to provide liquidity to fund its drilling program through 2015 without accessing equity markets. The new entity expects to quickly but prudently evaluate and execute on accretive asset divestments to accelerate balance sheet de-levering.

## **TERMS OF THE TRANSACTION**

Under the terms of the agreement, Sabine and Forest Oil will combine their businesses under a newly formed holding company, Sabine Oil & Gas Corporation (Sabine Oil & Gas). Forest Oil will merge with a subsidiary of Sabine Oil & Gas and survive as a subsidiary of Sabine Oil & Gas. As part of the transaction, each share of Forest Oil common stock will be converted into 0.1 of a share of Sabine Oil & Gas common stock, designed to replicate a 10:1 reverse stock split. Concurrent with the merger, Sabine's parent entity will contribute all of its equity interest in Sabine to Sabine Oil & Gas, in exchange for which it will receive approximately 33 million shares of Sabine Oil & Gas common stock. As a result of the transaction, current Sabine unit holders and Forest Oil shareholders will own approximately 73.5% percent and 26.5% percent, respectively, of the outstanding Sabine Oil & Gas common stock upon closing of the combination.

The boards of directors of Sabine and Forest have each unanimously approved the transaction and Forest is recommending approval of the transaction to its shareholders. Consummation of the transaction is subject to approval by the Forest shareholders, regulatory approvals and other customary closing conditions. The transaction is expected to close in the third or fourth quarter of 2014.

Upon completion of the transaction, David Sambrooks will serve as Chairman of the Board of Directors of Sabine Oil & Gas as well as President and Chief Executive Officer. Shane Bayless will serve as Executive Vice President and Chief Financial Officer and Todd Levesque will serve as Executive Vice President and Chief Operating Officer. The Board of Directors of the combined entity will be comprised of the existing six Sabine board members, as well as two of the current Forest board members. At closing, it is expected that at least a majority of the directors will be independent under NYSE rules.

The completion of this transaction will trigger change-of-control provisions in the indentures governing Forest's existing senior notes. These change-of-control provisions entitle holders of the notes to receive 101 percent of the principal amount of the notes plus accrued interest with respect to each series of notes. Sabine expects that any of Forest's notes that are not tendered pursuant to the change of control offers will remain outstanding following the transaction, subject to any opportunistic refinancing of such notes Sabine Oil & Gas may pursue based on market conditions.

Barclays Capital Inc. and Wells Fargo Securities, LLC acted as financial advisors to Sabine. Tudor, Pickering, Holt & Co. is acting as an advisor to Sabine on portfolio optimization. Vinson & Elkins LLP acted as legal advisor to Sabine in the transaction, while Simpson Thacher & Bartlett LLP advised Sabine on financing matters. Gibson, Dunn & Crutcher LLP acted as legal advisor to First Reserve in the transaction. J.P. Morgan Securities LLC acted as financial advisor to Forest, and Wachtell, Lipton, Rosen & Katz acted as legal advisor to Forest.

**CONFERENCE CALL**

Sabine and Forest have scheduled a joint conference call for Tuesday, May 6, 2014, at 9:00 AM ET to discuss the transaction. You may access the call by dialing toll free 866.318.8611 (for U.S./Canada) and 617.399.5130 (for International) and request the Forest Oil teleconference (ID # 16740779). The conference call will also be webcast

live on the internet and can be accessed by going to the Investor Relations sections of the Forest Oil website at [www.forestoil.com](http://www.forestoil.com) or Sabine Oil's website at [www.sabineoil.com](http://www.sabineoil.com). Transaction overview slides that will be presented during the conference call will be made available in the Investor Relations section of Forest's website under Recent Presentations and on Sabine's website under Events / Presentations.

A replay of the conference call will be available through May 13, 2014. You may access the replay by dialing toll free 888.286.8010 (for U.S./Canada) or 617.801.6888 (for International), conference ID # 47876321. An archive of the conference call webcast will also be available at the Investor Relations sections of Forest and Sabine's websites.

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Sabine Oil & Gas LLC is an independent energy company engaged in the acquisition, production, exploration and development of onshore oil and natural gas properties in the United States. Sabine's current operations are principally located in Cotton Valley Sand and Haynesville Shale in East Texas, the Eagle Ford Shale in South Texas, and the Granite Wash in the Texas Panhandle.

Forest Oil Corporation is engaged in the acquisition, production, exploration, and development of natural gas and liquids in the United States. Forest's principal reserves and producing properties are located in East Texas, the Eagle Ford in South Texas, Arkansas, Louisiana, and Oklahoma. Forest's common stock trades on the New York Stock Exchange under the symbol FST. For more information about Forest Oil, please visit its website at <http://www.forestoil.com>.

