

PIMCO INCOME STRATEGY FUND
Form DFAN14A
July 23, 2012

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Joint Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

PIMCO Income Strategy Fund
PIMCO Income Strategy Fund II

(Name of Registrant as Specified in its Charter)

Brigade Leveraged Capital Structures Fund Ltd.

Brigade Capital Management, LLC

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- | | |
|-----|---|
| (1) | Title of each class of securities to which transaction applies: |
| (2) | Aggregate number of securities to which transaction applies: |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |

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(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

On July 23, 2012, Brigade Capital Management, LLC issued a press release announcing that Institutional Shareholder Services (ISS) recommends change at the boards of PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II. A copy of the press release is attached hereto.

Leading Independent Proxy Advisory Firm Institutional Shareholders Services (ISS)
Recommends Change at the Boards of PIMCO Income Strategy Fund ("PFL") and PIMCO Income Strategy Fund II ("PFN")

ISS recommends that ARPS holders vote FOR Brigade's preferred shares trustee nominee

NEW YORK, NY, / Business Wire / -- July 23, 2012 - - Brigade Capital Management, LLC, or "Brigade", an investment advisor whose affiliates hold approximately 32.8% and 25.9% of the auction rate preferred shares of PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II, together, the "Funds", announced today that Institutional Shareholder Services, or "ISS", is recommending that the preferred shareholders of the Funds vote in favor of the election of Neal P. Goldman, Brigade's nominee, to serve as a preferred shares trustee of each of the Funds.

In its reports dated July 20, 2012, ISS concluded that "[s]upport of ARPS holders FOR Brigade's nominee, Neal P. Goldman, is warranted given that the nomination of Mr. Goldman would further influence the [Funds' boards] to provide liquidity for the holders of APRS and by the [Funds'] failure to provide liquidity to ARPS holders at levels consistent with, much less higher than, industry average." (1)

In response to ISS' reports, Donald E. Morgan, the managing member of Brigade, issued the following statement: "We are extremely pleased that ISS is endorsing change at the boards of the Funds by recommending Brigade's nominee for election to the boards of the Funds. We believe that ISS' recommendation provides independent validation that the boards should take action to immediately redeem the preferred shares. In this historically low interest rate environment, Brigade believes that there are a number of attractive financing alternatives to replace the preferred shares that the Funds should be exploring and that would be in the Funds' best interests."

VOTE THE GREEN PROXY CARD TO MAKE A DIFFERENCE IN THE FUNDS' FUTURE

Brigade urges all preferred shareholders to follow ISS' recommendation for change on the boards of the Funds – it is important that the preferred shareholders of the Funds return the GREEN proxy card and vote FOR Neal P. Goldman. The preferred shareholders of the Funds SHOULD NOT RETURN THE WHITE PROXY CARD or any other proxy card furnished to them on behalf of the Funds.

If you have already returned a proxy card, you have every right to change your vote by signing, dating, and returning a later dated GREEN proxy card or by voting in person at the upcoming annual meeting.

Investor Contact:

Alliance Advisors LLC
200 Broadacres Drive, 3rd floor
Bloomfield, NJ 07003
Call Toll Free: 877-777-8749;
Banks and Brokers Call Collect: 973-873-7710

(1) Permission to use quotations was neither sought nor obtained.

About Brigade Capital Management, LLC

Brigade Capital Management, LLC is an SEC-registered investment advisor whose products include long/short credit, distressed debt and traditional high yield. The firm is headquartered in New York and had \$9.2 billion under management as of July 1, 2012 across its various products and credit-themed strategies.

Additional Information

THE PARTICIPANTS IN ANY SOLICITATION OF PROXIES RELATING HERETO ARE THE SAME AS THE PARTICIPANTS IDENTIFIED IN THE DEFINITIVE PROXY STATEMENT FILED BY BRIGADE WITH RESPECT TO THE FUNDS ON JUNE 21, 2012 (THE "PROXY STATEMENT"). ACCORDINGLY, PREFERRED SHAREHOLDERS ARE ADVISED TO READ THE PROXY STATEMENT AND OTHER DOCUMENTS RELATED TO THE SOLICITATION OF PROXIES BY BRIGADE FROM THE PREFERRED SHAREHOLDERS OF THE FUNDS BECAUSE THEY CONTAIN IMPORTANT INFORMATION. PREFERRED SHAREHOLDERS MAY OBTAIN A COPY OF THE PROXY STATEMENT AT NO CHARGE ON THE SECURITIES AND EXCHANGE COMMISSION'S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov).