

PIMCO INCOME STRATEGY FUND
Form PREC14A
June 20, 2014

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.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

[PRELIMINARY COPY - SUBJECT TO COMPLETION DATED JUNE 20, 2014]

BRIGADE LEVERAGED CAPITAL STRUCTURES FUND LTD.
AND
BRIGADE CAPITAL MANAGEMENT, LLC

399 Park Avenue, Suite 1600, New York, NY 10022

[], 2014

Dear Fellow Preferred Shareholder:

Brigade Leveraged Capital Structures Fund Ltd. ("Brigade LCSF") and Brigade Capital Management, LLC ("Brigade CM" and, together with Brigade LCSF, "Brigade") are beneficial owners of Auction Rate Preferred Shares, par value \$.00001 per share (the "Preferred Shares") of PIMCO Income Strategy Fund ("PFL") and PIMCO Income Strategy Fund II ("PFN" and, together with PFL, the "Funds"). As of [], 2014, we beneficially owned 1,037 PFL Preferred Shares and 1,669 PFN Preferred Shares (45 of which are beneficially owned by a managed account of Brigade CM and 5 of which are beneficially owned by a private investment fund managed by Brigade CM), making us the second largest holder of Preferred Shares of each of the Funds. We believe that the Funds' current boards of trustees (except Alan Miller) (each, the "Board" and, together, the "Boards") have not acted in the best interests of the shareholders as discussed in further detail in the attached proxy statement. We are therefore seeking your support at the annual meeting of shareholders of each Fund (the "Annual Meeting") scheduled to be held at the offices of Allianz Global Investors Fund Management LLC, at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019 on July 31, 2014 at 10:30 a.m., Eastern Time, for the following matters:

1. to vote "FOR" the election of Alan Bruce Miller ("Mr. Miller") to serve as a Class I Preferred Shares trustee of PFL, to hold office for the term indicated and until his successor shall have been elected and qualified;
2. to vote "FOR" the election of Marti Murray ("Ms. Murray", each of Ms. Murray and Mr. Miller being a "Nominee" and, together, the "Nominees") to serve as a Class II Preferred Shares trustee of PFL, to hold office for the term indicated and until her successor shall have been elected and qualified;
3. to vote "FOR" the election of Ms. Murray to serve as a Class I Preferred Shares trustee of PFN, to hold office for the term indicated and until her successor shall have been elected and qualified;
4. to grant authority to vote for up to all of the Funds' nominees, as directed by you, other than Alan Rappaport (the Class I Preferred Shares trustee nominee of the PFL Board) and Bradford K. Gallagher (the Class II Preferred Shares trustee nominee of the PFL Board and the Class I Preferred Shares trustee nominee of the PFN Board), each to hold office for the term indicated and until his or her successor shall have been elected and qualified; and
5. to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Through the attached proxy statement, Brigade is soliciting proxies to elect not only the Nominees, but also up to all of the candidates who have been nominated by PFL and PFN, as directed by each Preferred Shareholder, other than Alan Rappaport and Bradford K. Gallagher. This enables you to use the enclosed proxy card to vote for the total

number of trustees up for election at the Annual Meeting. There is no assurance that any of the Funds' nominees will serve as trustees if the Nominees are elected.

Brigade is not seeking control of the Board. If elected, the Nominees, together with Mr. Miller in his capacity as a Preferred Shares trustee of PFN, a position to which he was elected at last year's annual meeting, will constitute only two of the trustees on the PFN Board and only two of the trustees on the PFL Board. There is no guarantee that the Nominees will be able to convince the Boards to approve a redemption of or offer to repurchase the Preferred Shares. However, Brigade believes that the Nominees' election to the Boards should send a strong message to the remaining incumbent trustees not previously nominated by Brigade that the holders of Preferred Shares are not satisfied with such trustees' management of the Funds and their treatment of the holders of preferred shares.

Brigade urges you to carefully consider the information contained in the attached proxy statement and then support its efforts by signing, dating, and returning the enclosed GREEN proxy card today. If you have already voted for the trustees 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 Annual Meeting. The attached proxy statement and the enclosed GREEN proxy card are first being furnished to the holders of preferred shares on or about [], 2014.

Thank you for your support,

/s/ Donald E. Morgan, III
Donald E. Morgan, III, Director of Brigade
Leveraged Capital Structures Fund Ltd. and
Managing Member of Brigade Capital
Management, LLC

If you have any questions, require assistance in voting your GREEN proxy card, or need additional copies of Brigade's proxy materials, please call the firm assisting us in the solicitation of proxies, Alliance Advisors, LLC, toll free at 855-973-0092.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting
The attached proxy statement and GREEN proxy card are available at the SEC's web site at www.sec.gov or by calling the firm assisting us in the solicitation of proxies, Alliance Advisors, LLC, toll free at 855-973-0092, banks and brokers at 973-873-7710, or by contacting a representative of Alliance Advisors, LLC at the following address: 200 Broadacres Drive, 3rd floor, Bloomfield, NJ 07003.

TABLE OF CONTENTS

INTRODUCTION	1
IMPORTANT VOTING INFORMATION	3
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	4
QUESTIONS AND ANSWERS RELATING TO THIS PROXY SOLICITATION	4
BACKGROUND TO AND REASONS FOR SOLICITATION	10
PROPOSAL: ELECTION OF TRUSTEES	12
OTHER PROPOSALS	15
SOLICITATION OF PROXIES	15
CERTAIN INFORMATION REGARDING BRIGADE AND MR. MORGAN	15
CERTAIN RELATIONSHIPS WITH THE FUNDS	15
CERTAIN ADDITIONAL INFORMATION	17
ANNEX A - INFORMATION CONCERNING THE PARTICIPANTS IN THE SOLICITATION	A-1

BRIGADE LEVERAGED CAPITAL STRUCTURES FUND LTD.
BRIGADE CAPITAL MANAGEMENT, LLC

PROXY STATEMENT

[], 2014

FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JULY 31, 2014

INTRODUCTION

This proxy statement and accompanying GREEN proxy card are being furnished to the preferred shareholders of PIMCO Income Strategy Fund ("PFL") and PIMCO Income Strategy Fund II ("PFN") (each, a "Fund" and, collectively, the "Funds") by Brigade Leveraged Capital Structures Fund Ltd., a Cayman Islands exempted company ("Brigade LCSF") and Brigade Capital Management, LLC, a Delaware limited liability company ("Brigade CM") (collectively, "Brigade" and sometimes referred to throughout this proxy statement as "we," "our" or "us") in connection with the solicitation of proxies from you, the holders of Auction-Rate Preferred Shares, par value \$.00001 per share of PFL and/or PFN (the "Preferred Shares" and, the holders thereof, the "Preferred Shareholders"), in connection with the meeting of the holders of common shares of PFL and PFN (the "Common Shares" and, the holders thereof, the "Common Shareholders" and, together with the Preferred Shareholders, the "Shareholders") and the Preferred Shareholders, including any and all adjournments, postponements, continuations or reschedulings thereof, or any other meeting of Shareholders held in lieu thereof (the "Annual Meeting").

The Annual Meeting is scheduled to be held on July 31, 2014, commencing at 10:30 a.m., Eastern Time, at the offices of Allianz Global Investors Fund Management LLC, at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019. The Board of Trustees of each Fund (each, the "Board" and, together, the "Boards") has fixed the close of business on May 30, 2014 as the record date (the "Record Date") for the determination of Shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournments or postponements thereof. This proxy statement and the accompanying GREEN proxy card are first being sent or given to all Preferred Shareholders as of the Record Date on or about [], 2014.

We intend to vote all solicited proxies at the Annual Meeting in order to take the following actions:

1. to vote "FOR" the election of Alan Bruce Miller ("Mr. Miller") to serve as a Class I Preferred Shares trustee of PFL, to hold office for the term indicated and until his successor shall have been elected and qualified;
2. to vote "FOR" the election of Marti Murray ("Ms. Murray", each of Ms. Murray and Mr. Miller being a "Nominee" and, together, the "Nominees") to serve as a Class II Preferred Shares trustee of PFL, to hold office for the term indicated and until her successor shall have been elected and qualified;
3. to vote "FOR" the election of Ms. Murray to serve as a Class I Preferred Shares trustee of PFN, to hold office for the term indicated and until her successor shall have been elected and qualified;
4. to grant authority to vote for up to all of the Funds' nominees, as directed by you, other than Alan Rappaport (the Class I Preferred Shares trustee nominee of the PFL Board) and Bradford K. Gallagher (the Class II Preferred

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Shares trustee nominee of the PFL Board and the Class I Preferred Shares trustee nominee of the PFN Board), each to hold office for the term indicated and until his or her successor shall have been elected and qualified; and

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

Please note that the Board of each Fund is nominating its own trustee nominees for election at the Annual Meeting. Under the proxy rules, we may (i) solicit proxies in support of our Nominees and also (ii) seek authority from you to vote for each Fund's nominees, other than those nominees of each Fund that we specify.

As a result, a Preferred Shareholder of each respective Fund may use the GREEN proxy card to vote for our Nominees as well as for up to all of the Funds' nominees, as directed by such Preferred Shareholder, or, alternatively, to withhold our authority to vote. We have determined to nominate Mr. Miller for election as a Class I Preferred Shares trustee of PFL, and Ms. Murray for election as a Class II Preferred Shares trustee of PFL and a Class I Preferred Shares Trustee of PFN, and are seeking authority to vote for up to all of the Funds' nominees, as directed by each Preferred Shareholder, other than Alan Rappaport (the Class I Preferred Shares trustee of the PFL Board) and Bradford K. Gallagher (the Class II Preferred Shares trustee nominee of the PFL Board and the Class I Preferred Shares trustee nominee of the PFN Board). As a result, should a Shareholder so authorize us on the GREEN proxy card, we would cast votes for our Nominees and up to all of the Funds' nominees, as directed by such Shareholder, other than Alan Rappaport and Bradford K. Gallagher. None of the Funds' nominees for whom we seek authority to vote have agreed to serve with our Nominees, if elected.

**WE URGE YOU TO VOTE THE GREEN PROXY CARD
"FOR" EACH OF ALAN BRUCE MILLER AND MARTI MURRAY FOR ELECTION AS A PREFERRED
SHARES TRUSTEE.**

The Shareholders of each Fund are expected to consider and vote on similar matters. Preferred Shareholders of each Fund will vote on the election of the Preferred Shares trustees, the election of two other trustees in the case of PFL and two other trustees in the case of PFN (which, for the avoidance of doubt, are to be elected by the Preferred Shareholders and the Common Shareholders voting together as a single class) and on any other matters as may properly come before the Annual Meeting or any adjournments or postponements thereof. An unfavorable vote on the election of Ms. Murray as a Preferred Shares trustee by the Preferred Shareholders of one Fund will not affect her election by the other Fund if the election is approved by the Preferred Shareholders of such other Fund. Further, an unfavorable vote of one Nominee as a Preferred Shares Trustee of PFL will not affect the election of the other Nominee.

Preferred Shareholders of each Fund as of the Record Date will be entitled to one vote per share on each matter on which they are entitled to vote, and a fractional vote with respect to fractional shares, with no cumulative voting rights in the election of trustees. At the Annual Meeting, the Preferred Shares trustees up for election for each Fund will be voted on exclusively by the Preferred Shareholders of such Fund. With respect to each other proposal to be brought before the Preferred Shareholders at the Annual Meeting (including the election of the other trustee nominees), the Preferred Shareholders will have equal voting rights (i.e., one vote per share) with each Fund's Common Shareholders and will vote together with such Fund's Common Shareholders as a single class as follows:

PFL: At the Annual Meeting, the Common and Preferred Shareholders of PFL, voting together as a single class, have the right to vote on the election of Hans W. Kertess and William B. Ogden, IV as trustees of PFL. The Preferred Shareholders of PFL, voting as a separate class, have the right to vote on the election of EITHER Alan Bruce Miller or Alan Rappaport as a Class I Preferred Shares trustee of PFL, and EITHER Marti Murray or Bradford K. Gallagher as a Class II Preferred Shares trustee of PFL.

PFN: At the Annual Meeting, the Common and Preferred Shareholders of PFN, voting together as a single class, have the right to vote on the election of Hans W. Kertess and John C. Maney as trustees of PFN. The Preferred Shareholders of PFN, voting as a separate class, have the right to vote on the election of EITHER Marti Murray or

Bradford K. Gallagher as a Class I Preferred Shares trustee of PFN.

According to the Funds' joint proxy statement (the "Proxy Statement"), on the Record Date for the Annual Meeting, there were 3,159 Preferred Shares of PFL issued and outstanding, 6,440 Preferred Shares of PFN issued and outstanding, 24,931,756 Common Shares of PFL issued and outstanding and 58,381,254 Common Shares of PFN issued and outstanding. As of the Record Date, Brigade LCSF and Brigade CM are the beneficial owners of 1,037 of the Preferred Shares of PFL and Brigade LCSF is the beneficial owner of 1,619 of the Preferred Shares of PFN. Brigade CM is the beneficial owner of 1,037 of the Preferred Shares of PFL and the beneficial owner of 1,669 of the Preferred Shares of PFN (45 of which are beneficially owned by a managed account of Brigade CM and 5 of which are beneficially owned by a private investment fund managed by Brigade CM). Neither Brigade LCSF nor Brigade CM is a direct record owner of any Preferred Shares of PFL or PFN. Details of Brigade's ownership of shares are set forth on Annex A attached hereto which is incorporated herein by reference.

For the reasons described in this proxy statement, we are soliciting your vote in an effort to seek new and more effective representation on the Board of each Fund. We believe that the Boards are not acting in the best interests of the Shareholders and urge the Preferred Shareholders to support more effective representation on the Boards by voting "FOR" our Nominees.

You may vote by mail by returning a properly executed proxy card or in person by attending the Annual Meeting. Shares represented by duly executed and timely delivered proxies will be voted as instructed on the proxy. If you execute and mail the enclosed proxy and no choice is indicated for the election of the trustees listed on the attached notice, your proxy will be voted in favor of the election of the nominees recommended by Brigade. At any time before it has been voted, your proxy may be revoked in one of the following ways: (i) by delivering a signed, written letter of revocation to the Secretary of the appropriate Fund at 1633 Broadway, New York, NY 10019; (ii) by properly executing and submitting a later dated proxy vote; or (iii) by attending the Annual Meeting and voting in person. We request that a copy of any revocation be sent to the firm assisting us in the solicitation of proxies, Alliance Advisors, LLC, at the following address: 200 Broadacres Drive, 3rd floor, Bloomfield, NJ 07003, so that we may be aware of any revocation of a proxy. Please call 1-800-254-5197 to obtain directions to be able to attend the Annual Meeting and vote in person. If any proposal, other than the election of trustees set forth herein, properly comes before the Annual Meeting, including any adjournment thereof, the persons named as proxies will vote on such proposals in their sole discretion.

Brigade will pay all costs of the solicitation of proxies on behalf of Brigade for the Annual Meeting. Any out-of-pocket expenses incurred in connection with the solicitation of votes for the Nominees will be borne by Brigade. Brigade does not intend to seek reimbursement of those costs from the Funds.

This proxy solicitation is being made by Brigade and not on behalf of the Board of each Fund or the management of each Fund.

Brigade urges you to sign, date and return the GREEN proxy card in favor of the election of the Nominees. If you have already signed and returned a proxy card furnished by the Funds, you may revoke that proxy and vote for the proposal described in this proxy statement by signing, dating and returning the enclosed GREEN proxy card. The latest dated proxy is the only one that counts. Any proxy may be revoked at any time before the Annual Meeting by delivering a written notice of revocation or a later dated proxy for the Annual Meeting or by voting in person at the Annual Meeting.

WHETHER OR NOT YOU INTEND TO ATTEND THE ANNUAL MEETING, YOUR PROMPT ACTION IS IMPORTANT. MAKE YOUR VIEWS CLEAR TO THE FUNDS BY AUTHORIZING A PROXY TO VOTE "FOR" OUR NOMINEES BY FOLLOWING THE INSTRUCTIONS ON THE ENCLOSED GREEN PROXY CARD TODAY.

YOUR VOTE IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW PREFERRED SHARES YOU OWN.

IMPORTANT VOTING INFORMATION

If your Preferred Shares are held in your own name, please authorize a proxy to vote your Preferred Shares by signing and returning the enclosed GREEN proxy card in the postage-paid envelope provided to you by us to 399 Park Avenue, 16th Floor, New York, NY 10022.

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If you hold your Preferred Shares in "street name" with a bank, brokerage firm, dealer, trust company or other nominee, only they can exercise your right to vote with respect to your Preferred Shares and they can do so only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to your bank, brokerage firm, dealer, trust company or other nominee to ensure that a GREEN proxy card is submitted on your behalf. Please follow the instructions to authorize a proxy to vote on the enclosed GREEN proxy card provided to you by us. If your bank, brokerage firm, dealer, trust company or other nominee provides for voting instructions to be delivered to them by Internet or telephone, instructions will be included with the enclosed GREEN proxy card.

PLEASE DO NOT RETURN ANY PROXY CARD YOU MAY RECEIVE FROM THE FUNDS OR OTHERWISE AUTHORIZE A PROXY TO VOTE YOUR PREFERRED SHARES AT THE ANNUAL MEETING, NOT EVEN AS A PROTEST VOTE. IF YOU HAVE ALREADY RETURNED A PROXY CARD TO THE FUNDS OR OTHERWISE AUTHORIZED A PROXY TO VOTE YOUR PREFERRED SHARES AT THE ANNUAL MEETING, IT IS NOT TOO LATE TO CHANGE YOUR VOTE. TO REVOKE YOUR PRIOR PROXY AND CHANGE YOUR VOTE, SIMPLY DATE, SIGN AND RETURN THE ENCLOSED GREEN PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED. ONLY YOUR LATEST DATED PROXY WILL BE COUNTED.

Only the Shareholders of record on the Record Date are entitled to vote at the Annual Meeting.

It is important that your Preferred Shares be represented and voted at the Annual Meeting. Accordingly, regardless of whether you plan to attend the Annual Meeting in person, please complete, date and sign the GREEN proxy card that has been provided to you by us (and not the WHITE proxy card that has been provided to you by the Funds or any other proxy card that has been provided to you) and vote "FOR" the election of Alan Bruce Miller and Marti Murray, and to grant authority to vote for up to all of the Funds' nominees, as directed by you, other than Alan Rappaport (the Class I Preferred Shares trustee nominee of the PFL Board) and Bradford K. Gallagher (the Class II Preferred Shares trustee nominee of the PFL Board and the Class I Preferred Shares trustee nominee of the PFN Board). To ensure that your vote is counted, please remember to submit your vote so that it is received by us by July 30, 2014.

If you have any questions, require assistance in voting your GREEN proxy card, or need additional copies of Brigade's proxy materials, please contact the firm assisting us in the solicitation of proxies: Alliance Advisors, LLC at:

Alliance Advisors, LLC
200 Broadacres Drive, 3rd floor
Bloomfield, NJ 07003
Shareholders May Call Toll-Free: 855-973-0092
Banks and Brokers May Call Collect: 973-873-7710

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains "forward-looking statements." Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," "seeks," "could" or the negative of such terms or other variations on such terms or comparable terminology. Similarly, statements that describe Brigade's objectives, plans or goals are forward-looking. Brigade's forward-looking statements are based on Brigade's current intent, belief, expectations and estimates regarding the Funds and regarding the industry in which they operate. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to differ materially. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results. Actual results may vary materially from what is expressed in or indicated by the forward-looking statements. This cautionary statement is applicable to all forward-looking statements contained in this proxy statement and the material accompanying this proxy statement.

QUESTIONS AND ANSWERS RELATING TO THIS PROXY SOLICITATION

The following are some of the questions you may have as a Preferred Shareholder, as well as the answers to those questions. The following is not a substitute for the information contained in this proxy statement. The information contained below is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this proxy statement, which we urge you to read carefully and in its entirety.

Who is making this solicitation?

Brigade LCSF is a Cayman Islands exempted company and Brigade CM is a Delaware limited liability company. The principal business of both Brigade LCSF and Brigade CM is to purchase, sell, trade and invest in securities.

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The solicitation for election of the Nominees at the Annual Meeting is being made by Brigade. Donald E. Morgan, III, a managing member of Brigade CM and a director of Brigade LCSF, is also a participant in the solicitation. For further information regarding Brigade and Mr. Morgan, please see Annex A attached hereto.

What are we asking you to vote for?

We are asking you to vote on the following actions on the GREEN proxy card:

1. to vote "FOR" the election of Alan Bruce Miller ("Mr. Miller") to serve as a Class I Preferred Shares trustee of PFL, to hold office for the term indicated and until his successor shall have been elected and qualified;

2. to vote "FOR" the election of Marti Murray ("Ms. Murray", each of Ms. Murray and Mr. Miller being a "Nominee" and, together, the "Nominees") to serve as a Class II Preferred Shares trustee of PFL, to hold office for the term indicated and until her successor shall have been elected and qualified;
3. to vote "FOR" the election of Ms. Murray to serve as a Class I Preferred Shares trustee of PFN, to hold office for the term indicated and until her successor shall have been elected and qualified;
4. to grant authority to vote for up to all of the Fund's nominees, as directed by you, other than Alan Rappaport (the Class I Preferred Shares trustee nominee of the PFL Board) and Bradford K. Gallagher (the Class II Preferred Shares trustee nominee of the PFL Board and the Class I Preferred Shares trustee nominee of the PFN Board), each to hold office for the term indicated and until his or her successor shall have been elected and qualified; and
5. to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Please see the sections entitled "Proposal: Election of Trustees" for a more complete description of the proposal.

Why are we soliciting your vote?

We are initiating this proxy solicitation because we believe that the Boards should take action to immediately redeem or offer to repurchase the Preferred Shares. We believe that due to the current historically low interest rate environment, there are very attractive financing alternatives to the Preferred Shares that could be used to approve a redemption of or an offer to repurchase the Preferred Shares. These very attractive financing alternatives would not be available in a rising interest rate environment should one develop and unlike the Preferred Shares would protect the Funds and their portfolios against such a rising interest rate environment. Accordingly, we believe that the Funds' trustees could pursue various financing opportunities to provide Preferred Shareholders with a redemption of or an offer to repurchase their securities while at the same time protecting the interests of the Common Shareholders of the Funds. We further believe that the Boards are not acting in the best interests of the Shareholders of the Funds or consistent with best corporate governance practices.

We have also expressed our concern with respect to the performance, investment strategy, concentration of investments in financial companies and corporate governance policies and practices of the Funds. In light of the foregoing, we nominated Mr. Miller to serve as a Class II Preferred Shares trustee of PFN for election at the Annual Meeting held on July 31, 2013. Mr. Miller currently serves as the Class II Preferred Shares trustee of PFN.

We continue to believe that the Boards are not acting in the best interests of the Shareholders. As a result, we are seeking new and more effective representation on the Boards by nominating the Nominees who we believe have exceptional experience and will bring fresh, independent perspectives and additional insights to the Boards. We urge the Preferred Shareholders to send a message to the Funds by voting "FOR" our Nominees, Alan Bruce Miller and Marti Murray.

Who are the Nominees?

We are proposing that Mr. Miller, our Nominee, be elected as a Class I Preferred Shares trustee of PFL, and that Ms. Murray, our other Nominee, be elected as a Class II Preferred Shares trustee of PFL and a Class I Preferred Shares trustee of PFN. Set forth below is the age, business address, business experience for the past five years of each Nominee and certain other information with respect to each Nominee. This information has been furnished to us by

each Nominee. In addition, the table below sets forth a brief discussion of the specific experience, qualifications, attributes and skills that led to the conclusion that each Nominee should serve as a Preferred Shares trustee for the Funds, as of the date hereof, in light of each Fund's business and structure.

Name and Principal Business Address	Age	Principal occupation or employment and directorships, in each case during the last 5 years
Alan Bruce Miller 767 Fifth Avenue New York, NY 10153	76	Mr. Miller co-founded and built the largest bankruptcy, finance and restructuring legal practice in the U.S. during the years between 1969 and 2005 and retired from his position as Senior Partner of Weil, Gotshal & Manges LLP in 2005. He led the restructuring efforts of large cases involving Investors Funding Corporation of New York; Texaco Pennzoil; Federated Department Stores and Macy's; Drexel Burnham Lambert; Braniff World Airways, Continental Airlines, Eastern Airlines, and American Airlines' acquisition of TWA; and Enron Corporation. Mr. Miller has counseled the boards and senior officers of client companies, as well as the officers of lenders, investors and other creditors as to their fiduciary and corporate governance obligations. Mr. Miller has held appointments as an independent member of the boards of directors of various entities since January 1, 2006, including: Trinity Place Holdings Inc.; Allion Healthcare, Inc. and its affiliates; Catalyst Paper Corporation; Eagle Hospitality Properties Trust, Inc. and its affiliates; United Retail Group, Inc. and its affiliates; Friendly Ice Cream Corporation; Big 10 Tire Stores Inc., Mervyn's Holdings, LLC, Chicago Loop Parking LLC, CEVA Group Plc and Ashley Stewart Holdings, Inc.
Marti Murray 350 Fifth Avenue New York, NY 10118	54	Ms. Murray has thirty years of experience in the financial services industry with specific expertise in the distressed debt and bankruptcy arenas. Ms. Murray was the founder, President and portfolio manager of Murray Capital Management, Inc., an SEC-registered investment advisor specializing in investment strategies in distressed debt, private claims, transitional high yield and special situation equities. Ms. Murray was also the co-founder of Murray & Burnaman, a financial advisory and litigation support firm, where she was active in financial restructuring consulting work for credit-focused investment management firms and litigation support relating to both bankruptcy and hedge-fund issues. Since 2012 when she joined Goldin Associates, a financial advisory services provider, as a Managing Director, Ms. Murray has, among other engagements, led the team advising Pulse Electronics in its recapitalization and supported the bankruptcy trustee in Fletcher International, the master-fund advised by Fletcher Asset Management.

In accordance with each Fund's Amended and Restated Declaration of Trust (each, the "Declaration"), the trustees of each Fund have been divided into the following three classes: Class I, Class II and Class III. This proxy statement is soliciting proxies to elect Mr. Miller as a Class I Preferred Shares trustee of PFL, Ms. Murray as a Class II Preferred Shares trustee of PFL and Class I Preferred Shares trustee of PFN, and to grant authority to vote for up to all of the Fund's respective nominees, as directed by you, other than Alan Rappaport (the Class I Preferred Shares trustee

nominee of the PFL Board) and Bradford K. Gallagher (the Class II Preferred Shares trustee nominee of the PFL Board and the Class I Preferred Shares trustee nominee of the PFN Board). Therefore, should a Preferred Shareholder so authorize us on the GREEN proxy card, we will cast votes for our Nominees as Preferred Shares trustees and all of the Funds' nominees, other than Alan Rappaport and Bradford K. Gallagher. None of the Funds' nominees for whom we seek authority to vote have agreed to serve with our Nominees, if elected.

If elected, the Nominees, together with Mr. Miller in his capacity as a Preferred Shares trustee of PFN, a position to which he was elected at last year's annual meeting, will constitute only two of the trustees on the PFN Board and only two of the trustees on the PFL Board and would not alone be able to adopt resolutions or otherwise cause the Board to act. However, the Nominees expect to be able to actively engage other trustees on the Boards in full discussion of the issues facing the Funds. By utilizing their experience, the Nominees believe they can effect positive change at the Funds. There is no guarantee that the Nominees will be able to enhance shareholder value.

According to the public filings of each Fund, the corporate governance guidelines of each of the Funds provide that determinations of independence shall be made in accordance with the criteria for independence required by the meaning of "interested person" (as defined in the Investment Company Act of 1940, as amended (the "1940 Act")). We believe the Nominees are independent within the meaning of the corporate governance guidelines of the Funds and the listing standards of the New York Stock Exchange ("NYSE"). In addition, we believe that the Nominees are independent under the heightened independence standards applicable to audit committee members under the rules of the NYSE and the Securities and Exchange Commission (the "SEC"). We do not believe the Nominees are or will be an "interested person" (as defined in the 1940 Act) of either of the Funds because the Nominees do not meet any of the criteria set forth in such definition.

You should refer to the Funds' Proxy Statement and form of proxy distributed by the Funds for the names, backgrounds, qualifications and other information concerning each Fund's nominees.

Who can vote at the Annual Meeting?

The Board has fixed the close of business on May 30, 2014 as the Record Date for the determination of Shareholders of each Fund entitled to notice of, and to vote at, the Annual Meeting, and any adjournments or postponements thereof. Shareholders of each Fund on the Record Date will be entitled to one vote per Common Share and one vote per Preferred Share (together, the "Shares") on each matter to which they are entitled to vote and that is to be voted on by Shareholders of the Fund, and a fractional vote with respect to fractional Shares, with no cumulative voting rights in the election of trustees.

The election of Preferred Shares trustees will be voted on exclusively by the Preferred Shareholders of each Fund. On each other proposal to be brought before the Annual Meeting (including the election of the other trustee nominees), such Preferred Shareholders will have equal voting rights (i.e., one vote per Share) with such Fund's Common Shareholders and will vote together with Common Shareholders as a single class.

How do proxies work?

