

PIMCO NEW YORK MUNICIPAL INCOME FUND II
Form N-Q
April 19, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

OMB APPROVAL
OMB Number: 3235-0578
Expires: April 30, 2010
Estimated average burden
hours per response: 10.5

**FORM N-Q
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act File Number: 811-21078

Registrant Name: PIMCO New York Municipal Income Fund II

Address of Principal Executive Offices: 1345 Avenue of the Americas New York, New York 10105

Name and Address of Agent for Service: Lawrence G. Altadonna 1345 Avenue of the Americas New York, New York 10105

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

Date of Fiscal Year End: May 31, 2010

Date of Reporting Period: February 28, 2010

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b 1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to the collection of information contained in Form N-Q 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 the 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.

Edgar Filing: PIMCO NEW YORK MUNICIPAL INCOME FUND II - Form N-Q

Item 1. Schedule of Investments

PIMCO New York Municipal Income Fund II Schedule of Investments

February 28, 2010 (unaudited)

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+	\$1,017,670
2,400	Erie Cnty. Industrial Dev. Agcy. Rev., Orchard Park, Inc. Project, 6.00%, 11/15/36, Ser. A	NR/NR	1,975,080
3,000	Liberty Dev. Corp. Rev., Goldman Sachs Headquarters, 5.25%, 10/1/35	A1/A	3,033,720
4,120	5.25%, 10/1/35 (d)	A1/A	4,166,309
3,500	5.50%, 10/1/37	A1/A	3,564,925
500	Long Island Power Auth. Rev., 5.00%, 9/1/34, Ser. A (AMBAC)	A3/A-	506,215
1,850	Metropolitan Transportation Auth. Rev., 5.00%, 11/15/30, Ser. A (AGM)	Aa3/AAA	1,868,463
2,000	5.00%, 11/15/34, Ser. B	NR/AA	2,079,360
8,000	5.25%, 11/15/31, Ser. E	A3/A	8,124,000
7,000	5.35%, 7/1/31, Ser. B	A1/AAA	7,101,850
5,000	5.50%, 11/15/39, Ser. A	NR/AA	5,337,750
2,870	Mortgage Agcy. Rev., 4.75%, 10/1/27, Ser. 128	Aa1/NR	2,891,382
2,400	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside, 6.70%, 1/1/43, Ser. A	NR/NR	2,210,040
4,000	New York City, GO, 5.00%, 3/1/33, Ser. I	Aa3/AA	4,061,040
1,100	New York City Health & Hospital Corp. Rev., Ser. A, 5.375%, 2/15/26	A1/A+	1,118,986
2,000	5.45%, 2/15/26	A1/A+	2,037,280
975	New York City Industrial Dev. Agcy. Rev., Eger Harbor Project, 4.95%, 11/20/32, Ser. A (GNMA)	NR/AA+	987,187
1,415	Liberty Interactive Corp., 5.00%, 9/1/35	Ba2/BB+	1,231,404
1,500	Queens Baseball Stadium, 6.50%, 1/1/46 (AGC)	Aa3/AAA	1,653,255
1,190	Staten Island Univ. Hospital Project, 6.45%, 7/1/32, Ser. C	Ba2/NR	1,120,302
1,500	United Jewish Appeal Federation Project, 5.00%, 7/1/27, Ser. A	Aa1/NR	1,567,470
2,750	Yankee Stadium, 5.00%, 3/1/31 (FGIC)	Baa3/BBB-	2,751,512
2,400	5.00%, 3/1/36 (NPFGC)	Baa1/A	2,273,112
4,900	7.00%, 3/1/49 (AGC)	Aa3/AAA	5,699,386
1,500	New York City Municipal Water Finance Auth. Water & Sewer Rev., 5.25%, 6/15/40, Ser. EE	Aa3/AA+	1,596,210
500	Second Generation Resolutions, 5.00%, 6/15/39, Ser. GG-1	Aa3/AA+	518,765
9,000	New York City Transitional Finance Auth. Rev., 5.00%, 11/1/27, Ser. B	Aa1/AAA	9,284,220
5,000	5.25%, 1/15/39, Ser. S-3	A1/AA-	5,197,250
2,700	New York City Trust for Cultural Res. Rev., Julliard School, 5.00%, 1/1/34, Ser. A	Aa2/AA	2,839,482
6,785	Wildlife Conservation Society, 5.00%, 2/1/34 (FGIC-NPFGC)	Aa3/AA-	6,931,963
3,600	Port Auth. of New York & New Jersey Rev., 5.00%, 4/15/32, Ser. 125 (AGM)	Aa3/AAA	3,701,628
3,000	State Dormitory Auth. Rev., 5.00%, 3/15/38, Ser. A	NR/AAA	3,101,280
1,320	5.25%, 9/1/28 (Radian)	Baa3/NR	1,323,749
7,490	5.50%, 5/15/31, Ser. A (AMBAC)	A1/AA-	8,203,198
2,600	Catholic Health of Long Island, 5.10%, 7/1/34	Baa1/BBB+	2,421,692
2,000	Kaleida Health Hospital, 5.05%, 2/15/25 (FHA)	NR/NR	2,034,280
5,300	Lenox Hill Hospital, 5.50%, 7/1/30	Ba1/NR	4,920,255
2,750	Memorial Sloan-Kettering Cancer Center, 5.00%, 7/1/35, Ser. 1	Aa2/AA	2,811,132
2,000	5.00%, 7/1/36, Ser. A1	Aa2/AA	2,050,520

Edgar Filing: PIMCO NEW YORK MUNICIPAL INCOME FUND II - Form N-Q

PIMCO New York Municipal Income Fund II Schedule of Investments

February 28, 2010 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
\$2,100	New York Univ., 5.00%, 7/1/38, Ser. A	Aa3/AA-	\$2,151,597
1,000	New York Univ. Hospital Center, 5.625%, 7/1/37, Ser. B	Baa2/BB+	981,440
5,850	North General Hospital, 5.00%, 2/15/25	NR/AA-	5,941,143
600	North Shore-Long Island Jewish Health System, 5.50%, 5/1/37, Ser. A	Baa1/A-	610,884
5,000	Rochester General Hospital, 5.00%, 12/1/35 (Radian) Teachers College,	WR/NR	4,644,500
4,270	5.00%, 7/1/32 (NPFGC)	A1/NR	4,322,051
3,000	5.50%, 3/1/39	A1/NR	3,129,660
3,000	Yeshiva Univ., 5.125%, 7/1/34 (AMBAC)	Aa3/NR	3,072,810
5,000	State Environmental Facs. Corp. Rev., 5.125%, 6/15/38, Ser. A	Aa1/AA+	5,316,600
1,000	State Thruway Auth. Rev., 4.75%, 1/1/29, Ser. G (AGM)	Aa3/AAA	1,017,830
6,000	State Urban Dev. Corp. Rev., 5.00%, 3/15/36, Ser. B-1 (d) Triborough Bridge & Tunnel Auth. Rev.,	NR/AAA	6,216,060
710	5.00%, 1/1/32, Ser. A (FGIC-TCRS)	Aa2/AA-	724,243
5,000	5.25%, 11/15/34, Ser. A-2 (d)	Aa2/AA-	5,270,850
1,815	Ulster Cnty. Industrial Dev. Agcy. Rev., 6.00%, 9/15/37, Ser. A	NR/NR	1,425,102
2,000	Warren & Washington Cntys. Industrial Dev. Agcy. Rev., Glens Falls Hospital Project, 5.00%, 12/1/35, Ser. A (AGM)	Aa3/AAA	2,012,060
600	Yonkers Industrial Dev. Agcy. Rev., Sarah Lawrence College Project, 6.00%, 6/1/41, Ser. A	NR/BBB+	610,578
	Total New York Municipal Bonds & Notes (cost \$167,260,756)		172,760,730

OTHER MUNICIPAL BONDS & NOTES 10.0%

California 0.5%			
1,000	Health Facs. Financing Auth. Rev., Catholic Healthcare West, 6.00%, 7/1/39, Ser. A	A2/A	1,064,540
Florida 1.0%			
1,000	Clearwater Rev., 5.25%, 12/1/39, Ser. A	A2/AA-	1,017,470
1,000	Miami-Dade Cnty. Airport Rev., 5.50%, 10/1/36, Ser. A	A2/A-	1,008,100
			2,025,570
Louisiana 0.5%			
1,000	Parish of East Baton Rouge Sewer Rev., 5.25%, 2/1/39, Ser. A	A1/AA-	1,041,840
Puerto Rico 7.5%			
4,600	Aqueduct & Sewer Auth. Rev., 6.00%, 7/1/38, Ser. A	Baa3/BBB-	4,717,622
5,675	Children s Trust Fund Rev., 5.625%, 5/15/43 Sales Tax Financing Corp. Rev., Ser. A,	Baa3/BBB	4,919,544
14,250	zero coupon, 8/1/54 (AMBAC)	Aa3/AA-	857,280
12,900	zero coupon, 8/1/56	Aa3/AA-	683,829
2,000	5.00%, 8/1/40 (AGM) (d)	Aa3/AAA	2,015,460
1,000	5.50%, 8/1/42	A2/A+	998,440
1,000	5.75%, 8/1/37	A2/A+	1,033,700
			15,225,875

Edgar Filing: PIMCO NEW YORK MUNICIPAL INCOME FUND II - Form N-Q

U. S. Virgin Islands 0.5%			
1,000	Public Finance Auth. Rev., 6.00%, 10/1/39	Baa3/NR	1,009,360
Total Other Municipal Bonds & Notes (cost \$21,421,252)			20,367,185
 NEW YORK VARIABLE RATE NOTES (a)(b)(c) 3.0%			
JPMorgan Chase Putters/Drivers Trust Rev.,			
5,000	12.251%, 7/1/33, Ser. 3382	Aa1/NR	5,485,700
500	12.926%, 6/15/31, Ser. 3223	NR/AA+	572,040
Total New York Variable Rate Notes (cost \$5,393,606)			6,057,740

PIMCO New York Municipal Income Fund II Schedule of Investments

February 28, 2010 (unaudited)

Principal Amount (000s)		Credit Rating (Moody s/S&P)	Value*
SHORT-TERM INVESTMENTS 2.2%			
Corporate Notes (e) 2.2%			
Financial Services 2.2%			
\$4,300	American General Finance Corp., 4.625%, 9/1/10	B2/B	\$4,212,495
300	International Lease Finance Corp., 0.472%, 5/24/10, FRN	B1/BB+	296,707
	Total Corporate Notes (cost \$3,972,593)		4,509,202
	Total Investments (cost \$198,048,207) 100.0%		\$203,694,857

Notes to Schedule 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 the last reported sales prices, or if no sales are reported, based on 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 Fund's 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. 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 Fund to value securities may differ from the value that would be realized if the securities were sold and these differences could be material. The Fund's net asset value is 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.

- (a) Private Placement Restricted as to resale and may not have a readily available market. Securities with an aggregate value of \$6,057,740, representing 3.0% of total investments.
- (b) 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.
- (c) 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 February 28, 2010.
- (d) 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.
- (e) All or partial amount segregated as collateral for reverse repurchase agreements.

Glossary:

AGC insured by Assured Guaranty Corp.
 AGM insured by Assured Guaranty Municipal Corp.
 AMBAC insured by American Municipal Bond Assurance Corp.
 FGIC insured by Financial Guaranty Insurance Co.
 FHA insured by Federal Housing Administration
 FRN Floating Rate Note. The interest rate disclosed reflects the rate in effect on February 28, 2010.
 GNMA insured by Government National Mortgage Association
 GO General Obligation Bond
 NPFGC insured by National Public Finance Guarantee Corp.
 NR Not Rated
 Radian insured by Radian Guaranty, Inc.
 TCRS Temporary Custodian Receipts
 WR Withdrawn Rating

Other Investments:

Open reverse repurchase agreements at February 28, 2010:

Counterparty	Rate	Trade Date	Maturity Date	Principal & Interest	Principal
Barclays Bank	0.75%	2/8/10	3/8/10	\$3,793,580	\$3,792,000
Credit Suisse First Boston	0.55%	2/16/10	3/16/10	266,049	266,000
					\$4,058,000

The weighted average daily balance of reverse repurchase agreements outstanding during the nine months ended February 28, 2010 was \$4,711,982 at a weighted average interest rate of 0.77%. The total market value of underlying collateral (refer to the Schedule of Investments for

Edgar Filing: PIMCO NEW YORK MUNICIPAL INCOME FUND II - Form N-Q

positions segregated as collateral for reverse repurchase agreements) for open reverse repurchase agreements was \$4,509,202.

The Fund received \$154,881 in principal value of U.S. government agency securities as collateral for reverse repurchase agreements outstanding. Collateral received as securities cannot be pledged.

Edgar Filing: PIMCO NEW YORK MUNICIPAL INCOME FUND II - Form N-Q

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 Fund has 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 Fund's 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 the 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 Fund to measure fair value during the nine months ended February 28, 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 February 28, 2010 in valuing the Fund's assets and liabilities is listed below:

	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	Value at 2/28/10					
Investments in Securities - Assets									
New York Municipal Bonds & Notes		\$172,760,730		\$172,760,730					
Other Municipal Bonds & Notes		20,367,185		20,367,185					
New York Variable Rate Notes		6,057,740		6,057,740					
Short-Term Investments		4,509,202		4,509,202					
bsp;	74.20	76.45	80.57		81.22	85.85	85.05	83.72	78.30
	68.13	71.64	75.76		77.16	79.57	81.59	76.52	76.62
	42,648	50,769	41,701		32,814	47,131	33,870	32,871	1,998

PREFERRED SHARES

Series O

High (\$)

Low (\$)

Vol. (000)

Series P

High (\$)

Low (\$)

25.48	25.60	25.59	25.97	25.77	25.95	26.45	26.57	26.20
25.00	24.90	24.52	25.38	25.00	25.42	25.56	25.85	25.20
375	333	206	204	185	146	180	486	
26.35	26.33	26.26	26.40	26.69	26.93	26.78	26.90	26.20
25.33	25.53	25.30	25.86	25.82	26.11	26.19	26.20	26.20
142	157	216	114	107	100	98	138	

Edgar Filing: PIMCO NEW YORK MUNICIPAL INCOME FUND II - Form N-Q

Vol. (000)

Series Q

High (\$)

Low (\$)	26.39	26.54	27.04	26.85	26.85	27.04	27.12	27.49	27.49
	26.01	25.92	25.96	26.53	26.10	26.46	26.50	26.86	26.86
Vol. (000)	225	368	266	55	68	292	82	133	133

Series R

High (\$)

Low (\$)	26.60	26.68	26.74	26.93	26.88	26.90	27.30	27.48	27.48
	25.92	26.21	26.13	26.31	26.28	26.40	26.64	26.90	26.90
Vol. (000)	164	185	189	140	107	377	171	329	329

Series S

High (\$)

Low (\$)	26.25	26.20	26.04	26.25	26.22	26.20	26.25	26.25	26.25
	25.88	25.79	23.20	25.81	25.53	25.85	25.91	25.81	25.81
Vol. (000)	130	782	116	252	88	157	59	66	66

Series Y

High (\$)

Low (\$)	26.44	26.38	26.24	26.30	26.22	26.38	26.40	26.36	26.36
	26.14	25.91	25.75	26.00	25.74	26.09	26.10	25.77	25.77
Vol. (000)	725	191	77	81	76	187	37	147	147

Series AA

High (\$)

Low (\$)	26.39	26.43	26.27	26.35	26.29	26.42	26.49	26.49	26.49
	26.12	25.83	25.40	26.02	25.71	26.00	26.03	26.02	26.02
Vol. (000)	201	146	142	283	115	168	91	120	120

Series AC

High (\$)

Low (\$)	26.93	26.88	26.77	26.80	26.76	26.73	26.80	26.89	26.89
	26.55	26.23	25.90	26.24	25.92	26.35	26.43	26.35	26.35
Vol. (000)	200	139	214	78	131	171	117	103	103

Series AE

High (\$)

Low (\$)	27.61	27.52	27.34	27.41	27.34	27.46	27.65	27.60	27.60
	27.12	27.05	26.38	27.05	26.39	27.02	26.95	27.00	27.00
Vol. (000)	323	166	298	165	148	491	151	88	88

Table of Contents

	June 2011	July 2011	August 2011	Sept 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	March 2012	April 2012	May 2012	June 2012 ⁽¹⁾
Series AG													
High (\$)													
Low (\$)	27.56	27.55	27.39	27.43	27.16	27.50	27.75	27.69	27.56	27.18	27.14	26.91	26.80
	27.24	27.02	26.79	27.05	26.65	27.08	27.05	27.00	26.99	26.81	26.61	26.60	26.59
Vol. (000)	259	341	153	251	432	299	124	393	300	492	355	448	138
Series AI													
High (\$)													
Low (\$)	27.73	27.65	27.63	27.56	27.43	27.65	27.96	27.78	27.70	27.39	27.35	27.10	27.06
	27.32	27.10	26.84	27.15	26.70	27.11	27.10	26.32	26.94	27.08	26.77	26.75	26.75
Vol. (000)	320	266	235	208	190	563	123	202	259	243	165	238	116
Series AK													
High (\$)													
Low (\$)	27.73	27.68	27.50	27.62	27.29	27.64	27.78	27.80	27.73	27.42	27.36	27.10	26.98
	27.41	27.18	26.50	27.11	26.67	27.11	27.10	27.27	27.06	27.05	26.77	26.72	26.65
Vol. (000)	343	309	269	260	254	329	149	157	255	245	241	368	111

⁽¹⁾ The June 2012 data include trading prices and volume up to and including June 14, 2012.

Table of Contents

SUMMARY

The information in this Summary section is qualified by the more detailed information set forth in this prospectus supplement and the accompanying prospectus, as well as the applicable pricing supplement.

Issuer:	The Toronto-Dominion Bank (TD).
Interest Payment Dates:	The date or dates specified in the applicable pricing supplement. The applicable pricing supplement may specify that the interest dates are monthly, quarterly, semi-annually, annually or at other specified intervals, or that interest will be paid only at maturity.
Interest Payable:	Unless we specify otherwise in the applicable pricing supplement, the notes will bear interest at: <ul style="list-style-type: none"> a fixed rate, which may be zero; a floating rate; or a combination of both fixed and floating rates.
Payment at Maturity:	On the maturity date, you will receive the principal amount of your notes plus any accrued and unpaid interest.
Redemption:	If the applicable pricing supplement specifies that the notes are Redeemable, we may redeem the notes at a price specified in the applicable pricing supplement plus accrued and unpaid interest to the redemption date on any payment date on or after the date or dates specified in the applicable pricing supplement.
Put Option:	You will only have the right to require us to repurchase your notes prior to maturity if so specified in the applicable pricing supplement.
Clearance and Settlement:	Unless we specify otherwise in the applicable pricing supplement, through DTC (including through its indirect participants Euroclear and Clearstream as described under Book-Entry Procedures and Settlement in the accompanying prospectus).
Listing:	The notes will not be listed on any securities exchange.
Calculation Agent:	Unless we specify otherwise in the applicable pricing supplement, The Bank of New York Mellon.
Conflicts of Interest:	<p>TD Securities (USA) LLC is an affiliate of The Toronto-Dominion Bank. Financial Industry Regulatory Authority, Inc. (FINRA) Rule 5121 imposes certain requirements when a FINRA member, such as TD Securities (USA) LLC, distributes an affiliated company's securities. TD Securities (USA) LLC has advised The Toronto-Dominion Bank that each particular offering of notes in which it participates will comply with the applicable requirements of FINRA Rule 5121.</p> <p>TD Securities (USA) LLC is not permitted to sell notes in an offering to an account over which it exercises discretionary authority without the prior written approval of the customer to which the account relates.</p>

Table of Contents

RISK FACTORS

An investment in your notes is subject to the risks described below, as well as the risks described under **Risk Factors in the accompanying prospectus. You should carefully consider whether the notes are suited to your particular circumstances. This prospectus supplement should be read together with the prospectus and the applicable pricing supplement. The information in the prospectus is supplemented by, and to the extent inconsistent therewith replaced and superseded by, the information in this prospectus supplement and the applicable pricing supplement.** This section describes the most significant risks relating to the terms of the notes. We urge you to read the following information about these risks, together with the other information in this prospectus supplement and the prospectus and the applicable pricing supplement, before investing in the notes.

Risks Relating to the Notes in General

An Investment in the Notes Is Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes.

An investment in any of the notes issued under our medium-term note program, which are TD's senior unsecured debt securities, is subject to our credit risk. As a result, your receipt of each interest payment, if any, and the amount due on the maturity date is dependent upon TD's ability to repay its obligations as of each payment date. The existence of a trading market for, and the market value of, any of the notes may be impacted by market perception of our creditworthiness. If market perception of our creditworthiness were to decline for any reason, the market value of your notes, and availability of the trading markets generally, may be adversely affected. No assurance can be given as to what our financial condition will be at any time during the term of the notes, or at maturity.

The Interest Rate of Certain Types of Notes Is Not Certain for One or More Interest Periods, and May Be Zero or Very Low.

Except for any interest periods in which your notes will bear interest at a fixed rate, the interest rate for one or more interest periods during the term of the notes will not be known on the pricing date of your notes. Depending on the terms set forth in the applicable pricing supplement, it is possible that the applicable interest rate for one or more interest periods may be 0%, or if the rate is above 0%, it may be substantially less than the rate of interest that we would pay on conventional debt securities with a comparable term. You should carefully read the terms of the notes that will be set forth in the applicable pricing supplement in order to determine the extent to which the interest rate on your notes during any period may be so limited.

Even if your yield on the notes is positive, and even if your notes have a specified fixed rate of interest for one or more interest periods, your total yield may be less than the yield you would earn if you bought a standard senior non-callable debt security of TD with the same maturity date. The return on your investment may not compensate you for the opportunity cost when you take into account factors, such as inflation, that affect the time value of money.

Depending on the terms of your notes, you should, therefore, be prepared to realize no return at maturity over the principal amount of your notes.

Your Notes May Be Subject to Early Redemption.

Depending upon the terms of your notes, we may have the right to redeem them, or the notes may be automatically redeemable under some circumstances. If we have the right to redeem them, we will be more likely to do so as the rate of interest payable on your notes increases. If we redeem your notes, depending on the market conditions at the time of redemption, you may not be able to reinvest the redemption proceeds in a security with a comparable return.

Table of Contents

There May Not Be an Active Trading Market for the Notes Sales in the Secondary Market May Result in Significant Losses.

There may be little or no secondary market for the notes. The notes will not be listed on any securities exchange. TD Securities (USA) LLC and other affiliates of TD may make a market for the notes; however, they are not required to do so. TD Securities (USA) LLC or any other affiliate of TD may stop any market-making activities at any time. Even if a secondary market for the notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and asked prices for your notes in any secondary market could be substantial.

If you sell your notes before maturity, you may have to do so at a substantial discount from the issue price, and as a result, you may suffer substantial losses.

The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors.

The following factors, which are beyond our control, may influence the market value of your notes:

Changes in the level of the interest rate basis. For example, if you purchase floating rate notes, an increase in the level of the interest rate basis could cause a decrease in the market value of the notes. Conversely, a decrease in the level of the interest rate basis for any of the notes could cause an increase in the market value of the notes. However, if the level of the interest rate basis decreases and remains low, the likelihood of the notes being redeemed (if the notes are redeemable) would increase. In all cases, the level of the interest rate basis itself will be influenced by complex and interrelated political, economic, financial and other factors that can affect the money markets generally and the London interbank market or other applicable market in particular.

Changes in U.S. interest rates. In general, if U.S. interest rates increase, the market value of the notes may decrease, and if U.S. interest rates decrease, the market value of the notes may increase.

Volatility of the interest rate basis. Depending on the terms of your notes, if the size and frequency of fluctuations of the interest rate basis changes, the market value of the notes may decrease.

These factors may influence the market value of your notes if you sell your notes before maturity. Our creditworthiness, as represented by our credit ratings or as otherwise perceived in the market will also affect the market value of your notes. If you sell your notes prior to maturity, you may receive less than the principal amount of your notes.

For Certain Types of Notes, the Interest Rate Payable During the Initial Interest Period May Not Be Indicative of the Interest Rate Payable During Subsequent Interest Periods.

The interest rate of certain notes that we may offer with this prospectus supplement, may be based on a different rate during the initial interest period than in subsequent interest periods. In particular, during the interest period(s) where a fixed rate of interest (or other financial measure) applies, this fixed rate of interest (or other financial measure) may be higher than the floating rate of interest (or other financial measure) that will be applicable during subsequent interest period(s). As noted above, the interest rate during the interest period where a floating rate of interest is applicable is uncertain and could be as little as 0.0%.

The Interest Rate on the Notes Will Be Limited if the Notes have a Maximum Interest Rate.

If the applicable pricing supplement specifies that your notes have a maximum interest rate, the interest rate payable on your notes during any period will be limited to the maximum rate specified in the applicable pricing supplement. Therefore, the return you receive during any interest period may be less than what you would have received had you invested in a security that was not subject to a maximum interest rate.

Table of Contents

Trading Activities by TD or its Affiliates May Adversely Affect the Market Value of the Notes.

We or one or more affiliates may hedge our obligations under the notes by purchasing securities, futures, options or other derivative instruments with returns linked or related to changes in the level of the interest rate basis, and we may adjust these hedges by, among other things, purchasing or selling securities, futures, options or other derivative instruments at any time. It is possible that we or one or more of our affiliates could receive substantial returns from these hedging activities while the market value of the notes declines. We or one or more of our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of the applicable interest rate basis.

These trading activities may present a conflict between the holders' interest in the notes and the interests we and our affiliates will have in our or their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for our or their customers' accounts and in accounts under our or their management. These trading activities could be adverse to the interests of the holders of the notes.

Historical Levels of an Interest Rate Basis Should Not Be Taken as an Indication of the Future Levels of Such Rate.

The historical performance of an interest rate basis, which may be included in the applicable pricing supplement, should not be taken as an indication of the future performance of the interest rate basis during the term of the notes. Changes in the level of the interest rate basis will affect the trading price of the notes, but it is impossible to predict whether the level of the interest rate basis will rise or fall.

Significant Aspects of the U.S. Tax Treatment of the Notes May Be Uncertain.

The U.S. tax treatment of the notes may be uncertain. We do not plan to request a ruling from the Internal Revenue Service regarding the tax treatment of the notes, and the Internal Revenue Service or a court may not agree with the tax treatment described in this prospectus supplement.

In addition, because the tax disclosure in this prospectus supplement has been prepared without regard to any particular offering of notes, the tax disclosure does not take into account the terms of any particular note. The U.S. federal income tax consequences of a note with terms that are not consistent with the assumptions made in the section entitled "Tax Consequences - United States Taxation" in this prospectus supplement may be significantly different from the anticipated tax treatment discussed in this document. You should therefore not rely on the disclosure in this prospectus supplement under "Tax Consequences - United States Taxation" with regard to an investment in any particular note because it does not take into account the terms of any particular note or the tax consequences of investing in or holding any particular note unless the applicable pricing supplement applicable to your notes indicates that you may so rely. There may also be other features or terms of any specific offering of notes that will cause the tax section in this prospectus supplement to be inapplicable to any specific offering of notes.

Please read carefully the section entitled "Tax Consequences - United States Taxation" in this prospectus supplement. You should consult your tax advisor about your own tax situation.

Non-U.S. Investors May Be Subject to Certain Additional Risks.

Unless otherwise specified in the applicable pricing supplement, the notes will be denominated in U.S. dollars. If you are a non-U.S. investor who purchases the notes with a currency other than U.S. dollars, changes in rates of exchange may have an adverse effect on the value, price or returns of your investment.

Table of Contents

Risks Relating to Floating Rate Notes

You Must Rely on Your Own Evaluation of the Merits of an Investment Linked to the Applicable Interest Rate Basis.

In the ordinary course of their business, our affiliates may have expressed views on expected movements in any interest rate basis, and may do so in the future. These views or reports may be communicated to our clients and clients of our affiliates. However, these views are subject to change from time to time. Moreover, other professionals who transact business in markets relating to any interest rate basis may at any time have significantly different views from those of our affiliates. For these reasons, you are encouraged to derive information concerning any applicable interest rate basis from multiple sources, and you should not rely solely on views expressed by our affiliates.

The Method Used by the Publisher of an Interest Rate Basis May Change in the Future.

The publisher of one or more of the interest rates basis for your notes may change the manner in which an interest rate basis is calculated. Any such changes could occur after the issue date of your notes, and may decrease the amounts of the payments that you receive on the notes. Unless otherwise set forth in the applicable pricing supplement, we will not have any obligation to compensate you for any reductions of this kind.

Floating Rates of Interest are Uncertain and Could be 0.0%.

If your notes are floating rate notes, no interest will accrue on the notes with respect to any interest period for which the applicable floating rate specified in the applicable pricing supplement is zero on the related interest rate reset date. Floating interest rates, by their very nature, fluctuate, and may be as low as 0.0%. Also, in certain economic environments, floating rates of interest may be less than fixed rates of interest for instruments with a similar credit quality and term. As a result, the return you receive on your notes may be less than a fixed rate security issued for a similar term by a comparable issuer.

Changes in Banks' Inter-bank Lending Rate Reporting Practices or the Method Pursuant to which LIBOR is Determined May Adversely Affect the Value of Securities to which LIBOR Relates.

Concerns have been expressed that some of the member banks surveyed by the British Bankers' Association (the "BBA") in 2008 in connection with the calculation of daily LIBOR rates may have been under-reporting the inter-bank lending rate applicable to them in order to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may result from reporting higher inter-bank lending rates. As a result, the LIBOR rate-fixing process was changed by increasing the number of banks surveyed to set a LIBOR rate. The BBA is continuing its consideration of ways to strengthen the oversight of the process. Future changes adopted by the BBA in the method pursuant to which the LIBOR rates are determined may result in a sudden or prolonged increase or decrease in the reported LIBOR rates, which may adversely affect the level of interest payments and the value of the notes.

Risks Relating to Notes Denominated or Payable in or Linked to a Non-U.S. Dollar Currency

If you intend to invest in a non-U.S. dollar note (e.g., a note whose principal and/or interest is payable in a currency other than U.S. dollars or that may be settled by delivery of or reference to a non-U.S. dollar currency or property denominated in or otherwise linked to a non-U.S. dollar currency) you should consult your own financial and legal advisors as to the currency risks entailed by your investment. Notes of this kind may not be an appropriate investment for investors who are unsophisticated with respect to non-U.S. dollar currency transactions.

Table of Contents

An Investment in a Non-U.S. Dollar Note Involves Currency-Related Risks.

An investment in a non-U.S. dollar note may entail significant risks that may not be associated with a similar investment in a note that is payable solely in U.S. dollars and where settlement value is not otherwise based on a non-U.S. dollar currency. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by foreign governments. These risks generally depend on factors over which we have no control, such as economic, military and political events and the supply of and demand for the relevant currencies in the global markets.

Changes in Currency Exchange Rates Can Be Volatile and Unpredictable.

Rates of exchange between the U.S. dollar and other currencies have been volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a note denominated in a specified currency other than U.S. dollars. Depreciation of the specified currency against the U.S. dollar could result in a decrease in the U.S. market value of your note, including the principal payable at maturity. That in turn could cause the market value of the note to fall. Depreciation of the specified currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

Government Policy Can Adversely Affect Foreign Currency Exchange Rates and an Investment in a Non-U.S. Dollar Note.

Foreign currency exchange rates can either float or be fixed by sovereign governments. From time to time, governments use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-U.S. dollar notes is that their yields or payouts could be significantly and unpredictably affected by governmental actions. Even in the absence of governmental action directly affecting currency exchange rates, political, military or economic developments in the country issuing the specified currency for a non-U.S. dollar note or elsewhere could lead to significant and sudden changes in the exchange rate between the U.S. dollar and the specified currency. These changes could affect the value of the note as participants in the global currency markets move to buy or sell the specified currency or U.S. dollars in reaction to these developments.

Governments have imposed from time to time and may in the future impose exchange controls or other conditions, including taxes, with respect to the exchange or transfer of a specified currency that could affect exchange rates as well as the availability of a specified currency for a note at its maturity or on any other payment date. In addition, the ability of a holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions.

Information About Exchange Rates May Not Be Indicative of Future Performance.

If we issue a non-U.S. dollar note, we may include in the applicable pricing supplement a currency supplement that provides information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular note. In addition, the historical relationship between the U.S. dollar and the specified non-U.S. currency may not be an accurate proxy for the historical relationship between your own principal currency and that currency.

Table of Contents

In a Lawsuit for Payment on a Non-U.S. Dollar Note, an Investor May Bear Foreign Currency Exchange Risk.

The notes will be governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a note denominated in a foreign currency other than U.S. dollars would be required to render the judgment in the specified currency; however, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on a note denominated in a currency other than U.S. dollars, investors would bear currency exchange risk until judgment is entered, which could be a long time. You will therefore be exposed to currency risk with respect to both the U.S. dollar and, if applicable, the foreign currency.

In courts outside of New York, investors may not be able to obtain judgment in a specified currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar note in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency in which any particular note is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

Non-U.S. Dollar Notes Will Permit Us to Make Payments in U.S. Dollars or Delay Payment If We Are Unable to Obtain the Specified Currency.

Notes payable in a currency other than U.S. dollars will provide that, if the other currency is not available to us at or about the time when a payment on the notes comes due because of circumstances beyond our control, we will be entitled to make the payment in U.S. dollars or delay making the payment. These circumstances could include the imposition of exchange controls or our inability to obtain the other currency because of a disruption in the currency markets. If we make payment in U.S. dollars, the exchange rate we will use, unless otherwise specified in the applicable pricing supplement, will be based on the most recently available noon buying rate in New York City for cable transfers of the other currency, available from the Federal Reserve Bank of New York. The most recently available rate may be for a date substantially before the payment date. A determination of this kind may be based on limited information and would involve significant discretion on the part of the exchange rate agent, as specified in the applicable pricing supplement. As a result, the value of the payment in U.S. dollars an investor would receive on the payment date may be less than the value of the payment the investor would have received in the other currency if it had been available, or may be zero.

In addition, the unavailability of the specified non-U.S. currency will expose you to currency risks with respect to the U.S. dollar which would not have existed had the specified non-U.S. currency been available.

We Will Not Adjust Any Notes to Compensate for Changes in Foreign Currency Exchange Rates.

Except as set forth in the applicable pricing supplement, we will not make any adjustment or change in the terms of any note in the event of any change in exchange rates for the relevant currency, whether in the event of any devaluation, revaluation or imposition of exchange or other regulatory controls or taxes or in the event of other developments affecting that currency or any other currency. Consequently, investors in notes will bear the risk that their investment may be adversely affected by these types of events.

USE OF PROCEEDS

Except as otherwise set forth in a pricing supplement, the net proceeds from the sale of any notes will be added to our general funds and will be utilized for general corporate purposes.

Table of Contents

DESCRIPTION OF THE NOTES WE MAY OFFER

You should carefully read the description of the terms and provisions of the notes and our senior indenture under **Description of the Debt Securities** in the accompanying prospectus. That section, together with this prospectus supplement and the applicable pricing supplement, summarizes all the material terms of our senior indenture and your note. They do not, however, describe every aspect of our senior indenture and your note. For example, in this section entitled **Description of the Notes We May Offer**, the accompanying prospectus and the applicable pricing supplement, we use terms that have been given special meanings in our senior indenture, but we describe the meanings of only the more important of those terms. The specific terms of any series of notes will be described in the applicable pricing supplement. As you read this section, please remember that the specific terms of your note as described in your pricing supplement will supplement and, if applicable, may modify or replace the general terms described in this section. To the extent the information in the applicable pricing supplement is inconsistent with this prospectus supplement or the accompanying prospectus, the information in the applicable pricing supplement will supersede the conflicting information in this prospectus supplement or the accompanying prospectus. Thus, the statements we make in this section may not apply to your note.

General

The notes will be issued under our senior indenture, dated as of June 30, 2006, between TD and The Bank of New York Mellon (formerly known as The Bank of New York), as trustee, and as further amended from time to time, which we may refer to as the **indenture**. The notes constitute a single series of debt securities of TD issued under the indenture. The term **debt securities**, as used in this prospectus supplement, refers to all debt securities, including the notes, issued and issuable from time to time under the indenture. The indenture is subject to, and governed by, the Trust Indenture Act of 1939, as amended. The indenture is more fully described below in this section. Whenever we refer to specific provisions or defined terms in the indenture, those provisions or defined terms are incorporated in this prospectus supplement by reference. Capitalized terms which are not otherwise defined shall have the meanings given to them in the indenture.

The notes will be unlimited in aggregate principal amount and will be our direct, unsecured obligations. The notes will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States governmental agency or instrumentality.

We will offer the notes on a continuous basis through one or more agents listed in the section entitled **Supplemental Plan of Distribution** in this prospectus supplement or the applicable pricing supplement. The indenture does not limit the aggregate principal amount of senior notes that we may issue. We may, from time to time, without the consent of the holders of the notes, provide for the issuance of additional series of notes or other debt securities under the indenture in addition to the notes offered by this prospectus supplement. Each note issued under this prospectus supplement will have a stated maturity that will be specified in the applicable pricing supplement and may be subject to redemption or repayment before its stated maturity. As a general matter, each note will mature nine months or more from its date of issue. Notes may be issued at significant discounts from their principal amount due on the stated maturity (or on any prior date on which the principal or an installment of principal of a note becomes due and payable, whether by the declaration of acceleration, call for redemption at our option, repayment at the option of the holder or otherwise), and some notes may not bear interest. We may from time to time, without the consent of the existing holders of the relevant notes, create and issue further notes having the same terms and conditions as such notes in all respects, except for the issue date, issue price and, if applicable, the first payment of interest thereon.

Unless we specify otherwise in the applicable pricing supplement, currency amounts in this prospectus supplement are expressed in U.S. dollars. Unless we specify otherwise in the applicable pricing supplement, the notes will be denominated in U.S. dollars and payments of principal, premium, if any, and any interest on the

Table of Contents

notes will be made in U.S. dollars. If any note is to be denominated other than exclusively in U.S. dollars, or if the principal of, premium, if any, or any interest on the note is to be paid in one or more currencies (or currency units) other than that in which that note is denominated, additional information (including authorized denominations and related exchange rate information) will be provided in the applicable pricing supplement. Unless we specify otherwise in the applicable pricing supplement, notes denominated in U.S. dollars will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Interest rates that we offer on the notes may differ depending upon, among other factors, the aggregate principal amount of notes purchased in any single transaction. Notes with different variable terms other than interest rates may also be offered concurrently to different investors. We may change interest rates or formulas and other terms of notes from time to time, but no change of terms will affect any note we have previously issued or as to which we have accepted an offer to purchase.

Each note will be issued as a book-entry note in fully registered form without coupons. Each note issued in book-entry form may be represented by a global note that we register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depository. Unless we specify otherwise in the applicable pricing supplement, The Depository Trust Company, New York, New York, will be the depository for all notes in global form. Except as discussed in the accompanying prospectus under Book-Entry Procedures and Settlement, owners of beneficial interests in book-entry notes will not be entitled to physical delivery of notes in certificated form. We will make payments of principal of, and premium, if any and interest, if any, on the notes through the trustee to the depository for the notes.

Types of Notes

We may issue the following types of notes:

Fixed Rate Notes. A note of this type will bear interest at a fixed rate described in the applicable pricing supplement. This type includes zero-coupon notes, which bear no interest and are instead issued at a price lower than the principal amount.

Floating Rate Notes. A note of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. The various interest rate formulas and these other features are described below in Interest Rates Floating Rate Notes. If your note is a floating rate note, the formula and any adjustments that apply to the interest rate will be specified in the applicable pricing supplement.

Fixed-to-Floating Rate Notes. A note of this type will bear interest at both a fixed rate described in the applicable pricing supplement for a certain period of time and at a floating rate for another certain period of time determined by reference to an interest rate formula. We refer to these notes as fixed-to-floating rate notes. The rate for the floating-rate period(s) for a fixed-to-floating rate note will be set, calculated and paid in the same manner as for floating rate notes, as described in this prospectus supplement. Any references to or discussion of floating-rate notes in this prospectus supplement also applies to the floating-rate period(s) of fixed-to-floating rate notes.

Floating-to-Fixed Rate Notes. A note of this type will bear interest at both a floating rate described in the applicable pricing supplement for a certain period of time and at a fixed rate for another certain period of time determined by reference to an interest rate formula. We refer to these notes as floating-to-fixed rate notes. The rate for the floating-rate period(s) for a floating-to-fixed rate note will be set, calculated and paid in the same manner as for floating-rate notes, as described in this prospectus supplement. Any references to or discussion of floating-rate notes in this prospectus supplement also applies to the floating-rate period(s) of floating-to-fixed rate notes.

Table of Contents

Original Issue Discount Notes

A fixed rate note or a floating rate note may be an original issue discount note. A note of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount equal to its principal amount will be payable. An original issue discount note may be a zero-coupon note. A note issued at a discount to its principal may be considered for U.S. federal income tax purposes as issued with original issue discount, regardless of the amount payable upon redemption or acceleration of maturity. See **Tax Consequences – United States Taxation** in this prospectus supplement for a brief description of the U.S. federal income tax consequences of owning a note issued with original issue discount.

Information in the Pricing Supplement

Your pricing supplement will describe all relevant terms of your note not described in this prospectus supplement or the accompanying prospectus, including one or more of the following terms of your note:

the stated maturity;

the specified currency or currencies for principal and interest, if not U.S. dollars;

the price at which we originally issue your note, expressed as a percentage of the principal amount, and the original issue date;

whether your note is a fixed rate note or a floating rate note;

if your note is a fixed rate note, the annual rate at which your note will bear interest, if any, and the interest payment dates;

if your note is a floating rate note, the interest rate basis, which may be one of the interest rate bases described in **Interest Rates – Floating Rate Notes** below; any applicable spread or spread multiplier or initial, maximum or minimum rate; and the interest reset, determination, calculation and payment dates, all of which we describe under **Interest Rates – Floating Rate Notes** below;

if your note is an original issue discount note, the yield to maturity;

if applicable, the circumstances under which your note may be redeemed at our option before the stated maturity, including any redemption commencement date, redemption price(s) and redemption period(s);

if applicable, the circumstances under which you may demand repayment of your note before the stated maturity, including any repayment commencement date, repayment price(s) and repayment period(s);

any special Canadian or U.S. federal income tax consequences of the purchase, ownership or disposition of a particular issuance of notes;

the use of proceeds, if different than those discussed in this prospectus supplement; and

any other terms of your note, which could be different from those described in this prospectus supplement.

S-14

Table of Contents

Payment at Maturity

At maturity, unless otherwise set forth in the applicable pricing supplement, you will receive the principal amount of your notes, plus accrued and unpaid interest, if any, as described under **Interest Payments** below.

Maturity Date

The maturity date will be the date specified in the applicable pricing supplement, unless that date is not a business day, in which case the maturity date will be the next following business day. No interest will accrue past the maturity date specified in the applicable pricing supplement.

Interest

Each interest-bearing note will bear interest from its date of issue at the rate per annum, in the case of a fixed rate note, or pursuant to the interest rate formula, in the case of a floating rate note, in each case as specified in the applicable pricing supplement, until the principal thereof is paid. We will make interest payments in respect of fixed rate notes and floating rate notes in an amount equal to the interest accrued from and including the immediately preceding interest payment date in respect of which interest has been paid or from and including the date of issue, if no interest has been paid, to but excluding the applicable interest payment date or the maturity date, as the case may be (each, an **interest period**).

Interest on fixed rate notes and floating rate notes will be payable in arrears on each interest payment date and on the maturity date. The first payment of interest on any note originally issued between a regular record date and the related interest payment date will be made on the interest payment date immediately following the next succeeding record date to the registered holder on the next succeeding record date. Unless otherwise specified in the applicable pricing supplement, the **regular record date** shall be the fifteenth calendar day, whether or not a **business day**, immediately preceding the related interest payment date. **Business day** is defined below under **Interest Rates** **Special Rate Calculation Terms**. If the applicable pricing supplement specifies a different meaning for the term **business day**, we will use that modified definition in determining each interest payment date as well as the maturity date for your notes. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

Any payment on your note that would otherwise be due on a day that is not a business day may instead be paid on the next day that is a business day, with the same effect as if paid on the original due date. However, if the interest rate basis is LIBOR or EURIBOR, and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day. The term **business day** with respect to your note may have a different meaning than it does for other Series A notes.

Interest Rates

This subsection describes the different kinds of interest rates that may apply to your note, if it bears interest.

Fixed Rate Notes

The applicable pricing supplement will specify the interest payment dates for a fixed rate note as well as the maturity date. Unless otherwise specified in the applicable pricing supplement, interest, if any, on fixed rate notes will be computed on the basis of a 360-day year consisting of twelve 30-day months and, in the case of an incomplete month, the number of days elapsed.

Table of Contents

If any interest payment date, redemption date, repayment date or maturity date of a fixed rate note falls on a day that is not a business day, we will make the required payment of principal, premium, if any, and/or interest on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day.

Floating Rate Notes

In this subsection, we use several specialized terms relating to the manner in which floating interest rates are calculated. These terms appear in bold, italicized type the first time they appear, and we define these terms in **Special Rate Calculation Terms** at the end of this subsection.

The following will apply to floating rate notes.

Interest Rate Basis. We currently expect to issue floating rate notes that bear interest at rates based on one or more of the following interest rate bases:

commercial paper rate;

U.S. prime rate;

LIBOR;

EURIBOR;

Treasury rate;

CMT rate;

CD rate;

CMS rate; and/or

federal funds rate.

We describe each of the interest rate bases in further detail below in this subsection. If you purchase a floating rate note, your pricing supplement will specify the interest rate basis that applies to your note.

Index Maturity. The term **index maturity** means, with respect to a floating rate note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable pricing supplement.

Calculation of Interest. Calculations relating to floating rate notes will be made by the calculation agent, an institution that we appoint as our agent for this purpose. Unless we specify otherwise in the applicable pricing supplement, we have initially appointed The Bank of New York Mellon as our calculation agent for the notes. We may appoint a different institution to serve as calculation agent from time to time without your consent and without notifying you of the change.

Edgar Filing: PIMCO NEW YORK MUNICIPAL INCOME FUND II - Form N-Q

For each floating rate note, the calculation agent will determine, on the corresponding interest calculation date or on the interest determination date, as described below, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period that is, the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the

S-16

Table of Contents

calculation agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the floating rate note by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day by 360 or by the actual number of days in the year, as specified in the applicable pricing supplement.

Upon the request of the holder of any floating rate note, the calculation agent will provide for that note the interest rate then in effect and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent's determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a note will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, e.g., 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a floating rate note will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the interest rate basis that applies to a floating rate note during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as discussed below. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any agent participating in the distribution of the relevant floating rate notes and its affiliates, and they may include our affiliates.

Initial Interest Rate. For any floating rate note, the interest rate in effect from the original issue date to the first interest reset date will be the initial interest rate. We will specify the initial interest rate or the manner in which it is determined in the applicable pricing supplement.

Spread or Spread Multiplier. In some cases, the interest rate basis for a floating rate note may be adjusted:

by adding or subtracting a specified number of basis points, called the spread, with one basis point being 0.01%; or

by multiplying the interest rate basis by a specified percentage, called the spread multiplier.

If you purchase a floating rate note, your pricing supplement will indicate whether a spread or spread multiplier will apply to your note and, if so, the amount of the spread or spread multiplier.

Maximum and Minimum Rates. The actual interest rate, after being adjusted by the spread or spread multiplier, may also be subject to either or both of the following limits:

a maximum rate *i.e.*, a specified upper limit that the actual interest rate in effect at any time may not exceed; and/or

a minimum rate *i.e.*, a specified lower limit that the actual interest rate in effect at any time may not fall below.

If you purchase a floating rate note, your pricing supplement will indicate whether a maximum rate and/or minimum rate will apply to your note and, if so, what those rates are.

Table of Contents

Whether or not a maximum rate applies, the interest rate on a floating rate note will in no event be higher than the maximum rate permitted by New York law, as it may be modified by U.S. law of general application and the Criminal Code (Canada). Under New York law as in effect on the date of this prospectus supplement, the maximum rate of interest, with some exceptions, for any loan in an amount less than US\$250,000 is 16% per year on a simple interest basis; for any loan in the amount of US\$250,000 or more but less than US\$2,500,000 the maximum rate of interest is 25% per year on a simple interest basis; and for any loan in excess of US\$2,500,000, there is no limit on the maximum rate of interest, except for the Criminal Code (Canada), which limits the rate to 60%.

The rest of this subsection describes how the interest rate and the interest payment dates will be determined, and how interest will be calculated, on a floating rate note.

Interest Reset Dates. The rate of interest on a floating rate note will be reset, by the calculation agent described below, daily, weekly, monthly, quarterly, semi-annually or annually. The date on which the interest rate resets and the reset rate becomes effective is called the interest reset date. Unless we specify otherwise in the applicable pricing supplement, the interest reset date will be as follows:

for floating rate notes that reset daily, each business day;

for floating rate notes that reset weekly and are not treasury rate notes, the Wednesday of each week;

for treasury rate notes that reset weekly, the Tuesday of each week;

for floating rate notes that reset monthly, the third Wednesday of each month;

for floating rate notes that reset quarterly, the third Wednesday of each of four months of each year as indicated in the applicable pricing supplement;

for floating rate notes that reset semi-annually, the third Wednesday of the month indicated in the applicable pricing supplement;
and

for floating rate notes that reset annually, the third Wednesday of one month of each year as indicated in the applicable pricing supplement.

For a floating rate note, the interest rate in effect on any particular day will be the interest rate determined with respect to the latest interest reset date that occurs on or before that day. There are several exceptions, however, to the reset provisions described above.

If any interest reset date for a floating rate note would otherwise be a day that is not a business day, the interest reset date will be postponed to the next day that is a business day. For a LIBOR or EURIBOR note, however, if that business day is in the next succeeding calendar month, the interest reset date will be the immediately preceding business day. If a treasury bill auction will be held on any day that would otherwise be a reset date for a treasury note, then that reset date will instead be the business day immediately following that auction date.

Interest Determination Dates. The interest rate that takes effect on an interest reset date will be determined by the calculation agent by reference to a particular date called an interest determination date. Unless we specify otherwise in the applicable pricing supplement:

for commercial paper rate, federal funds rate and U.S. prime rate notes, the interest determination date relating to a particular interest reset date will be the second business day preceding the interest reset date;

Table of Contents

for LIBOR notes, the interest determination date relating to a particular interest reset date will be the second *London business day* preceding the interest reset date, unless the notes are denominated in pounds sterling, in which case the interest determination date will be the interest reset date. We refer to an interest determination date for a LIBOR note as a LIBOR interest determination date;

for EURIBOR notes, the interest determination date relating to a particular interest reset date will be the second *euro business day* preceding the interest reset date. We refer to an interest determination date for a EURIBOR note as a EURIBOR interest determination date;

for treasury rate notes, the interest determination date relating to a particular interest reset date, which we refer to as a treasury interest determination date, will be the day of the week in which the interest reset date falls on which treasury bills i.e., direct obligations of the U.S. government would normally be auctioned. Treasury bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that the auction may be held on the preceding Friday. If as the result of a legal holiday an auction is held on the following Tuesday or preceding Friday, that Tuesday or Friday will be the treasury interest determination date relating to the interest reset date occurring in the next succeeding week; and

for CD rate, CMT rate and CMS rate notes, the interest determination date relating to a particular interest reset date will be the second business day preceding the interest reset date.

The interest determination date pertaining to a floating rate note, the interest rate of which is determined with reference to two or more interest rate bases, will be the latest business day which is at least two business days before the related interest reset date for the applicable floating rate note on which each interest rate basis is determinable.

Interest Calculation Dates. As described above, the interest rate that takes effect on a particular interest reset date will be determined by reference to the corresponding interest determination date. Except for LIBOR notes and EURIBOR notes, however, the determination of the rate will actually be made on a day no later than the corresponding interest calculation date. Unless we specify otherwise in the applicable pricing supplement, the interest calculation date will be the earlier of the following:

the tenth calendar day after the interest determination date or, if that tenth calendar day is not a business day, the next succeeding business day; and

the business day immediately preceding the interest payment date or the maturity, whichever is the day on which the next payment of interest will be due.

The calculation agent need not wait until the relevant interest calculation date to determine the interest rate if the rate information it needs to make the determination is available from the relevant sources sooner.

Interest Payment Dates. The interest payment dates for a floating rate note will depend on when the interest rate is reset and, unless we specify otherwise in the applicable pricing supplement, will be as follows:

for floating rate notes that reset daily, weekly or monthly, the third Wednesday of each month;

for floating rate notes that reset quarterly, the third Wednesday of the four months of each year specified in the applicable pricing supplement;

Edgar Filing: PIMCO NEW YORK MUNICIPAL INCOME FUND II - Form N-Q

for floating rate notes that reset semi-annually, the third Wednesday of the two months of each year specified in the applicable pricing supplement; or

for floating rate notes that reset annually, the third Wednesday of the month specified in the applicable pricing supplement.

S-19

Table of Contents

Regardless of these rules, if a note is originally issued after the regular record date and before the date that would otherwise be the first interest payment date, the first interest payment date will be the date that would otherwise be the second interest payment date.

In addition, the following special provision will apply to a floating rate note with regard to any interest payment date other than one that falls on the maturity. If the interest payment date would otherwise fall on a day that is not a business day, then the interest payment date will be the next day that is a business day. However, if the floating rate note is a LIBOR note or a EURIBOR note and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day. If the maturity date of a floating rate note falls on a day that is not a business day, we will make the required payment of principal, premium, if any, and interest on the next succeeding business day, and no additional interest will accrue in respect of the payment made on that next succeeding business day.

Commercial Paper Rate Notes

If you purchase a commercial paper rate note, your note will bear interest at the interest rate equal to the commercial paper rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the commercial paper rate will be the money market yield of the rate, for the relevant interest determination date, for commercial paper having the index maturity indicated in the applicable pricing supplement, as published in H.15(519) prior to 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date under the heading **Commercial Paper Nonfinancial**.

If the commercial paper rate cannot be determined as described above, the following procedures will apply:

If the rate described above does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the commercial paper rate will be the money market yield of the rate, for the relevant interest determination date, for commercial paper having the index maturity specified in the applicable pricing supplement, as published in H.15 Daily Update under the heading **Commercial Paper Nonfinancial** or any other recognized electronic source used for displaying that rate.

If the rate described above does not appear in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the commercial paper rate will be the money market yield of the arithmetic mean of the following offered rates for U.S. dollar commercial paper that has the relevant index maturity specified in the applicable pricing supplement and is placed for a non-financial issuer whose bond rating is **AA**, or the equivalent, from a nationally recognized statistical rating organization: the rates offered as of 11:00 A.M., New York City time, on the relevant interest determination date, by three leading U.S. dollar commercial paper dealers in New York City selected by the calculation agent.

If fewer than three dealers selected by the calculation agent are quoting as described above, the commercial paper rate for the new interest period will be the commercial paper rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Table of Contents

U.S. Prime Rate Notes

If you purchase a U.S. prime rate note, your note will bear interest at an interest rate equal to the U.S. prime rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the U.S. prime rate will be the rate or base lending rate, for the relevant interest determination date, published in H.15(519) by 3:00 p.m., New York City time, opposite the heading **Bank Prime Loan**.