#### **IMPORTANT ADDITIONAL INFORMATION WILL BE FILED WITH THE SEC**

In connection with the proposed transactions, New Forest Oil Inc. (which will be renamed Sabine Oil & Gas Corporation as of the closing of the proposed transaction) ( Holdco ) intends to file with the SEC a registration statement on Form S-4 that will include the proxy statement of Forest Oil Corporation that also constitutes a prospectus of Holdco. Each of Holdco and Forest Oil Corporation also plan to file other relevant documents with the SEC regarding the proposed transactions. **INVESTORS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS FILED WITH THE SEC IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** You may obtain a free copy of the joint proxy statement/prospectus (if and when it becomes available) and other relevant documents filed by Holdco and Forest Oil Corporation with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov). You may also obtain these documents by contacting Holdco or Forest Oil Corporation at Forest Oil Corporation's Investor Relations department at [www.forestoil.com](http://www.forestoil.com) or by email at [IR@forestoil.com](mailto:IR@forestoil.com).

#### **PARTICIPANTS IN THE SOLICITATION**

Holdco, Forest Oil Corporation, Sabine Oil & Gas LLC and their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transactions. Information about Forest Oil Corporation's directors and executive officers is available in Forest Oil

Corporation's proxy statement dated March 26, 2014, for its 2014 annual meeting of share-holders. Information about Sabine Oil & Gas LLC's directors and executive officers was filed by Sabine Oil & Gas LLC with the SEC on May 6, 2014 pursuant to Rule 14a-12 promulgated under the Securities Exchange Act of 1934. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC regarding the proposed transactions when they become available. Investors should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. You may

obtain free copies of these documents from Holdco or Forest Oil Corporation using the sources indicated above.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements concerning the proposed transactions, its financial and business impact, management's beliefs and objectives with respect thereto, and management's current expectations for future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements are all statements other than statements of historical facts. The words anticipates, may, can, plans, believes, expects, projects, intends, likely, will, should, to be, and any similar expressions or other words of similar intended to identify those assertions as forward-looking statements. It is uncertain whether the events anticipated will transpire, or if they do occur what impact they will have on the results of operations and financial condition of Holdco, Forest Oil Corporation or Sabine Oil & Gas LLC. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those anticipated, including but not limited to the ability of the parties to satisfy the conditions precedent and consummate the proposed transactions, the timing of consummation of the proposed transactions, the ability of the parties to secure regulatory approvals in a timely manner or on the terms desired or anticipated, the ability of Holdco to integrate the acquired operations, the ability to implement the anticipated business plans following closing and achieve anticipated benefits and savings, and the ability to realize opportunities for growth. Other important economic, political, regulatory, legal, technological, competitive and other uncertainties are identified in the documents filed with the SEC by Holdco or Forest Oil Corporation from time to time, including Forest Oil Corporation's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. For additional information on the risks and uncertainties that could impact Sabine Oil & Gas LLC's business and operations, please see the Annual Report posted to the investor relations section of its web site at [www.sabineoil.com](http://www.sabineoil.com). The forward-looking statements including in this document are made only as of the date hereof. None of Holdco, Forest Oil Corporation nor Sabine Oil & Gas LLC undertakes any obligation to update the forward-looking statements included in this document to reflect subsequent events or circumstances.

## **CONTACT**

### **FOR INVESTORS**

Forest Oil Corporate

Larry C. Busnardo

VP Investor Relations

303-812-1441

Sabine Oil & Gas LLC

Shane M. Bayless,

Executive Vice President and CFO

832-242-9600

### **FOR MEDIA**

Brunswick Group

Lisa Singleton

214-254-3790

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**On May 6, 2014, Sabine Oil & Gas LLC and Forest Oil Corporation presented the following presentation to investors:**





















