Brigade is asking you to appoint Mr. Miller and Ms. Murray as your proxy holders to vote your Preferred Shares at the Annual Meeting. You make this appointment by executing the enclosed GREEN proxy card. Giving us your proxy means you authorize the proxy holders to vote your Preferred Shares at the Annual Meeting, according to the directions you provide. Whether or not you are able to attend the Annual Meeting, you are urged to complete the enclosed GREEN proxy card and return it in the enclosed self-addressed, prepaid envelope. All valid proxies received prior to the Annual Meeting will be voted by the proxy holders. If you specify a choice with respect to any item by marking the appropriate box on the proxy, the Preferred Shares will be voted in accordance with that specification. IF NO SPECIFICATION IS MADE, THE PREFERRED SHARES WILL BE VOTED: (1) "FOR" THE ELECTION OF MR. MILLER TO SERVE AS A CLASS I PREFERRED SHARES TRUSTEE OF PFL; (2) "FOR" THE ELECTION OF MS. MURRAY TO SERVE AS A CLASS II PREFERRED SHARES TRUSTEE OF PFL; (3) "FOR" THE ELECTION OF MS. MURRAY TO SERVE AS A CLASS I PREFERRED SHARES TRUSTEE OF PFN; (4) "FOR" THE ELECTION OF UP TO ALL OF THE FUNDS' NOMINEES, AS DIRECTED BY YOU, OTHER THAN ALAN RAPPAPORT (THE CLASS I PREFERRED SHARES TRUSTEE NOMINEE OF THE PFL BOARD) AND BRADFORD K. GALLAGHER (THE CLASS II PREFERRED SHARES TRUSTEE NOMINEE OF THE PFL BOARD AND THE CLASS I PREFERRED SHARES TRUSTEE NOMINEE OF THE PFN BOARD) AS TRUSTEES; AND (5) TO TRANSACT SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.

We do not know of any other matters to be presented for approval by the Shareholders at the Annual Meeting. Unless you indicate otherwise on the GREEN proxy card, you also authorize your proxy holders to vote your Preferred Shares in their discretion on any matters not known by Brigade at the time this proxy statement was printed and that, under each of the Fund's Fourth Amended and Restated Bylaws (each, the "Bylaws"), may be properly presented for action by the Shareholders at the Annual Meeting.

What is the quorum requirement for the Annual Meeting?

A quorum for each Fund at the Annual Meeting will consist of the presence in person or by proxy of thirty percent (30%) of the total Shares of each Fund entitled to vote at the Annual Meeting. According to the Proxy Statement,

votes cast by proxy or in person at the Annual Meeting will be counted by persons appointed by PFL and PFN as tellers (the "Tellers") for the Annual Meeting. For purposes of determining the presence of a quorum for each Fund, the Tellers will count the total number of votes cast in favor of or in opposition to the proposal for that Fund, as well as Shares represented by proxies that reflect abstentions and "broker non-votes" (i.e., shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or the persons entitled to vote and the broker or nominee does not have the discretionary voting power on a particular matter). For a proposal requiring approval of a plurality of votes cast, such as the election of trustees, abstentions and broker non-votes will have no effect on the outcome. For a proposal requiring approval of a specific percentage of shares present or outstanding, abstentions or broker non-votes will have the same effect as a vote against the proposal. You may either vote for or withhold authority to vote for the Nominees. If you withhold authority to vote, your Preferred Shares will only be counted for purposes of establishing a quorum. Your broker is not permitted to vote your Preferred Shares on the proposal to elect the Nominees without receiving instructions from you. If you hold your Preferred Shares in your own name, you must vote such Preferred Shares in person or by proxy or they will not be voted.

In the event that a quorum is not present at the Annual Meeting, the persons named as proxies may propose one or more adjournments of the Annual Meeting after the date set for the original Annual Meeting, with no other notice than announcement at the Annual Meeting, to permit further solicitation of proxies with respect to the proposal. In addition, if, in the judgment of the persons named as proxies, it is advisable to defer action on the proposal, the persons named as proxies may propose one or more adjournments of the Annual Meeting with respect to the proposal for a reasonable time. Any adjournments with respect to the proposal will require the affirmative vote of a plurality of the Preferred Shares of PFL and PFN entitled to vote thereon present in person or represented by proxy at the session of the Annual Meeting to be adjourned. The persons named as proxies will vote the proxies that they are entitled to vote. The costs of any additional solicitation and of any adjourned session will be borne by the applicable Fund. Any proposals properly before the Annual Meeting for which sufficient favorable votes have been received by the time of the Annual Meeting will be acted upon and such action will be final regardless of whether the Annual Meeting is adjourned to permit additional solicitation with respect to any other proposal.

How many Preferred Shar