If the U.S. prime rate cannot be determined as described above, the following procedures will apply:

If the rate described above does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the U.S. prime rate will be the rate, for the relevant interest determination date, as published in H.15 Daily Update under the heading **Bank Prime Loan**, or another recognized electronic source used for the purpose of displaying that rate.

If the rate described above does not appear in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the U.S. prime rate will be the arithmetic mean of the following rates as they appear on the Reuters Screen US PRIME 1 page: the rate of interest publicly announced by each bank appearing on that page as that bank's prime rate or base lending rate, as of 11:00 A.M., New York City time, on the relevant interest determination date.

If fewer than four rates appear on the Reuters Screen US PRIME 1 page on the relevant interest calculation date, the U.S. prime rate will be the arithmetic mean of the prime rates or base lending rates, as of the close of business on the relevant interest determination date, of three major banks in New York City selected by the calculation agent. For this purpose, the calculation agent will use rates quoted on the basis of the actual number of days in the year divided by a 360-day year.

If fewer than three banks selected by the calculation agent are quoting as described above, the U.S. prime rate for the new interest period will be the U.S. prime rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

LIBOR Notes

If you purchase a LIBOR note, your note will bear interest at an interest rate equal to LIBOR, which will be the London interbank offered rate for deposits in U.S. dollars or any other index currency, as noted in the applicable pricing supplement. In addition, when LIBOR is the interest rate basis the applicable LIBOR rate will be adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, LIBOR will be determined in the following manner:

LIBOR will be the London interbank offered rate appearing on the **Reuters Page LIBOR01** as of 11:00 A.M., London time, on the relevant LIBOR interest determination date, for deposits in the relevant index currency having the relevant index maturity specified in the applicable pricing supplement, beginning on the relevant interest reset date.

Table of Contents

If Reuters Page LIBOR01 applies and the rate described above does not appear on that page, then LIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the relevant LIBOR interest determination date, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the calculation agent: deposits in the index currency having the relevant index maturity specified in the applicable pricing supplement, beginning on the relevant interest reset date, and in a **representative amount**. The calculation agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, LIBOR for the relevant LIBOR interest determination date will be the arithmetic mean of the quotations provided.

If fewer than two quotations are provided as described above, LIBOR for the relevant LIBOR interest determination date will be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., in the applicable **principal financial center**, on that LIBOR interest determination date, by three major banks in that financial center selected by the calculation agent: loans of the index currency having the relevant index maturity designated in the applicable pricing supplement, beginning on the relevant interest reset date and in a representative amount.

If fewer than three banks selected by the calculation agent are quoting as described above, LIBOR for the new interest period will be LIBOR in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

EURIBOR Notes

If you purchase a EURIBOR note, your note will bear interest at an interest rate equal to the interest rate for deposits in euro, designated as EURIBOR and sponsored jointly by the European Banking Federation and ACI the Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing that rate. In addition, when EURIBOR is the interest rate basis the EURIBOR base rate will be adjusted by the spread or spread multiplier, if any, specified in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, EURIBOR will be determined in the following manner:

EURIBOR will be the offered rate for deposits in euros having the index maturity specified in the applicable pricing supplement, beginning on the second euro business day after the relevant EURIBOR interest determination date, as that rate appears on Reuters Screen EURIBOR01 page as of 11:00 A.M., Brussels time, on the relevant EURIBOR interest determination date.

If the rate described above does not appear on Reuters Screen EURIBOR01 page, EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on the relevant EURIBOR interest determination date, at which deposits of the following kind are offered to prime banks in the **euro-zone** interbank market by the principal euro-zone office of each of four major banks in that market selected by the calculation agent: euro deposits having the relevant index maturity specified in the applicable pricing supplement, beginning on the relevant interest reset date, and in a representative amount. The calculation agent will request the principal euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant EURIBOR interest determination date will be the arithmetic mean of the quotations.

If fewer than two quotations are provided as described above, EURIBOR for the relevant EURIBOR interest determination date will be the arithmetic mean of the rates for loans of the following kind to leading euro-zone banks quoted, at approximately 11:00 A.M., Brussels time on that EURIBOR

Table of Contents

interest determination date, by three major banks in the euro-zone selected by the calculation agent: loans of euros having the relevant index maturity specified in the applicable pricing supplement, beginning on the relevant interest reset date, and in a representative amount.

If fewer than three banks selected by the calculation agent are quoting as described above, EURIBOR for the new interest period will be EURIBOR in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Treasury Rate Notes

If you purchase a treasury rate note, your note will bear interest at an interest rate equal to the treasury rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the treasury rate will be the rate for the most recent auction, on the relevant treasury interest determination date, of treasury bills having the index maturity specified in the applicable pricing supplement, as that rate appears on Reuters Screen USAUCTION 10/11 by 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, under the heading INVEST RATE. For purposes of this prospectus supplement, Reuters Screen USAUCTION 10/11 means the display on the Reuters (or any successor service) pages designated as USAUCTION 10 or USAUCTION 11 or any other page that replaces the applicable page on that service for the purpose of displaying the rate for the most recent auction of treasury bills.

If the treasury rate cannot be determined in this manner, the following procedures will apply:

If the rate described above does not appear on Reuters Screen USAUCTION 10/11 page by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, the treasury rate will be the bond equivalent yield of the rate, for the relevant interest determination date, for the type of treasury bill described above, as published in H.15 Daily Update, under the heading U.S. government securities/treasury bills (secondary market), or another recognized electronic source used for displaying that rate. The rate will be expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis.

If the rate described in the prior paragraph does not appear in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the treasury rate will be the bond equivalent yield of the auction rate, for the relevant treasury interest determination date and for treasury bills of the kind described above, as announced by the U.S. Department of the Treasury. The auction rate will be expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis.

If the auction rate described in the prior paragraph is not so announced by 3:00 P.M., New York City time, on the relevant interest calculation date, or if no such auction is held for the relevant week, then the treasury rate will be the bond equivalent yield of the rate, for the relevant treasury interest determination date and for treasury bills having a remaining maturity closest to the index maturity specified in the applicable pricing supplement, as published in H.15(519) under the heading U.S. government securities/treasury bills (secondary market) or in another recognized electronic source used for the purpose of displaying that rate. The rate will be expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis.

Table of Contents

If the rate described in the prior paragraph does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the treasury rate will be the rate, for the relevant treasury interest determination date and for treasury bills having a remaining maturity closest to the index maturity specified in the applicable pricing supplement, as published in H.15 Daily Update under the heading U.S. government securities/treasury bills (secondary market), or another recognized electronic source used for displaying that rate.

If the rate described in the prior paragraph does not appear in H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, the treasury rate will be the *bond equivalent yield* of the arithmetic mean of the following secondary market bid rates for the issue of treasury bills with a remaining maturity closest to the index maturity specified in the applicable pricing supplement: the rates bid as of approximately 3:30 P.M., New York City time, on the relevant treasury interest determination date, by three primary U.S. government securities dealers in New York City selected by the calculation agent.

If fewer than three dealers selected by the calculation agent are quoting as described in the prior paragraph, the treasury rate in effect for the new interest period will be the treasury rate in effect for the prior interest period. If the initial interest rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

CD Rate Notes

If you purchase a CD rate note, your note will bear interest at an interest rate equal to the CD rate and adjusted by the spread or spread multiplier, if any, indicated in the applicable pricing supplement.

Unless we specify otherwise in the applicable pricing supplement, the CD rate will be the rate, on the relevant interest determination date, for negotiable U.S. dollar certificates of deposit having the index maturity specified in the applicable pricing supplement, as published in H.15(519) prior to 3:00 p.m., New York City time, on the calculation date pertaining to the relevant interest determination date, under the heading CDs (Secondary Market).

If the CD rate cannot be determined in this manner, the following procedures will apply.

If the rate described above does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the CD rate will be the rate, for the relevant interest determination date for negotiable U.S. dollar certificates of deposit having the index maturity specified in the applicable pricing supplement, as published in H.15 Daily Update, under the heading CDs (secondary market) or another recognized electronic source used for displaying that rate.