e 12/15/2037 (c) 4,000 4,493

**Westchester County Healthcare Corp., New York Revenue Bonds, Series 2010**



6.125% due 11/01/2037

1,490 1,612

**Westchester County, New York Local Development Corp. Revenue Bonds, Series 2014**

5.500% due 05/01/2042

1,000 1,096

**Yonkers Economic Development Corp., New York Revenue Bonds, Series 2010**

6.000% due 10/15/2030

915 945

**Yonkers Industrial Development Agency, New York Revenue Bonds, Series 2001**

6.000% due 06/01/2041

600 616

220,437

**OHIO 1.2%**

**Buckeye Tobacco Settlement Financing Authority, Ohio Revenue Bonds, Series 2007**

6.500% due 06/01/2047

1,435 1,464

**PUERTO RICO 0.9%**

**Puerto Rico Highway & Transportation Authority Revenue Bonds, (AGC Insured), Series 2005**

5.250% due 07/01/2041

1,000 1,134

**U.S. VIRGIN ISLANDS 1.0%**

**Virgin Islands Public Finance Authority, U.S. Virgin Islands Revenue Bonds, Series 2009**

6.000% due 10/01/2039

1,000 1,001

**Virgin Islands Public Finance Authority, U.S. Virgin Islands Revenue Bonds, Series 2010**

5.250% due 10/01/2029

200 194

1,195

Total Municipal Bonds & Notes

(Cost \$220,634)

229,589

**SHORT-TERM INSTRUMENTS 1.3%**

**REPURCHASE AGREEMENTS (e) 1.3%**

1,551

Total Short-Term Instruments

(Cost \$1,551)

1,551

Total Investments in Securities

(Cost \$222,185)

231,140

**Total Investments 192.5%**

**(Cost \$222,185)**

**\$231,140 Preferred Shares (65.8%) (79,000) Other Assets and Liabilities, net (26.7)% (32,044)**

**Net Assets Applicable to Common Shareholders 100.0% \$ 120,096**

Notes to Schedule of Investments:

- \* A zero balance may reflect actual amounts rounding to less than one thousand.
- ✕ The geographical classification of foreign (non-U.S.) securities in this report, if any, are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.
- ^ Security is in default.
- (a) Security is not accruing income as of the date of this report.
- (b) Zero coupon security.
- (c) Represents an underlying municipal bond transferred to a tender option bond trust established in a tender option bond transaction in which the Fund sold, or caused the sale of, the underlying municipal bond and purchased the residual interest certificate. The security serves as collateral in a financing transaction.
- (d) Represents an investment in a tender option bond residual interest certificate purchased in a secondary market transaction. The interest rate shown bears an inverse relationship to the interest rate on a tender option bond floating rate certificate. The interest rate disclosed reflects the rate in effect on September 30, 2018.

Borrowings and Other Financing Transactions

(e) Repurchase Agreements:

Counterparty	Lending Rate	Settlement Date	Maturity Date	Principal Amount	Collateralized By	Collateral (Received)	Repurchase Agreements at Value	Repurchase Agreements to be Received
CCC	1.750%	09/28/2018	10/01/2018	\$ 1,551	U.S. Treasury Bonds 3.625% due 02/15/2044	\$ (1,583)	\$ 1,551	\$ 1,551
<b>Total Repurchase Agreements</b>						<b>\$ (1,583)</b>	<b>\$ 1,551</b>	<b>\$ 1,551</b>

(1) Includes accrued interest.

Fair Value Measurements

The following is a summary of the fair valuations according to the inputs used as of September 30, 2018 in valuing the Fund's assets and liabilities:

Category and Subcategory	Level 1	Level 2	Level 3	Fair Value at 09/30/2018
<b>Investments in Securities, at Value</b>				
Municipal Bonds & Notes				
Florida	\$ 0	\$ 1,038	\$ 0	\$ 1,038
Illinois	0	3,310	0	3,310
Louisiana	0	1,011	0	1,011
New York	0	220,437	0	220,437
Ohio	0	1,464	0	1,464
Puerto Rico	0	1,134	0	1,134
U.S. Virgin Islands	0	1,195	0	1,195
Short-Term Instruments				
Repurchase Agreements	0	1,551	0	1,551
Total Investments	\$ 0	\$ 231,140	\$ 0	\$ 231,140

There were no significant transfers among Levels 1, 2, or 3 during the period ended September 30, 2018.

See Accompanying Notes

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## Notes to Financial Statements

### 1. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

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

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

For purposes of calculating a NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Market value is generally determined on the basis of official closing prices or the last reported sales prices, or if no sales are reported, based on quotes obtained from established market makers or prices (including evaluated prices) supplied by the Fund 's approved pricing services, quotation reporting systems and other third-party sources (together, Pricing Services ). The Fund will normally use pricing data for domestic equity securities received shortly after the NYSE Close and does not normally take into account trading, clearances or settlements that take place after the NYSE Close. If market value pricing is used, a foreign (non-U.S.) equity security traded on a foreign exchange or on more than one exchange is typically valued using pricing information from the exchange considered by Pacific Investment Management Company LLC ( PIMCO or the Manager ) to be the primary exchange. A foreign (non-U.S.) equity security will be valued as of the close of trading on the foreign exchange, or the NYSE Close, if the NYSE Close occurs before the end of trading on the foreign exchange. Domestic and foreign (non-U.S.) fixed income securities, non-exchange traded derivatives, and equity options are normally valued on the basis of quotes obtained from brokers and dealers or Pricing Services using data reflecting the earlier closing of the principal markets for those securities. Prices obtained from Pricing Services may be based on, among other things, information provided by market makers or estimates of market values obtained from yield data relating to investments or securities with similar characteristics. Certain fixed income securities purchased on a delayed-delivery basis are marked to market daily until settlement at the forward settlement date. Exchange-traded options, except equity options, futures and options on futures are valued at the settlement price determined by the relevant exchange. Swap agreements are valued on the basis of bid quotes obtained from brokers and dealers or market-based prices supplied by Pricing Services. The Fund 's investments in open-end management investment companies, other than exchange-traded funds ( ETFs ), are valued at the NAVs of such investments.

Investments for which market quotes or market based valuations are not readily available are valued at fair value as determined in good faith by the Board or persons acting at their direction. The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available, and has delegated to PIMCO the responsibility for applying the fair valuation methods. In the event that market quotes or market based valuations are not readily available, and the security or asset cannot be valued pursuant to a Board approved valuation method, the value of the security or asset will be determined in good faith by the Valuation Oversight Committee of the Board ( Valuation Oversight Committee ), generally based on recommendations provided by the Manager. Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information, bid/ask information, indicative market quotations ( Broker Quotes ), Pricing Services prices), including where events occur after the close of the relevant market, but prior to the NYSE Close, that materially affect the values of the Fund 's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available. The Board has delegated to the Manager the responsibility for monitoring significant events that may materially affect the values of the Fund 's securities or

assets and for determining whether the value of the applicable securities or assets should be reevaluated in light of such significant events.

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

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

Level 1 Quoted prices in active markets or exchanges for identical assets and liabilities.

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

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

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

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



**(c) Valuation Techniques and the Fair Value Hierarchy**

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

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

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

**Level 3 trading assets and trading liabilities, at fair value** When a fair valuation method is applied by PIMCO that uses significant unobservable inputs, investments will be priced by a method that the Board or persons acting at their direction believe reflects fair value and are categorized as Level 3 of the fair value hierarchy.

Short-term debt instruments (such as commercial paper) having a remaining maturity of 60 days or less may be valued at amortized cost, so long as the amortized cost value of such short-term debt instruments is approximately the same as the fair value of the instrument as determined without the use of amortized cost valuation. These securities are categorized as Level 2 or Level 3 of the fair value hierarchy depending on the source of the base price.

**2. FEDERAL INCOME TAX MATTERS**

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

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

In accordance with U.S. GAAP, the Manager has reviewed the Fund's tax positions for all open tax years. As of September 30, 2018, the Fund has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions it has taken or expects to take in future tax returns.

The Fund files U.S. federal, state, and local tax returns as required. The Fund's tax returns are subject to examination by relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

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

(Unaudited)

Counterparty Abbreviations:

FICC Fixed Income Clearing Corporation

Currency Abbreviations:

USD (or \$) United States Dollar

Municipal Bond or Agency

Abbreviations:

AGC	Assured Guaranty Corp.	FGIC	Financial Guaranty Insurance Co.	NPFGC	National Public Finance Guarantee Corp.
AMBAC	American Municipal Bond Assurance Corp.	FHA	Federal Housing Administration		

Other Abbreviations:

TBA To-Be-Announced

**Item 2. Controls and Procedures**

(a) The principal executive officer and principal financial & accounting officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this report.

(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits**

A separate certification for each principal executive officer and principal financial & accounting officer of the registrant as required by Rule 30a-2 under the 1940 Act is attached as Exhibit 99.CERT.

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PIMCO New York Municipal Income Fund II

By: /s/ Peter G. Strelow  
Peter G. Strelow  
President (Principal Executive Officer)

Date: November 27, 2018

By: /s/ Trent W. Walker  
Trent W. Walker  
Treasurer (Principal Financial & Accounting Officer)

Date: November 27, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Peter G. Strelow  
Peter G. Strelow  
President (Principal Executive Officer)

Date: November 27, 2018

By: /s/ Trent W. Walker  
Trent W. Walker  
Treasurer (Principal Financial & Accounting Officer)

Date: November 27, 2018